

Media Statement
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THE REGRESSION IN MUNICIPAL AUDIT OUTCOMES HIGHLIGHTS THE NEED FOR INTENSIFIED ACTIONS ON EXTRACTING ACCOUNTABILITY AND CONSEQUENCE MANAGEMENT

The South African Local Government Association (SALGA) has noted the Auditor General's (AG) 2018/19 MFMA Audit Outcomes General Report released on Wednesday, 1 July 2020. We would like to congratulate the twenty municipalities that have achieved clean audits for the period 2018/2019. Of the 257 municipalities 43% attained unqualified audit outcomes and manage over 60% of the overall budget of local government and have fairly represented their financial transactions and their performance.

In terms of oversight structures 77, 3% of Audit Committees and 67.7% of the Municipal Public Accounts Committees (MPAC's) were assed as functional and while we note the pockets of excellence we are deeply concerned about the continued regression in overall audit outcomes by the sector. This is a setback towards the vision to achieve a developmental local government built on the pillars of clean governance and financial accountability. The audit findings highlight a lack of accountability and consequence management by municipal leadership. The picture before us can only change if municipal management and leadership are held accountable to ensure that we strengthen our resolve of extracting accountability using the existing levers provided for in legislation.

The National Executive Committee (NEC) of SALGA at its special meeting on the 18 June, 2020 resolved to: communicate directly with Mayors and Accounting Officers of municipalities who have transgressed in terms of relevant legislation to demand accountability, call on municipalities to develop audit response plans that are to be monitored on a quarterly basis, conduct skills assessment in Municipal Finance units

and for Senior Managers to be subjected to professional bodies in their profession to oversee their professional conduct.

A multi-stakeholder audit steering committee consisting of SALGA, National Treasury and COGTA has been formed to monitor the implementation of municipal audit response plans and Circulars will be released to all Mayors to ensure that the transgressions are remedied as prescribed by the legislation. Treasury will also be encouraged to implement section 216 of the Constitution to withhold equitable share in order to address financial misconduct in municipalities.

The audit outcomes also indicate a deteriorating financial health status of municipalities, with as much as 31% of municipalities categorized as financially vulnerable. The current fiscal architecture of local government places a number of municipalities in a financially vulnerable position because their expenditure requirements exceeds their income. The underlying assumptions on the funding of municipalities as envisaged in the White Paper on Local Government have not materialised and this is supported by the findings by the AG on the R6, 29 billion deficit for the sector. This indicates the urgent need to speed up the review the fiscal framework of local government.

According to the AG's report *"Municipalities render services and deliver goods to consumers with the expectations that they will pay for them, however there has been a growing trend of established businesses and households across the chain showing signs of a diminishing ability to pay for these services or completely refusing to pay."* It is this culture of non-payment for municipal services that has resulted in consumer debtors of over R181 billion affecting the ability of municipalities to pay creditors on time. This amount includes intergovernmental debt of over R11 billion by government departments.

SALGA supports the amended Public Audit Act which will be critical in giving powers to the AG to enforce accountability and consequence management. Furthermore, SALGA commends the AG for his continued efforts in strengthening accountability and

highlighting the state of local government in managing the public purse as prescribed by the Municipal Finance Management Act (MFMA).

SALGA also calls upon law enforcement agencies to act expeditiously on the outcomes of their investigations as they relate to maladministration and we further call on political parties to hold their employees accountable.

ENDS

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