



CONSOLIDATED GENERAL REPORT
on the
LOCAL GOVERNMENT AUDIT OUTCOMES
2008-09



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



A U D I T O R - G E N E R A L
S O U T H A F R I C A

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"The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence."



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SECTION 1: FOREWORD

It is with pleasure that I present my 2008-09 general report to Parliament, provincial legislatures and municipal councils summarising the results of the audit outcomes of the six metropolitan municipalities and their related municipal entities, and of the other municipalities and municipal entities for the financial year ended 30 June 2009.

In the 2007-08 general report, I undertook to monitor commitments made and action plans implemented by the leadership to address qualification issues raised in the audit reports. This report reflects on the overall state of financial management and performance information in local government within the Republic. The report is also clear on the actions that were not performed, which include the basic day-to-day activities of the finance departments at the municipalities.

An overview of the audit outcomes has been presented to the Premiers' coordinating forum meetings with mayors in all nine provinces. This provided leadership with insight into issues underlying the results, thereby affording them the foresight to address the matters mentioned in this report. A similar presentation was made to the leadership of the metros.

Clean audit reports for local government will require dedicated attention by the leadership. To this end, the leadership of municipalities, with the support of provincial treasuries through the Municipal Support Programme (MSP), and the provincial departments of Cooperative Governance and Traditional Affairs (CoGTA) through the Management Assistance Programme (MAP), must continue to focus on the following three basic areas of financial and performance management in all municipalities:

- (i) Adequate leadership involvement and oversight that will set the tone at the top and create an environment conducive to good financial management and service delivery. By the end of June 2010 it is expected that the executive mayors, with assistance from my office, would have identified key controls aimed at achieving clean audit reports. My office will also review the effectiveness of the key controls within the municipalities on a quarterly basis and report thereon at the Premiers' Coordinating Forum meeting with the mayors.
- (ii) Effective governance arrangements must be in place and must ensure that proper risk management and adequate internal controls are maintained, including effective internal audit and audit committee functions. These functions must be strengthened through the appointment of appropriately qualified and competent persons to effectively discharge their responsibilities. Effective risk assessment management strategies, including fraud prevention, must be compiled. My office will review the effectiveness of governance arrangements as part of the annual external audit and report thereon in the annual regularity audit reports.
- (iii) A financial management environment must be equipped with the appropriate resources, appropriately qualified personnel as well as adequate financial management systems in order to produce accurate and complete financial statements and performance information. Such an environment must also be equipped with properly documented systems, policies and procedures that drive sustainable good practices, for example:
 - Adherence to basic financial controls throughout the financial year, i.e. (a) proper and regular filing of documents supporting all transactions, financial statements and management information, (b) daily processing of transactions, monthly reconciliations of accounts and continuous review thereof, and (c) the monthly preparation of schedules that support/analyse items in the financial records.
 - Producing reliable monthly financial statements and management information that must be

evaluated and monitored at appropriate leadership levels to enable quality decision-making and service delivery.

- Submission of an audit file in support of the amounts and disclosures in the annual financial statements to the external auditors on commencement of the annual audit process.

The process of achieving clean audits by 2014 was started when the Minister of Cooperative Governance and Traditional Affairs announced the “2009-2014 Operations Clean Audit Programme”. In line with the programme, coordinated by the national Department for CoGTA, the provincial departments for CoGTA, provincial treasuries and municipalities have committed to renew their efforts to oversee the ongoing implementation of credible action plans with clear milestones to address the 2008-09 and future audit findings with a view to achieving sustainable clean audit outcomes by 2014. My offices in the respective provinces are available to these strategic role players to share information and to provide insights.

The repeated commitments since 2006-07 by those charged with governance in the provinces to renew their endeavours to oversee the development and implementation of credible action plans, with clear milestones to address all audit findings, have been bearing fruit in the form of improved audit outcomes for the provinces over the past five years. However, in addition to these commitments, the focus must be on improving and institutionalising the fundamental elements of internal controls and implementing those identified key controls that would mitigate the risk of negative audit findings.

The achievement of clean audit reports by local government is certainly not beyond reach, and I am confident that this can be achieved if all role players join forces in a concerted and unwavering effort towards this goal. My office is also committed to this goal, and the senior leadership within my office have increased their visibility as well as their availability to assist the leadership by continuously highlighting the matters that need attention and by providing relevant and timely insights.



Auditor-General

Pretoria

May 2010

SECTION 2: EXECUTIVE SUMMARY

The executive summary which follows contains key issues and conclusions reached on each of the main sections of this report. The reader is encouraged to refer to the main body of this report for details.

Audit outcomes of municipalities (including metros) and municipal entities

Local government comprises six metros, 277 municipalities and 56 municipal entities. Overall, 215 (76%) municipalities and 46 (82%) municipal entities had submitted their financial statements for auditing by the legislative deadline of 31 August 2009.

The 2008-09 audit outcomes for 247 (87%) municipalities (including metros) and 48 (86%) municipal entities whose audits were finalised by 8 March 2010 are presented in this combined analysis, i.e. including those financial statements submitted after the legislated deadline, but finalised by 8 March 2010.

The audits of 36 (13%) municipalities (including metros) and eight (14%) municipal entities were not finalised by 8 March 2010 and their 2008-09 audit outcomes are therefore not included in this analysis. The audits of 34 (out of 38) municipalities and three (of the nine) municipal entities not included in the 2007-08 combined analysis were subsequently finalised and have been included in the comparative statistics presented in this report. The audits of four municipalities and six municipal entities are still outstanding for the 2007-08 financial year.

The 2008-09 combined audit outcomes for municipalities (including metros) and municipal entities are presented in the table below.

Table 1: Audit outcomes of municipalities (including metros) and municipal entities

Type of audit opinion	Municipalities (including metros)		Municipal entities	
	2008-09	2007-08	2008-09	2007-08
Disclaimer	81	110	4	5
Adverse	8	11	0	1
Qualified	47	63	4	9
Financially unqualified (with other matters)	107	91	38	33
Financially unqualified (with no other matters) – clean audit opinion	4	4	2	3
Total reported on	247	279	48	51
Total not finalised timeously	36	4	8	6
Total	283	283	56	57

Audit outcomes of municipalities (including metros)

Highlights of the 247 municipalities (excluding municipal entities) whose 2008-09 audit outcomes were analysed are as follows:

- The number of financial statements of municipalities and municipal entities that were financially unqualified increased by 15% over the previous year (from 131 to 151).
- The number of financially unqualified audit reports of district municipalities increased by 27% from 22 to 28. Sixty-one per cent of district municipalities are financially unqualified.
- The overall number for municipalities and municipal entities with financially qualified reports (disclaimed, adverse or qualified) decreased by 28%, from 199 in the previous year to 144 in the year under review. However, 27 (75%) of the 2008-09 audits still outstanding had been qualified in the previous year and the 28% decline in qualified reports reflected in the analysis at 8 March 2010 may therefore change once all outstanding audits have been completed.
- Fifty-three (21%) municipalities improved (of which 23 moved on from disclaimed or adverse).
- A total of 169 (68%) remained the same (of which 79 remained disclaimed or adverse).
- Twenty-five (10%) regressed (of which 10 regressed to disclaimed or adverse).
- The number of municipalities that obtained clean audit reports remained static at four.

A provincial analysis reveals the following salient aspects of the current year audit outcomes:

- The 53 municipalities that achieved improved audit outcomes are concentrated in KwaZulu-Natal (21%), Eastern Cape (18%) and Limpopo (17%). The majority of the 23 municipalities that reduced their number of disclaimed or adverse outcomes from the previous year are in Limpopo (seven) (2007-08: six), Eastern Cape (four) (2007-08: 10) and KwaZulu-Natal (three) (2007-08: 10).
- Of the 79 municipalities that remained disclaimed or adverse from the previous financial year, 17 (22%) are in the Free State, a further 17 (22%) in the Northern Cape and 15 (19%) in the Eastern Cape.
- The provinces with the most "worst case" opinions (disclaimer and adverse) are the Northern Cape (19, or 66% of municipalities in the province), the Free State (18, or 78% of municipalities in the province) and the Eastern Cape (17, or 47% of municipalities in the province).

Audit outcomes of municipal entities

Of the 57 municipal entities as in 2007-08, two were voluntarily liquidated during the year under review. In addition, two new entities were created, while one entity merged with another, bringing to 56 the total number of municipal entities in the year under review. Gauteng has the highest number of entities (26), and all of the entities are connected to the three metros in Gauteng.

An analysis of the 2008-09 audit outcomes of municipal entities is presented below:

- Of the 48 municipal entities analysed, the audit outcomes of 36 (77%) entities remained unchanged, eight (17%) improved and only three (6%) regressed. One of the two new municipal entities created during the year under review, was analysed.
- Unchanged audit outcomes include four that again obtained a disclaimed or adverse opinion.
- One metro-related entity in Gauteng was disclaimed.

The main issues preventing municipalities and municipal entities from obtaining clean opinions, i.e. financially unqualified (with no other matters), include pervasive material misstatements in the financial statements that are only corrected during the audit, non-compliance with laws and regulations and lapses in governance arrangements (internal audit, audit committees and risk management).

Status of completion of audits for the year ended 30 June 2009

The audits of 36 municipalities and eight municipal entities were not completed by the date of this combined analysis of 8 March 2010.

Two provinces (Eastern Cape and North West) account for 61%, i.e. 11 (25%) and 16 (36%) respectively, of the audits not finalised by 8 March 2010. The main reasons why audits were not timeously finalised are as follows: (i) The AGSA's internal quality assurance and monitoring process was not completed, (ii) Financial statements were submitted after the legislated deadline, (iii) Financial statements had not yet been submitted for auditing, and (iv) Prior year audits were outstanding due to non-submission of financial statements and unavailability of municipal management or staff during audits.

Five-year overview of audit outcomes of municipalities (including metros) and municipal entities

Two new municipalities and 22 new municipal entities were established during the past five years. During the 2008-09 financial year, one entity was incorporated into another while two entities were voluntarily liquidated, bringing to 19 the net increase in the number of municipal entities since 2004-05. Five-year highlights of audit outcomes are as follows:

- Over the five years from 2004-05, there has been a distinct improvement in the audit outcomes of municipalities and municipal entities, particularly in the category of qualified opinions, which decreased by 39% from 235 in 2004-05 to 144 for the current year.
- Provinces that made the most significant progress in reducing the number of disclaimed and adverse opinions over this five-year period are KwaZulu-Natal (59% reduction) and Eastern Cape (52 % reduction).
- The overall number of disclaimed and adverse audit opinions for municipalities and municipal entities increased in the Free State by 25% from 15 to 20 over this five-year period.
- One municipality (City of Cape Town) retained its financially unqualified (with no other matters) outcome.

This positive overall trend is mainly attributable to leadership involvement in improving financial management practices. Those municipalities and municipal entities that did not improve their audit outcomes had failed to address the "other matter" findings and qualified areas due to inadequate leadership involvement and oversight to timeously address (i) pervasive material misstatements in the financial statements, (ii) non-compliance with laws and regulations, as well as (iii) lapses in governance pertaining to the effectiveness of internal audit and audit committees.

Remedial action taken on audit outcomes of prior years

Section 4 of the report summarises (i) initiatives by strategic role players to address past audit outcomes, (ii) key internal focus area that should be addressed to improve audit outcomes, (iii) future commitments to achieve clean audit opinions, and (iv) AGSA commitments and initiatives to proactively influence audit outcomes.

Initiatives by strategic role players to address past audit outcomes

Provincial treasuries and CoGTA launched initiatives to assist municipalities to improve audit outcomes. These are summarised as follows:



Provincial treasuries

The provincial treasuries embarked on initiatives that included:

- Offering municipal support programmes to municipalities that received disclaimer and qualified audit opinions and support for other financial management initiatives
- Introducing capacity and competence-building projects to address the skills shortage challenges
- Providing training/support on GRAP implementation, information technology systems, financial statement preparation.

The Department of Cooperative Governance and Traditional Affairs (CoGTA)

Responses from CoGTA included the following:

- Launching Operation Clean Audit 2014 – which commits municipalities to improve audit outcomes by addressing past audit findings through appropriate action plans
- Promoting the establishment of Municipal Public Accounts Committees (MPACs), whose functions will include annual financial statement preparation, audit process management and overseeing municipal accountability in this regard.

Individual municipalities

The leadership of individual municipalities committed to developing, implementing and monitoring action plans with the objective of addressing audit findings.

Key internal focus areas that should be addressed to improve audit outcomes

In order for municipalities to achieve financially unqualified (with no other matters) opinions, i.e. clean audits, three focus areas must be addressed, namely leadership, financial and performance management and governance arrangements. These can be summarised as follows:

Leadership matters to be addressed include the following:

- Leadership to set the tone for financial management and accounting
- Guidance, monitoring and supervision by the leadership
- Commitment to implement corrective action in a timely manner
- Maintaining required level of staffing numbers and skills

Financial and performance management issues include the following:

- Preparation of monthly financial statements, including notes to the financial statements
- Basic internal controls must be implemented
- GRAP-readiness
- Adequacy of information systems

Governance matters requiring attention:

- Audit committee review of financial statements, performance information and risk assessments
- Internal audit scope of work and capacity

Future commitments to achieve clean audit reports

Commitments made by various stakeholders to achieve clean audit opinions are summarised as follows:

National Department of Cooperative Governance and Traditional Affairs (CoGTA), in partnership with the provincial treasuries and the Offices of the Premiers and SALGA, made the commitment/plans based on the Local Government Strategies approved by the provincial executive committees in terms of a 2014 Operation Clean Audit Initiative.

Municipalities have, generally, responded positively to the AGSA's message related to the three basic focus areas of financial management to achieve clean audit opinions, but challenges still remain in some. During the 2008-09 audit outcome debriefing sessions in March and April of 2010, executive mayors committed themselves to renew their endeavours to oversee the development and implementation of credible actions plans with clear milestones to address the 2008-09 audit findings.

Provincial roadshow commitments were secured in the various provinces from the honourable premiers, members of the executive, mayors, municipal managers and CFO's. These include (i) the premiers and mayors committing to renew their endeavours to oversee the development and implementation of credible actions plans with clear milestones to address all audit findings and (ii) The provincial executive committing to monitoring the implementation of future commitments by municipal leadership to achieving clean audit opinions.

The provincial treasuries will continue with initiatives that include (i) Offering municipal support programs to municipalities that received disclaimer and qualified audit opinions and support for other financial management initiatives and (ii) Facilitating capacity and competence building projects to address accounting skills shortage.

AGSA commitments and initiatives to proactively influence audit outcomes

The AGSA commitment to promoting clean audit reports includes providing mayors and municipal managers with a checklist that sets out key internal controls, noting any identified lack of or non-adherence to such controls. This document will provide the baseline of existing controls against which improvements will be monitored and reported to the mayors on a quarterly basis, after having been discussed with municipal managers. Matters that require the attention of the Premier and the relevant MECs will be escalated to facilitate speedy resolution through the Premiers' Coordinating Forums.

Analysis of audit areas qualified and root causes

The financial statements of 136 (55%) municipalities whose audits were completed were qualified [(2007-08: 184 (66%)]. The audits of 27 (15%) of the 184 municipalities that were qualified in the previous year had not been completed by 8 March 2010. The final number of municipalities whose financial statements will be qualified may well increase since the financial statements of many of the outstanding municipalities were qualified in the previous year.

Municipalities

The common areas qualified in the statement of financial position (balance sheet) were current assets (107 or 79%), capital assets (110 or 81%), liabilities (118 or 87%) and presentation and disclosure (90 or 66%). Significant movements in financial statement areas qualified are as follows:



- Qualifications on current assets (receivables, cash and bank) have increased as a percentage from 68% to 79%.
- Capital asset qualifications decreased from 89% of those municipalities qualified in the previous financial year to 81% of those qualified in the year under review. Provinces that have reduced their capital asset qualifications are Eastern Cape, Gauteng, Limpopo, Northern Cape and Western Cape.
- Qualifications relating to liabilities, although reduced in number from the previous year, have increased as a percentage of those qualified from 69% in the previous year to 87% and have now overtaken those of capital assets as the highest balance sheet qualification area.
- Eastern Cape had the most significant increase in the number of municipalities whose financial statements were qualified on liabilities, increasing from 14 to 26.
- Qualifications on liabilities primarily relate to incorrect accounting for financial leases, insufficient provision for debtor impairments, creditors and accruals at year-end, and VAT liability.

The common qualified areas in the statement of financial performance (income statement) were unauthorised, fruitless and wasteful and irregular expenditure (78 or 57%), revenue (93 or 68%) and expenditure (83 or 61%).

- Seventy-eight of the completed audits (2007-08: 67) were qualified on unauthorised, fruitless and wasteful and irregular expenditure. Municipalities in the Northern Cape accounted for the highest increase over the 2007-08 year, while Limpopo was the only province where a reduction occurred in the number of qualifications relating to this type of expenditure.
- Reasons for qualifications include overspending of budgets and non-disclosure or incomplete disclosure of fruitless and wasteful expenditure. Irregular expenditure includes non-compliance with procurement regulations.
- The percentage of municipalities that received qualifications relating to revenue has remained the same as for the previous year at 68%, although the number of financial statements attracting qualifications on revenue declined from 126 to 93. Qualifications were primarily due to a lack of supporting documentation to substantiate financial statement amounts relating to rates and taxes, electricity sales and traffic fines.
- Lack of sufficient and appropriate evidence for expenditure similarly remained in the same proportion as in the previous year (61%), although there was a decline in the number of municipalities from 112 to 83 of completed audits.

Municipal entities

Of the 48 audits finalised, eight municipal entities were qualified (2007-08: 15).

- The common areas in the statement of financial position (balance sheet) qualified were current assets (five or 63%), capital assets (six or 75%), liabilities (six or 75%) and presentation and disclosure (five or 63%).
- The common qualified areas in statements of financial performance (income statement) of municipal entities were unauthorised, fruitless and wasteful and irregular expenditure (four or 50%), revenue (five or 63%), and expenditure (six or 75%).

Qualifications of the financial statements of municipalities and municipal entities are attributed to (i) an inappropriate leadership tone and attitude towards the control environment, (ii) a lack of accounting disciplines, (iii) inadequate leadership supervision and monitoring of daily, weekly and monthly accounting processes, and (iv) poor record keeping. Inadequate GRAP implementation plans and the lack of reliable GRAP-compliant reporting systems have been a common root cause of the presentation and disclosure qualifications. The achievement of clean audit reports will require dedicated attention to the basics of

financial management and service delivery as well as monitoring of GRAP implementation plans, through (i) effective leadership, (ii) effective financial and performance management, and (iii) effective governance arrangements.

Emphasis of matter: Municipalities (including metros) and municipal entities

Matters that do not directly impact on the audit opinion, but which the reader of the financial statements should nevertheless take note of include the following:

Financial sustainability of municipalities and municipal entities: There are indications that some 59 (24%) municipalities analysed may not be financially sustainable without significant increases in the financial support received from National and/or provincial treasuries. The absence of such support may result in an interruption of the services provided by these municipalities to their communities. The majority of these municipalities are in Free State (13) and Northern Cape (13), followed by the Eastern Cape (12), Gauteng (seven) and KwaZulu-Natal (12).

Basis of accounting: Overall, 157 out of the 247 (64%) municipalities analysed had applied Standards of GRAP in the preparation of their financial statements. Standards of GRAP have been applied by all six metros, all 40 high-capacity municipalities, 71 medium-capacity (83%) and by 40 low-capacity municipalities (35%).

Material losses/impairments, unauthorised expenditure, fruitless and wasteful and irregular expenditure, including material underspending of budgets and unspent government grants: Details of material losses/impairments, unauthorised expenditure, fruitless and wasteful and irregular expenditure, including material underspending of budgets and unspent government grants by municipalities and municipal entities are summarised as follows:

- Material losses exceeding R5 billion was incurred by 65 (22%) auditees.
- Unauthorised expenditure exceeding R2,4 billion was incurred by 82 (28%) auditees.
- Fruitless and wasteful expenditure of R1 17,4 million was incurred by 92 (31%) auditees.
- Irregular expenditure amounting to some R2,3 billion was incurred by 139 (47%) auditees.
- Under spending of budgets amounting to R1,5 billion occurred at 28 (9%) auditees.
- Unspent government grants amounting to R1,6 billion occurred at 60 (20%) auditees.

Revision of previously issued financial statements: While none of the municipalities had to revise their previously issued financial statements, 123 (43%) municipalities and municipal entities had to restate some of the corresponding figures that were disclosed in financial statements, as a result of errors discovered during the year under review, relating to the previous period and/or changes in accounting policy by National Treasury.

Significant uncertainties: All provinces, except the Eastern Cape, had municipalities or entities that disclosed significant uncertainties in the financial statements. Twenty (8%) municipalities and two (5%) municipal entities have disclosed significant uncertainties in their financial statements, mainly relating to the uncertain outcomes of major litigation they were involved in at year end.

Other matters: Municipalities (including metros) and municipal entities

"Other matters" that do not directly impact on the audit opinion are summarised below:



GRAP-readiness issues: One hundred and twenty-four (50%) municipalities and six (13%) municipal entities have GRAP-readiness issues. Provinces with the highest number of GRAP-readiness issues are the Eastern Cape (94%), Free State (83%), Northern Cape (69%) and Limpopo (97%). The common elements of GRAP implementation, root causes of GRAP-readiness issues and addressing these GRAP-readiness issues are dealt with in section 6.2 of this report.

Significant findings from the audit of information systems: Municipalities use a number of different computer systems for financial accounting purposes, which impact negatively on the cost of running and maintaining such systems, as well as the support and guidance that must be provided by the National and provincial treasuries regarding GRAP implementation. The AGSA conducted audits of computer information systems as part of the 2008-09 regularity audits of annual financial statements of 117 (39%) municipalities, including the six metros and six municipal entities. One hundred and twelve municipalities (96%) had findings.

All municipalities had several high-risk deficiencies in the general computer controls and user account management controls, which compromised the reliability of computer systems for financial reporting purposes, as well as the security around the data and the physical computers.

Service delivery monitoring and reporting issues: An analysis of the preparation, submission and approval of MFMA-prescribed service delivery and monitoring reports indicates that, overall, there has been a high level of compliance by municipalities and municipal entities. However, there has been a high level of non-compliance in respect of the management of performance information (refer to section 7 of this general report), which is indicative of a situation where the monitoring and verification of performance information, systems, processes and procedures by the councils, management, internal audit units and audit committees were not effective. The leadership of the municipalities should implement measures to ensure compliance with regard to the reporting, monitoring and evaluation of their own performance/service delivery objectives, as required by the MFMA. Appropriate governance arrangements also need to be implemented to assist the municipality in this regard. In addition, leadership should take responsibility for effective oversight and ensure that the daily activities are defined, and that adequate supervision and review processes are in place.

Non-compliance with laws and regulations: Material non-compliance with laws and regulations not affecting the financial statements was identified at 194 (85%) municipalities [2007-08: 185 (77%)] and at 35 (73%) municipal entities [2007-08: 26 (63%)]. Municipalities and entities should consider implementing self-assessment procedures through compliance checklists, together with ongoing review and monitoring by the CFOs and municipal managers to prevent lapses in compliance with laws and regulations. Furthermore, internal audit should review the adequacy of internal controls in this regard.

Pervasive material misstatements in financial statements: Most of the financial statements submitted for audit were of poor quality in that they had to be materially adjusted during the audit process. Material misstatements in the financial statements were identified and corrected at 163 (71%) municipalities [2007-08: 191 (80%)] and at 41 (85%) municipal entities [2007-08: 30 (73%)]. The pervasive material misstatements identified through the audits are mainly the result of a lack of supervision and review of monthly financial statements by the leadership, particularly the CFOs. The leadership of the municipalities did not create a control environment conducive to good financial management in this area. Moreover, municipal leadership did not adequately review the financial statements before submitting them for audit purposes, while the internal audit units and audit committees did not play an effective role in evaluating the controls and processes in respect of financial reporting.

Assistance from consultants was required by 204 (83 %) of the 247 municipalities on accounting-related services and the compilation of their financial statements. The use of consultants by municipalities for accounting-related services and the preparation of financial statements has become more prevalent since the introduction of Standards of GRAP. Consultants were used because of the unavailability of technical expertise or due to vacancies at municipalities. A marked improvement in outcomes due to the use of consultants was only noted in Gauteng [five out of seven (71%)] and Limpopo [eight out of 21 (38%)]. The remaining provinces showed improved outcomes varying between 8% and 20%.

Other reporting responsibilities

Audit of performance information

The objective of an audit of performance information (AoPI) is to enable the auditor to conclude whether the reported performance against predetermined objectives is reliable, accurate and complete, in all material respects, based on predetermined criteria. The AGSA has over the past five years held regular meetings, presentations and interactions with municipalities and municipal entities on its phasing-in approach to AoPI. Such phasing-in is aimed at rendering an audit opinion on performance information in the not-too-distant future. The three broad areas of reported performance information examined for the year under review were (i) compliance with regularity requirements, (ii) the usefulness of reported information, and (iii) the reliability of reported performance information. The key results of the audit of performance information are summarised in table 2 below:

Table 2: Summarised findings arising from the audit of performance information

Main findings	Percentage		Number	
	Municipalities	Municipal entities	Municipalities	Municipal entities
No-compliance with regularity requirements	91%	63%	222	24
Reported performance information not useful	57%	32%	86	14
Reported performance information not reliable	50%	31%	82	10
Performance information not submitted for audit	39%	13%	89	5

Overall comments on the audit of performance information findings at municipalities and municipal entities

- Two hundred and twenty-two (91%) out of 244 municipalities analysed, compared to 24 (63%) out of 38 municipal entities, had findings relating to non-compliance.
- Eighty-nine (39%) municipalities and five (13%) municipal entities did not submit performance information for audit.
- The findings for municipalities are significantly higher than for municipal entities.
- Metros fared significantly better than high-, medium- and low-capacity municipalities in all three broad areas audited.

Key findings on performance information of provinces areas are as follows:

- Significant findings were raised on the performance information of municipalities in all provinces.
- Twelve municipalities and 19 municipal entities, mainly in Gauteng, KwaZulu-Natal, Limpopo and Western Cape, did not have findings in any of the three broad areas examined.
- Municipalities in the Eastern Cape, Free State, North West and Western Cape had the most audit findings in all the three broad areas audited.

Performance audits, investigations and special audits

Performance audits were conducted on investment in infrastructure at City of Johannesburg, Ekurhuleni Metro, City of Tshwane Metro, Mogale City Local Municipality and Mangaung Local Municipality. The AGSA conducted investigations at Kouga, Nkonkobe and Ukhahlamba in the Eastern Cape and at Phumelela Local Municipality in Free State. Details of the stages of completion of these performance audits and investigations are provided under section 7.3 of this report. No special audits were performed by the AGSA for the year under review.

Consolidated financial statements and tabling of annual reports

The financial statements of 21 parent municipalities are required to be consolidated with 47 entities controlled by them in order to produce 21 sets of consolidated annual financial statements. The audits of the consolidated financial statements of Alfred Nzo, Kouga, Polokwane and Metsimaholo were not finalised, with the result that their consolidated annual financial statements were not audited.

- Eight (47%) of the finalised consolidated financial statements received a financially unqualified (with other matters) opinion, while six (35%) received a qualified audit opinion and two (12%) a disclaimer.

By the cut-off date for this combined analysis, namely 8 March 2010, 101 of 283 (36%) municipalities and nine of 56 (16%) municipal entities had not tabled their annual reports.

SECTION 3: AUDIT OUTCOMES FOR 2008-09

This section reflects on the audit outcomes of municipalities, metros and municipal entities for the year under review, and also provides a five-year review of audit outcomes. A full listing of audit outcomes is provided as annexure 1 to this report. Details of areas in the statements of financial position (balance sheet) and financial performance (income statement) which gave rise to qualifications, along with root causes, are presented in section 5 of this report.

3.1 Audit outcomes of municipalities (including metros) and municipal entities

Local government comprises six metros, 277 municipalities (44 high-capacity, 105 medium-capacity and 128 low-capacity municipalities) and 56 municipal entities. Overall, 215 (76%) municipalities and 46 (82%) municipal entities had submitted their financial statements for auditing by the legislated deadline of 31 August 2009.

This report presents the 2008-09 audit outcomes of 247 (87%) municipalities (including metros) and 48 (86%) municipal entities, including those that did not meet the legislated deadline but whose audits were finalised by our cut-off date of reporting, i.e. 8 March 2010.

The audits of 36 (13%) municipalities and eight (14%) municipal entities were outstanding as at 8 March 2010 (refer section 3.2).

3.1.1 Audit outcomes of municipalities (including metros) for the year under review

Table 3 below provides details of the 2008-09 audit outcomes of municipalities (including metros). The table also reflects the status of completion of the 2008-09 audits as at 8 March 2010.

Table 3: Audit outcomes of municipalities (including metros)

Type of audit opinion	2008-09	2007-08
Disclaimer	81	110
Adverse	8	11
Qualified	47	63
Financially unqualified (with other matters)	107	91
Financially unqualified (with no other matters) – clean audit opinion	4	4
Total reported on	247	279
Total not finalised timeously	36	4
Total	283	283



Highlights of the 247 municipalities whose 2008-09 audit outcomes were analysed are as follows:

- Only the following four municipalities received a clean audit opinion, i.e. financially unqualified (with no other matters):
 - Northern Cape (two): Frances Baard District Municipality and Kareeberg Municipality
 - Gauteng (one): City of Johannesburg Metro
 - Western Cape (one): City of Cape Town Metro
- The number of municipalities that received a financially unqualified opinion (with other matters) increased by 15% from 91 in the previous year to 107 in the year under review.
- The number of financially unqualified opinions (with or without other matters) increased to 45% (111 of 247 audits completed) from 34% in 2007-08 (95 of 279 audits completed).
- Overall, the audit outcomes of 53 (22%) municipalities improved, 169 (68%) municipalities retained the same outcomes and 25 (10%) regressed compared to the previous financial year.
- Gauteng, KwaZulu-Natal, Limpopo and the Northern Cape are the only provinces as at 8 March 2010 which achieved a net gain in the number of improved audit outcomes over the previous year.
- The net improvements/ regressions of other provinces will only be known once the outstanding audits have been finalised.
- The provinces with the highest number of “worst case” audit opinions (disclaimer and adverse) are the Northern Cape with 19 (66%), Free State with 18 (78%) and Eastern Cape with 17 (47%).

Movements in audit outcomes of the provinces for the year under review are reflected in table 4 below.

Table 4: Movements in audit outcomes per province: Municipalities (including metros)

Province	Unchanged	Improvement	Regression	Total no finalised timeously	Total
Eastern Cape	20	10	6	9	45
Free State	18	4	1	2	25
Gauteng	8	5	0	1	14
KwaZulu-Natal	41	11	8	1	61
Limpopo	18	9	2	1	30
Mpumalanga	10	3	4	4	21
Northern Cape	21	6	2	3	32
North West	8	3	0	14	25
Western Cape	25	2	2	1	30
Total	169	53	25	36	283

The movements in audit outcomes of municipalities (including metros) for 2008-09 are highlighted as follows:

Unchanged – 169 (68%)

A total of 169 (68%) municipalities (including metros) achieved the same audit outcome as in the 2007-08 financial year.

The unchanged outcomes are the following:

- Sixty-six (39%) retained their disclaimers. These were mainly in the Free State (15), Northern Cape (17) and Limpopo (12).
- Two (1%) retained their adverse audit opinions.
- Twenty-three audit opinions (14%) remained qualified.
- Seventy-five audit opinions (44%) remained financially unqualified (with other matters).
- Three municipalities (2%) retained their financially unqualified (with no other matters) audit opinions.

Improvements – 53 (22%)

Fifty-three municipalities improved on their 2007-08 audit outcomes, namely:

- Twenty-six (49%) municipalities improved: five (9%) moved from a disclaimer to adverse and 15 (28%) to qualified, while six (11%) municipalities registered a significant improvement, moving from a disclaimer to a financially unqualified (with other matters) audit opinion.
- Twenty-five (47%) improved from their previous qualified audit opinion to a financially unqualified (with other matters) opinion. These municipalities are mainly in KwaZulu-Natal (eight), the Eastern Cape (four) and Northern Cape (four).
- Only one municipality (2%) improved its audit opinion to financially unqualified (with no other matters) from financially unqualified (with other matters).
- One municipality moved from an adverse audit opinion to a qualified audit opinion.

Regression – 25 (10%)

Twenty-five municipalities' audit opinions regressed during the 2008-09 financial year, namely:

- Fifteen (60%) regressed to a disclaimed audit opinion, of which five were in the Eastern Cape and three in KwaZulu-Natal. Of the 15 that regressed to a disclaimer of opinion, one municipality in the Western Cape had received a financially unqualified (with other matters) opinion in the previous year.
- Eight (32%) municipalities regressed from a financially unqualified (with other matters) audit opinion to a qualified audit opinion.
- One municipality regressed to a financially unqualified (with other matters) audit opinion after receiving a financially unqualified (with no other matters) opinion in 2007-08.
- One municipality moved from a qualified audit opinion to an adverse audit opinion in 2008-09.

3.1.2 Municipal entities

Table 5 below reflects the audit outcomes of municipal entities.

Table 5: Audit outcomes of municipal entities

Type of audit opinion	2008-09	2007-08
Disclaimer	4	5
Adverse	0	1
Qualified	4	9
Financially unqualified (with other matters)	38	33
Financially unqualified (with no other matters) – clean audit opinion	2	3
Total reported on	48	51
Total not finalised timeously	8	6
Total	56	57

Changes in the number of municipal entities are as follows:

- In 2007-08, there were 57 entities of which two, namely (i) Philippi East Trading Centre, and (ii) Regional Electricity Distributor One, both in the Western Cape, had been liquidated voluntarily.
- Two new entities (Overstrand Local Economic Development Agency – Western Cape and Fezile Dabi District Municipality Trust – Free State) were created in 2008-09. The audit of one new entity was finalised late.
- One entity (Ertek – Gauteng) was incorporated into another entity (Erwat), bringing the total number of municipal entities to 56 as at June 2009.

Movement in the audit outcomes

- Of the 48 municipal entities analysed (including one new municipal entity analysed for the first time), the audit outcomes of eight (17%) improved, while the outcomes of 36 (75%) entities remained unchanged (four opinions remained disclaimed and three were again qualified) and three entities (6%) regressed. Details of the movements are contained in annexure 1 of this report.

Movements in audit outcomes of municipal entities for the provinces are reflected in table 6 below:

Table 6: Movement in audit outcomes per province: Municipal entities

Province	Unchanged	Improvement	Regression	New	Total not finalised timeously	Total
Eastern Cape	5	3	0	0	2	10
Free State	2	1	0	0	3	6
Gauteng	19	4	3	0	0	26
KwaZulu-Natal	5	0	0	0	1	6
Limpopo	2	0	0	0	0	2
Mpumalanga	0	0	0	0	0	0
Northern Cape	0	0	0	0	0	0
North West	1	0	0	0	2	3
Western Cape	2	0	0	1	0	3
Total	36	8	3	1	8	56

Unchanged – 36 (77%)

Thirty-six municipal entities achieved the same audit outcome as in the 2007-08 financial year. The unchanged outcomes were as follows:

- Four audit opinions (11%) remained disclaimed.
- Three audit opinions (8%) remained qualified.
- Twenty-nine audit opinions (81%) remained financially unqualified (with other matters) – which is one step away from a clean audit report.

Improvements – eight (17%)

Eight municipal entities improved on their audit opinions during the 2008-09 financial year:

- Five (63%) municipal entities improved from a qualified audit opinion to a financially unqualified (with other matters) opinion.
- Two municipal entities improved from a financially unqualified (with other matters) audit opinion to a financially unqualified (with no other matters) opinion, i.e. clean audit reports.
- One municipal entity improved from an adverse audit opinion to a qualified audit opinion.

Regression – three (6%)

Three City of Johannesburg Metro-related municipal entities (Johannesburg City Parks, Johannesburg Tourism Company and Johannesburg Water) regressed from a financially unqualified (with no other matters) opinion to a financially unqualified (with other matters) opinion.

The three entities were unable to sustain the clean audit opinions of the previous year mainly because the accounting officers and audit committees approved financial statements of a poor quality for audit

purposes, which resulted in material corrections by management during the audit.

The main issues preventing the municipalities and municipal entities from obtaining clean audit opinions, i.e. financially unqualified (with no other matters), included pervasive material corrections to the financial statements during the audit, non-compliance with laws and regulations and lapses in governance arrangements (internal audit, audit committees and risk management).

3.2 Status of completion of audits

Annexure 1 sets out the reasons why 44 audits (36 municipalities and eight municipal entities) were not completed at the date of this combined analysis. These entities have been excluded from the analysis in this general report.

The highest number of outstanding audit opinions as at 8 March 2010 were in (i) North West – 14 municipalities and two municipal entities (36%), and (ii) Eastern Cape – nine municipalities and two municipal entities (25%). Gauteng, Limpopo and the Western Cape each had only one audit opinion outstanding.

The main reasons for the outstanding audit opinions were the following:

- The AGSA's internal quality assurance and monitoring process was not completed (18%)
- Financial statements submitted after the legislated deadline (32%)
- Financial statements not yet submitted for auditing (36%)
- Prior year's audits outstanding due to a lack of skills among municipal staff to prepare annual financial statements, and unavailability of municipal management or staff (14%).

Details of the audits of four municipalities and six municipal entities that were still outstanding for the 2007-08 financial year are as follows:

- North West (five): Ditsobotla, Mamusa, Maquassi Hills, Moses Kotane Development Agency and SDN Economic Agency (Pty) Ltd
- Eastern Cape (two): Blue Crane Route Development Agency and Kouga Cultural Centre
- Free State (two): Tokologo and Krynaawlust Farming Trust
- KwaZulu-Natal (one): Uthukela Water (Pty) Ltd

3.3 Five-year overview of audit outcomes

A five-year review of the audit outcomes of all municipalities (including metros) and municipal entities is presented in table 7 below. Details of the audit opinions over five years are presented in annexure 2.

Table 7: Five-year overview of audit outcomes

Type of audit opinion	Municipalities (including metros)		Municipal entities	
	2008-09	2004-05	2008-09	2004-05
Disclaimer	81	134	4	9
Adverse	8	16	0	0
Qualified	47	70	4	6
Financially unqualified (with other matters)	107	59	38	16
Financially unqualified (with no other matters) – clean audit opinion	4	2	2	4
Total reported on	247	281	48	35
Total not finalised timeously	36	0	8	2
Total	283	281	56	37

- Two new municipalities (Bushbuckridge in Mpumalanga and Moshaweng in the Northern Cape) were established during the past five years.
- During the same period, 22 new municipal entities were established (Eastern Cape – six, Free State – four, Gauteng – seven, KwaZulu-Natal – one, North West – two and Western Cape – two).
- During the 2008-09 financial year, one entity (Ertek – Gauteng) was incorporated into another entity (Erwat) in the same province and two entities [Philippi East Trading Centre (Pty) Ltd and Regional Electricity Distributor One] in the Western Cape were liquidated voluntarily, bringing the net increase to 19 municipal entities.

Further analysis of the movement in audit outcomes is depicted in table 8 below.

Table 8: Five-year overview of audit outcomes per province

Province	Disclaimer		Adverse		Qualified		Financially unqualified (with other matters)		Financially unqualified (with no other matters)		Total	
	2008-09	2004-05	2008-09	2004-05	2008-09	2004-05	2008-09	2004-05	2008-09	2004-05	2008-09	2004-05
Eastern Cape	13	34	5	4	14	5	11	5	1	0	44	48
Free State	18	13	2	2	3	10	3	1	0	0	26	26
Gauteng	1	10	0	0	3	10	33	14	2	0	39	34
KwaZulu-Natal	9	22	0	0	8	21	48	20	0	3	65	66
Limpopo	13	15	0	5	9	5	9	7	0	0	31	32



Province	Disclaimer		Adverse		Qualified		Financially unqualified (with other matters)		Financially unqualified (with no other matters)		Total	
	2008-09	2004-05	2008-09	2004-05	2008-09	2004-05	2008-09	2004-05	2008-09	2004-05	2008-09	2004-05
Mpumalanga	4	6	0	1	5	4	8	9	0	0	17	20
Northern Cape	19	20	0	4	4	5	4	2	2	0	29	31
North West	4	19	1	0	4	4	3	3	0	0	12	26
Western Cape	4	3	0	0	1	13	26	15	1	2	32	33
Total	85	142	8	16	51	77	145	76	6	5	295	316

Over the last five years since 2004-05, there has been a distinct improvement in the audit outcomes of municipalities and municipal entities, particularly in the categories of disclaimed, adverse and qualified opinions, which decreased by 39% from 235 in 2004-05 to 144 for the year under review.

- Provinces that made the most significant strides in reducing the number of disclaimed and adverse opinions over this period are KwaZulu-Natal (59%) and the Eastern Cape (52%).
- The number of disclaimed and adverse opinions increased in the Free State by 25% from 15 to 20.
- Even with 44 audits still outstanding, provinces have over the past five years registered at least a 20% reduction in the number of disclaimed, adverse and qualified audit opinions.

Further highlights of movements in audit outcomes over the past five years are as follows:

- Improvements: 105 (92 municipalities and 13 municipal entities)
- Unchanged: 136 (122 municipalities and 14 municipal entities)
- Regressions: 34 (31 municipalities and three municipal entities)

Improvements (105)

The improved outcomes are the following:

- The highest number of improvements in audit outcomes were 28 (27%) in KwaZulu-Natal, 19 (18%) in Eastern Cape and 12 (11%) in Western Cape.
- Fifty-six municipalities (54%) improved from disclaimed to adverse (six), to qualified (19), financially unqualified (with other matters) (29) and to financially unqualified (with no other matters) (two).
- Forty-three (41%) improved from qualified to financially unqualified (with other matters) (42) and financially unqualified (with no other matters) (one).
- Five (5%) improved from adverse to qualified (three) and financially unqualified (with other matters) (two).
- One (1%) municipality improved from qualified to financially unqualified (with other matters).

Unchanged (136)

The unchanged outcomes are the following:

- Fifty-eight (42 %) remained disclaimed. These were mainly in the Northern Cape (17 or 29%), Eastern Cape (10 or 17%) and Free State (nine or 16%).
- Two (1%) remained adverse.
- Eighteen (13%) remained qualified.
- Fifty-seven (41%) remained financially unqualified (with other matters).
- One municipality (City of Cape Town) retained its financially unqualified (with no other matters) outcome.

Regressions (34)

The regressed outcomes are the following:

- The highest number of regressions were seven (21%) in the Free State, seven (21%) in KwaZulu-Natal and four (12%) in Eastern Cape.
- Twenty-two (61%) regressed to disclaimed [seven from adverse, 12 from qualified and three from financially unqualified (with other matters)].
- Four (12%) lost their clean audit opinions and regressed to financially unqualified (with other matters).
- Eight (24%) regressed to qualified from being financially unqualified (with other matters) in 2007-08.

Conclusion on the audit outcomes

While there has been a commendable improvement in the audit outcomes of the municipalities (including metros) and municipal entities, especially over the five-year period, it is important to note that there were only four municipalities and two municipal entities in the category financially unqualified (with no other matters), i.e. clean audit opinions.

The overall positive trend in audit outcomes is mainly ascribed to leadership involvement in improving financial management practices and the use of consultants who assisted with accounting-related services and the preparation of financial statements over the last two to three years.

Those municipalities and municipal entities that did not improve, had failed to address the “other matter” findings and areas that gave rise to qualifications, due to inadequate leadership involvement and oversight to successfully address, in particular, the pervasive material misstatements in the financial statements, the pervasive non-compliance with laws and regulations, as well as lapses in governance pertaining to the effectiveness of internal audit, audit committees and risk management.

Local government faces a significant challenge and will require a concerted effort, determination and commitment to achieve clean audit reports by 2014.

SECTION 4: REMEDIAL ACTION TAKEN ON AUDIT OUTCOMES OF PRIOR YEARS

This section summarises (i) initiatives by strategic role players to address past audit outcomes, (ii) key internal focus areas that should be addressed to improve audit outcomes, (iii) future commitments to achieve clean audit reports, and (iv) the AGSA's commitments and initiatives to proactively influence clean audit outcomes.

4.1 Initiatives by strategic role players to address past audit outcomes

During the Auditor-General's roadshows in February and March 2009 to present the 2007-2008 audit outcomes, the premiers made commitments to coordinate and monitor follow-up action plans by the MECs for local government and finance in their provinces to address audit qualifications. Details are provided in the respective provincial general reports. Additionally, the provincial treasuries and CoGTA had launched initiatives to assist municipalities to improve audit outcomes. These are summarised as follows:

Provincial treasuries

The provincial treasuries embarked on initiatives that included:

- offering municipal support programmes to municipalities that received disclaimers, adverse and qualified audit opinions and assistance with other financial management initiatives.
- introducing capacity and competency-building projects to address the skills shortage challenges.
- providing training and support on GRAP implementation, information technology systems, and financial statement preparation.
- facilitating internal audit units and audit committee up-skilling by the Institute of Internal Auditors.
- engaging with the AGSA on the audit process and audit matters.

The Department of Cooperative Governance and Traditional Affairs (CoGTA)

Responses from CoGTA included the following:

- Launching Operation Clean Audit 2014 – which commits municipalities to improved audit outcomes by addressing past audit findings through appropriate action plans.
- Initiating the establishment of Municipal Public Accounts Committees (MPACs), whose functions will include overseeing the submission of annual financial statements, reviewing audit reports and holding hearings to examine any audit issues not timeously addressed.
- Providing skills support in the finance and internal audit units (in some provinces in conjunction with DBSA).
- Participating in various forums to contribute towards improved audit outcomes.

Individual municipalities

The leadership of individual municipalities undertook to develop, implement and monitor action plans with a view to:

- addressing audit findings and recommendations
- monitoring the effectiveness of strategies to manage the risk of unreliable financial reporting and lack of service delivery

- promoting sound financial management
- enhancing oversight through audit committee oversight.

4.2 Key internal focus areas that should be addressed to improve audit outcomes

The impact of municipalities' interventions in response to the 2007-08 audit outcomes has been limited, given the repeat of similar audit findings in the 2008-09 financial year. The reason for not achieving improved audit outcomes is non-adherence by municipalities to the basics of financial management and service delivery, primarily through (i) effective leadership, (ii) effective financial and performance management, and (iii) effective governance arrangements.

Challenges regarding these three aspects of internal control include the following:

4.2.1 Leadership

Setting the right tone for financial management and accounting

- Lack of participation by leadership in the accounting and auditing process.
- Lack of accountability for prior year's negative results by incoming political leaders.
- Failure by the leadership of municipalities to deal expeditiously with documents that cannot be produced for audit.
- Ineffectiveness of recruitment, training and supervision of finance personnel.
- Lack of oversight of the implementation of a risk strategy and action plans to manage identified risks.

Guidance, monitoring and supervision by the leadership

- Key personnel in finance often have other commitments (meetings, forums, training, etc. unrelated to the financial management function) and as a result were not available on a day-to-day basis during the year. This resulted in inadequate supervision of daily activities of finance staff.
- Certain GRAP implementation plans did not have clearly defined milestones and were not monitored by the leadership on an ongoing basis.
- Lack of reliable in-year management information to enable effective monitoring of spending against the approved budget.
- Lack of assessment of whether the continued use of consultants for accounting-related services was the most economical way of addressing financial reporting needs, as well as a lack of monitoring of skills transfer by consultants employed by municipalities.
- Inappropriate tone set at the top by councils, CFOs and municipal managers concerning monitoring and supervision, and inadequate level of oversight of financial management and service delivery initiatives.

Commitments to implement timely corrective actions

- For certain municipalities and municipal entities that did not receive a clean audit report, management had failed to develop detailed action plans and/or the leadership had failed to monitor such plans.
- Where corrective plans were implemented, there was inadequate guidance, supervision and monitoring by the leadership to assess progress.
- The internal audit units and the audit committees did not assist the leadership (councils, CFOs and municipal managers) in providing periodic independent assurance on the implementation of the action plans.



Maintaining required level of staffing numbers and skills

- Failure by the leadership to adequately deal with the level of vacancies and instability at senior leadership level, i.e. municipal manager, CFO positions and acting positions.
- Ineffective recruitment, training and supervision of finance staff.

4.2.2 Financial and performance management

Preparation of monthly financial statements, including notes to the financial statements

- The majority of municipalities and entities do not produce monthly financial statements with notes supported by an audit file. As a result, the annual financial statements submitted by most municipalities and entities required material adjustments during the audit process.

Basic internal controls implemented

- For the municipalities and municipal entities with qualified audit opinions, there was still a lack of financial discipline in basic internal controls over financial management, such as authorisation, reconciliations and review of accounts.
- Lack of supporting documentation remains a significant reason for qualifications and disclaimers.
- Lack of processes to identify and prevent unauthorised, fruitless and wasteful and irregular expenditure.
- Common qualification areas are cash and cash equivalents, receivables, liabilities (provisions, payables, taxes and VAT), capital assets (as a result of inadequate asset registers), revenue and expenditure. These require closer attention during the year so that balances can be substantiated and disclosure notes readily prepared at year-end.
- Lack of ongoing monitoring of activities throughout the year, e.g. performance of basic internal controls such as reconciliations and monitoring of GRAP implementation plans, policies and procedures to substantiate account balances which lead to audit qualifications.
- The lack of understanding of GRAP by CFOs and employees within the finance sections, high vacancy levels, and lack of accountability by acting staff. In certain instances the problem relates to incompetence of consultants, lack of technical expertise within the municipalities, the absence of document management control, lack of accountability for prior year negative results, lack of knowledge and skills transfer to municipal staff by consultants, lack of leadership in addressing prior year matters and lack of processes and practice in generating financial statements.

GRAP-readiness

A total of 123 (52%) municipalities are not ready to implement GRAP. The readiness attained at certain municipalities is mainly as a result of consultants contracted to produce financial statements at year-end. GRAP-readiness issues are more fully discussed under “warning signals” in section 6.2 of this report. Some systems used by municipalities may not enable transition to GRAP.

4.2.3 Governance

Audit committee

- Audit committees fail to fulfil their responsibility in terms of risk identification and mitigation.
- The audit committees do not assume adequate responsibility for reviewing the financial statements submitted for audit.

- The audit committee does not play a role in the review of performance information where there is no separate performance audit committee.

Internal audit

- Internal audit units fail to take responsibility for governance and risk identification.
- The risk of inaccurate information presented in the financial statements is not identified as a key risk, with the result that processes building up to the preparation of the financial statements are not reviewed.
- Internal audit units are not always empowered to influence management through recommendations in internal audit reports.
- Internal audit units do not focus on providing assurance on the financial statement preparation processes and compliance with legislation.
- Shared models of internal audit and audit committees are not always effective.
- The internal audit units did not assist leadership (councils, CFOs and municipal managers) in providing independent assurance on the implementation of the action plans on audit issues.

4.3 Future commitments to achieve clean audit reports

The Auditor-General's 2008-09 MFMA provincial roadshows, door-to-door visits to metros and municipalities and one-on-one sessions with senior members of the legislatures, such as Premiers, Executives and MECs, elicited a positive attitude on the part of those charged with governance towards improving audit outcomes. The Auditor-General's clear and simple messages relating to the action required to improve audit outcomes have been highlighted as a key tool towards empowering oversight, leadership and management to facilitate turnaround plans that will lead to improved audit outcomes. A commitment to improved leadership, sound governance and financial and performance management was evident at municipalities. Such improvements should, in turn, improve the level of service delivery.

Commitments made by various stakeholders to achieve clean audit opinions are summarised as follows:

National CoGTA's initiative towards clean audit opinions by 2014

The national department's initiative is a high-level strategy to achieve clean audit opinions by 2014. The provinces, led by CoGTA in partnership with the provincial treasuries, along with the Offices of the Premiers and SALGA, made the commitment/plans based on the Local Government Strategies approved by the provincial executive committees.

Key aspects of the national strategy are as follows:

- CoGTA will review plans developed by the provincial treasuries to achieve clean audit opinions before 2014.
- The AGSA in the provinces will independently monitor progress on the implementation of the approved plan.
- The establishment of a provincial coordinators forum, which includes provincial treasury, representatives from CoGTA, SALGA and representatives from the Premier's office. Staff from the AGSA's provincial offices will attend these forum meetings in an advisory capacity.
- The development of a separate GRAP implementation plans by provincial treasuries as approved by CoGTA.
- Ensuring effective transfer of skills by consultants to officials of municipalities.



- Convening monthly meeting of the forum to assess and address progress made with the implementation of the strategy.

Further details of the provincial plans towards Operation Clean Audit 2014 are included in the respective provincial general reports.

Municipalities' commitments

The municipalities have, generally, responded positively to the AGSA's message relating to the three basic focus areas of financial management to achieve clean audit opinions, but challenges still remain for some. During the 2008-09 audit outcome debriefing sessions in March and April of 2010, executive mayors undertook to renew their endeavours to oversee the development and implementation of credible actions plans with clear milestones to address the 2008-09 audit findings.

- The mayors and municipal managers have shown their commitment to CoGTA's Operation Clean Audit 2014 in various ways, including use of the AGSA key control document (referred to below) to facilitate turnaround plans on matters of internal control.
- Councils are committed to improvements to ensure more thorough review of financial reports (MFMA-prescribed oversight reports) and reports on performance information, as well as assessing the effectiveness and capacity of their finance units.
- Plans are in place to accelerate training on Statements of GRAP by the municipalities, in conjunction with provincial treasuries.
- There is a commitment to fill vacant CFO positions within finance units.
- Municipalities will put in place measures to improve monitoring of the use of consultants to ensure effective transfer of skills to finance staff.
- Councils are committed to establishing internal audit and audit committee structures where these do not exist, and to strengthening the structures through adequate staffing with competent persons. Plans are also afoot to establish effective risk management practices through mitigating controls.

Provincial roadshow commitments

During the 2008-09 audit outcomes roadshows held in February 2010 through to April 2010 in the various provinces, which were attended by the honourable premiers, members of the executive, mayors, municipal managers and CFOs, the following commitments were made:

- The premiers and mayors undertook to renew their endeavours to oversee the development and implementation of credible actions plans with clear milestones to address all audit findings.
- The provincial executive undertook to monitor the implementation of future commitments made by municipal leadership to achieve clean audit opinions.
- Mayors will take responsibility and improve financial oversight within their municipalities.
- Political and administrative leadership will obtain an understanding of required financial activities and confirm whether these are being performed.
- The provincial leadership and mayors will seek to institutionalise the entrenched financial accounting disciplines so that they can accelerate migration towards clean audit opinions. The premiers undertook to consider the need for political stability and continuity, respectively, with regard to deployment.
- The provinces will act against municipal managers where disclaimers continue to occur.
- The executive will continue interactions with the AGSA to address the challenges.

The provincial treasuries will continue with the following initiatives:

- Offering municipal support programmes to municipalities that received disclaimers, adverse and qualified audit opinions, and assistance for other financial management initiatives.
- Facilitating capacity and competence-building projects to address accounting skills shortages.
- Providing training/support on GRAP implementation, IT systems and financial statement preparation.
- Facilitating internal audit units and audit committee up-skilling by the Institute of Internal Auditors.
- Engaging the AGSA on the audit process and audit matters.

4.4 AGSA commitments and initiatives to proactively influence audit outcomes

The AGSA remains committed to the goal of clean audit reports and has put in place a framework that allows for senior AGSA leadership to proactively seek to influence the achievement of clean audit opinions. To this end, the Auditor-General committed to the following during the 2010 provincial audit outcomes roadshows:

- By May/June 2010, the AGSA will provide mayors and municipal managers with a checklist that sets out key internal controls, noting any identified lack of or non-adherence to such controls. This document will serve as the baseline of existing controls against which improvements will be monitored and reported to the mayors on a quarterly basis, after having been discussed with municipal managers.
- Aspects of control that will be documented for the benefit and use by mayors will include:
 - (i) key daily, weekly and monthly transaction processing and reconciliation routines
 - (ii) manual and/or automated systems relied upon by municipal management to process financial and service delivery information and to enforce compliance with legislation
 - (iii) the names of those officials to whom specific responsibility has been assigned for key processes and the frequency with which such control activities are performed
 - (iv) sources outside the finance departments required to provide input or validation of financial and service delivery information.
- Matters that require the attention of the premiers and the relevant MECs will be escalated to facilitate speedy resolution through the Premiers' coordinating forums.
- The AGSA provincial leadership will interact regularly with the premiers, MECs, mayors and municipal managers to provide clear and simple messages of what needs to be done to improve audit outcomes.

The overall recommendations made by the AGSA are as follows:

- The discipline of preparing GRAP-compliant monthly financial statements and AoPI information should be institutionalised within the finance functions and assigned to designated departments/officials.
- Premiers' coordinating forums should serve as a point of convergence where the local government leadership, together with members of provincial cabinet, the AGSA and provincial head of CoGTA and Treasury, can discuss progress towards clean audits and ways to address systematic challenges, risks, early warnings signals and good practices.
- Audit committees must ensure that internal audit coverage plans are based on a thorough identification of risks, including that of inaccurate financial and performance information reporting, non-compliance with legislation and incurring of irregular, unauthorised, and fruitless and wasteful expenditure.



- Leadership (executive mayors) should take full responsibility for the development, implementation and monitoring of corrective action to address audit findings and should monitor adherence to basic key controls throughout the year.
- Councils should demand accurate financial and performance reports on a regular basis. Training should be provided to councillors in order for them to correctly interpret this information.
- Municipal leadership must ensure that basic transaction processing and reconciling routines are adhered to on a daily, weekly and monthly basis, appropriate to the level of activity or volume of transactions.
- Provincial treasuries, supported by the Accounting Standard Board (ASB), should embark on extensive GRAP training to ensure that municipalities and municipal entities can fully implement the GRAP statements.
- In order to improve the service obtained from consultants on financial statement preparation, GRAP conversion exercises and other financial management issues, the provincial Departments of Local Government and provincial treasuries should create mechanisms to vet the appointment of consultants so that the level of service is not compromised and is consistent across the provinces. Furthermore, there should be monitoring of compliance with the clauses in consultants' service level agreements with regard to skills transfer to existing municipal staff.
- The development of one fully compliant financial system nationally for local government should be considered, which will facilitate monthly financial statement preparation and IT support.
- The formation of Municipal Public Accounts Committees (MPACs) should be expedited – CoGTA has prepared a working draft paper in this regard.

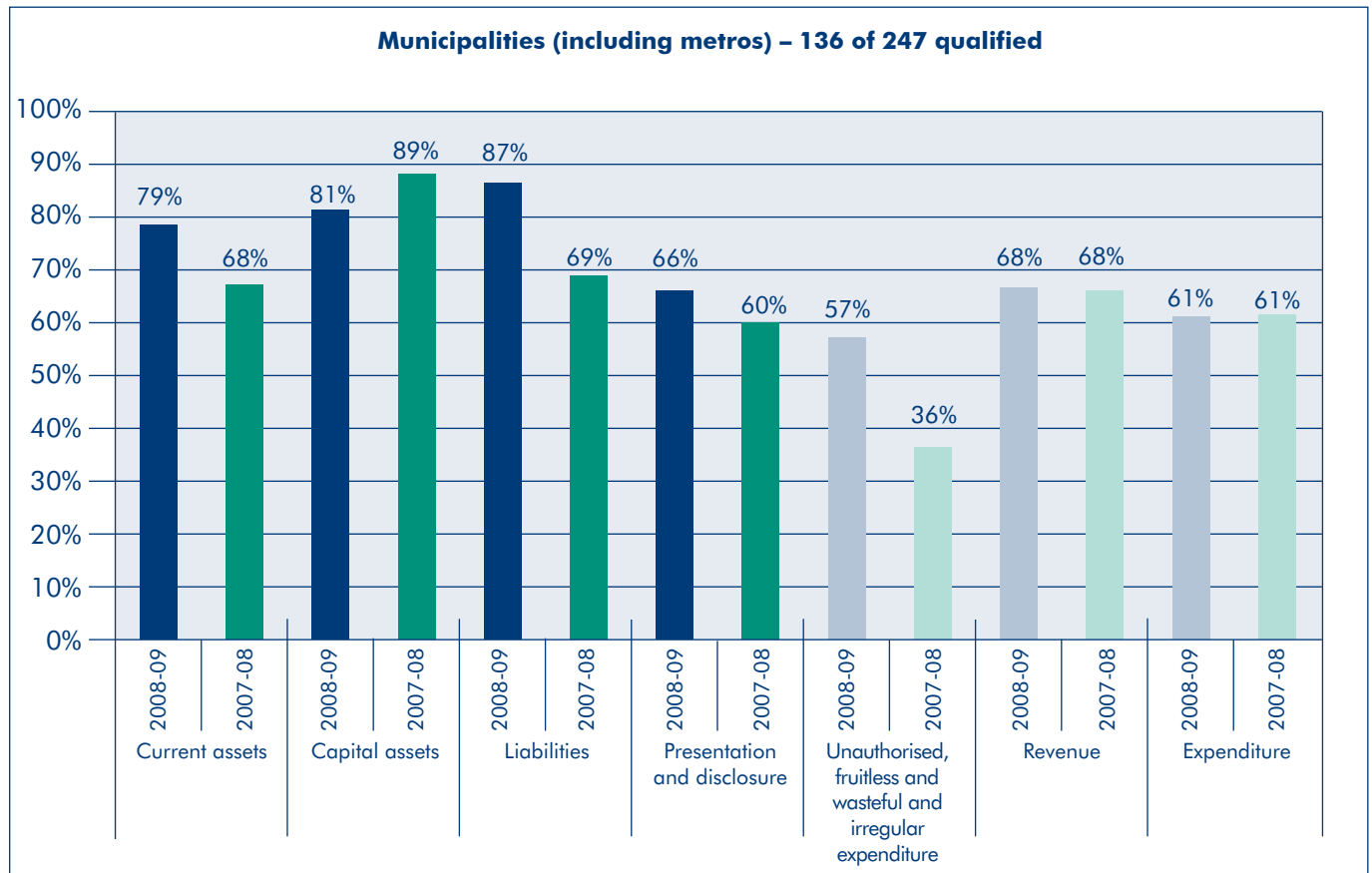
SECTION 5: ANALYSIS OF CURRENT YEAR AUDIT OUTCOMES

This section of the report provides details on specific areas of the statement of financial position (balance sheet), statement of financial performance (income statement) and disclosure notes in which municipalities (including metros) and municipal entities were qualified. Details are provided below, together with an analysis of root causes that led to qualified opinions.

5.1 Analysis of audit areas qualified and root causes: Municipalities (including metros)

Figure 1 below provides a breakdown of the statement of financial position, statement of financial performance and disclosure findings which were qualified.

Figure 1: Financial statement areas qualified: Municipalities (including metros)



Details on the specific financial statement qualification areas are as follows:

Current assets

Of the 136 (55%) municipalities qualified, 107 (79%) were qualified on current assets [2007-08: 126 (68%)]. The common areas qualified under current assets include receivables and cash and cash equivalents.

- Ninety-six (70%) municipalities were qualified in the area of receivables as supporting documentation to verify the existence, completeness and valuation thereof could not be furnished for audit purposes. This is due to inadequate record keeping, as well as control deficiencies around revenue because of inadequate leadership monitoring.
- Sixty-six (49%) municipalities were qualified in the area of cash and cash equivalents due to incorrect allocations to cash and cash equivalents and unprocessed payments, and deposits not accounted for. Monthly bank reconciliation, which constitutes a critical control, was not performed on a regular basis by the finance units or monitored by the leadership.
- The financial statements of forty-one (30%) municipalities were qualified on inventory.

The challenges mainly stem from deficiencies in the control environment and control activities and can be summarised as follows:

- Ongoing monitoring of activities, such as reconciliations, did not take place
- Inadequate supervision by accounting officers and management throughout the year
- Lack of understanding of the accounting framework by employees in the finance sections

Capital assets

Of the total number of municipalities that were qualified, 110 (81%) municipalities were qualified in the area of property, plant and equipment [2007-08: 164 (89%)].

- The highest reduction in capital asset qualifications occurred in the Eastern Cape and Northern Cape, namely 61% and 27% of municipalities qualified in the respective provinces.
- There was no increase in the percentage of capital asset qualifications in any of the provinces.

Qualifications are the result of inadequate information furnished for audit purposes in order to verify the existence, completeness and valuation of property, plant and equipment, due to inadequate record keeping relating to transactions of previous financial years affecting the opening balances. Action plans to address prior year audit findings were not adequately implemented by the finance units or monitored by the leadership, which resulted in the incorrect application of GRAP 17 in respect of Property, plant and equipment, as well as the late start to compile asset registers in respect of the current year.

Furthermore, 11 (8%) municipalities were qualified in the area of investment property, as action plans to address prior year audit findings were not implemented or monitored.

The challenges mainly stem from deficiencies in the control environment and control activities and can be summarised as follows:

- Inadequate record keeping with respect to moveable assets
- Lack of timely reconciliations for other immoveable/moveable assets
- Asset systems in place were not always adequate to provide sufficient details on assets and the measurement thereof
- The complexity of measuring assets requires a high degree of expertise that was not always available to municipalities
- Inadequate supervision by accounting officers and management throughout the year
- Incorrect interpretation of transitional provisions of GRAP
- Early adoption of GRAP without adequately assessing readiness

Liabilities

A total of 118 (87%) municipalities were qualified on liabilities [2007-08: 127 (69%)]. Qualifications primarily relate to incorrect accounting for financial leases, insufficient provision for debtor impairments, creditors and accruals at year-end and VAT liability.

- The number of qualifications relating to liabilities, although fewer compared to the previous year, has increased as a percentage of those qualified from 69% in the previous year to 87%.
- The number of qualifications relating to liabilities has overtaken those of capital assets as the highest balance sheet qualification area.
- The Eastern Cape registered the most significant increase in the number of municipalities whose financial statements were qualified on liabilities, increasing from 14 to 26.

The common areas qualified under liabilities are payables and borrowings, provisions, taxes and VAT.

Payables and borrowings

- Ninety-three (68%) municipalities were qualified in the areas of payables and borrowings, specifically the incorrect accounting for financial leases.
- Payables at year-end could not be verified due to inadequate record keeping, resulting in a lack of supporting documentation and reconciliations, and incomplete accounting for accruals. Since no formal system was in place for trade and other payables, invoices were processed when payment was made.

Provisions, contingent liabilities and guarantees

Seventy-four (54%) municipalities were qualified in this area. The findings included insufficient provision for debtor impairments and lack of documentation and calculations in respect of impairments and leave provisions.

Taxes and VAT

Seventy-three (54%) municipalities were qualified in the area of taxes and value-added tax (VAT). VAT was incorrectly recorded in expenditure accounts and there was a lack of supporting documentation and reconciliations.

The challenges for the qualification of liabilities stem from:

- A lack of adequate procedures to facilitate reliable financial reporting.
- A general lack of skills on the part of finance staff to ensure full compliance with requirements.
- The absence of proper systems to reliably account for contingent liabilities.

Presentation and disclosure

A total of 90 (66%) municipalities were qualified in this area, which includes capital grants and reserves, corresponding figures, employee benefits, leases, suspense accounts, cash flow statements, related parties and commitments [2007-08: 110 (60%)]. The qualification further relates to inappropriate accounting for changes in accounting policies and change in estimates and errors.

- Significant reductions in presentation and disclosure qualifications occurred in Limpopo (56%) and the Northern Cape (21%)
- The Eastern Cape, Free State and North West were also subject to reductions in this qualification area, with an increase in the Western Cape, Mpumalanga and KwaZulu-Natal

The common root causes leading to the related qualified areas in presentation and disclosure include:

- Lack of supporting documentation.
- Lack of knowledge of the applicable GRAP.
- Inadequate monitoring by leadership of the work done by consultants at a number of municipalities.

Unauthorised, fruitless and wasteful and irregular expenditure

During the year under review, there were 19 increases and eight reductions in unauthorised, fruitless and wasteful and irregular expenditure amongst the provinces, bringing to 78 the total number of municipalities that were qualified on unauthorised, fruitless and wasteful and irregular expenditure (2007-08: 67).

- The highest increase was in the Northern Cape where the number of qualifications increased from 11 in 2007-08 to 20 in the financial year under review.
- Limpopo and North West (11 audits still outstanding) were the only provinces where a reduction occurred in the number of qualifications relating to this type of expenditure.

Reasons for qualifications include:

- overspending of budgets and specific budgets
- non-disclosure or incomplete disclosure in financial statements of unauthorised, fruitless and wasteful expenditure
- penalties and interest on late payment of creditors

Irregular expenditure includes:

- non-compliance with procurement regulations (required tenders not obtained)
- non-disclosure or incomplete disclosure of irregular expenditure
- contracts exceeding R200 000 not published on the website

The challenges mainly stem from deficiencies in the control environment and control activities and can be summarised as follows:

- Inadequate supervision and monitoring by administrative leadership and an inappropriate leadership tone
- Unrealistic budgeting and inadequate budget control measures
- Financial instability and cash flow problems resulted in payments being delayed and consequently in fruitless and wasteful expenditure due to interest and penalties

Revenue

Ninety-three (68%) municipalities were qualified in the area of revenue [2007-08: 126 (68%)].

- Significant reductions in revenue qualifications occurred in the Eastern Cape (30%) and Limpopo (29%)

- Of the municipalities qualified on revenue, the provinces with the highest revenue qualifications were the Free State (85%) and Northern Cape (74%)
- All the provinces reduced their number of qualification in this area except the Western Cape where a 100% increase occurred

Some of the municipalities had challenges with proper record keeping, which resulted in a lack of supporting documentation in respect of revenue transactions. Furthermore, challenges with the correct application of GAMAP9 and GRAP23 were also identified from non-exchange transactions due to a lack of GRAP expertise. A lack of supporting documentation to substantiate rates and services, traffic fines and electricity sales also contributed to the high qualification percentage.

Expenditure

Eighty-three (61%) municipalities had qualifications due to incorrect classification of expenditure and a lack of supporting documentation [2007-08: 112 (61%)].

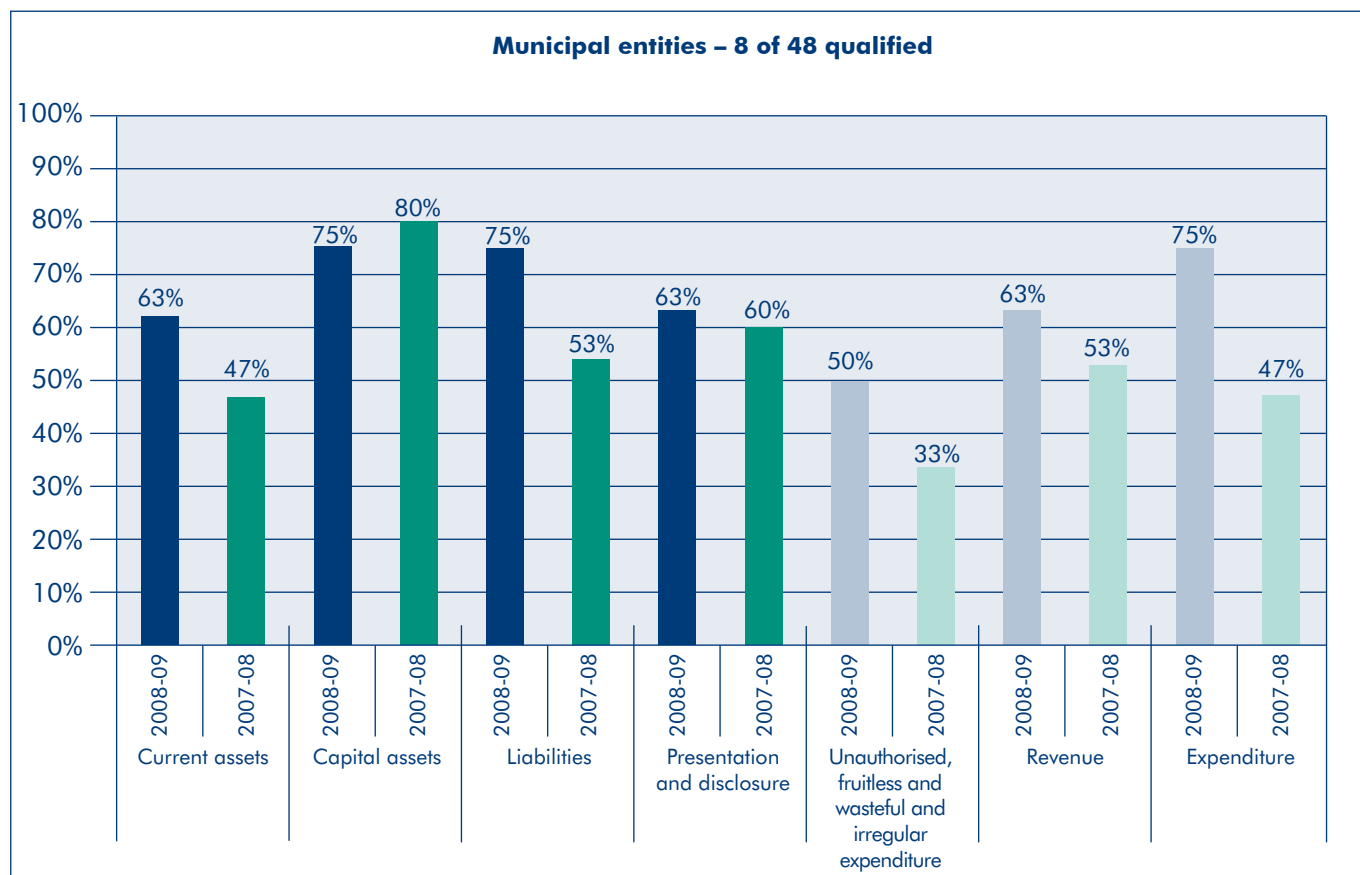
- Significant reductions in expenditure qualifications occurred in Limpopo (35%) and the Eastern Cape (30%)
- Only Mpumalanga showed an expenditure qualification increase of 33%

The challenges mainly stem from deficiencies in the control environment and control activities and can be summarised as follows:

- Inadequate supervision by accounting officer and management throughout the year
- Lack of accountability for prior year's negative results (no consequences)
- Insufficient filing systems leading to the documentation that supports financial information not being submitted for audit

5.2 Analysis of audit areas qualified and root causes: Municipal entities

Figure 2 below provides a breakdown of the statement of financial position, statement of financial performance and disclosure findings, which gave rise to the qualified opinions.

Figure 2: Financial statement areas qualified: Municipal entities

Of the 48 (2007-08: 52) municipal entities analysed, eight (16%) received qualified audit reports [2007-08: 15 (31%)]. This includes four (8%) that were disclaimed [2007-08: six (12%)] and four (8%) that were qualified [2007-08: nine (17%)] on financial statement areas mentioned below. No municipal entities received an adverse opinion during 2008-09 [2007-08: one (2%)].

The number of municipal entities qualified in the provinces are as follows: Free State (three of three municipal entities – 100%), Limpopo (one of two municipal entities – 50%), Eastern Cape (three of eight municipal entities – 38%) and Gauteng (one of 26 municipal entities – 4%). None of the municipal entities in KwaZulu-Natal, North West and Western Cape were qualified.

Details on the specific municipal entities' financial statement qualification areas are as follows:

Current assets

Five (63%) of the municipal entities analysed were qualified on receivables and inventory [2007-08: seven (47%)].

The challenges regarding current assets mainly stem from deficiencies in the control environment and control activities and can be summarised as follows:

- Inadequate supervision by the accounting officer and management throughout the year
- Lack of understanding of the accounting framework by employees in the finance sections

- Lack of ongoing monitoring of activities, e.g. lack of reconciliation
- Lack of accountability for prior year's negative results (no consequences)

Capital assets

- A total of six (75%) municipal entities were qualified on property, plant and equipment [2007-08: 12 (80%)]
- The highest reduction in capital asset qualifications was in Gauteng (67%) and the Eastern Cape (40%)

The qualifications in respect of property, plant and equipment can mainly be attributed to the following common root causes:

- Asset management systems in place were not always adequate to provide sufficient details regarding property, plant and equipment and the measurement thereof
- The complexity of measuring property, plant and equipment requires a high degree of expertise which was not always available
- Consultants did not transfer knowledge and skills to staff in the finance units

Liabilities

Six (75%) municipal entities attracted qualifications in respect of payables and borrowings and taxes and value-added tax (VAT) [2007-08: eight (53%)].

Qualifications on liabilities can mainly be attributed to a lack of knowledge/understanding of the accounting framework in the finance units to supply consultants with complete and accurate information and records, and inadequate monitoring of consultants by the leadership.

Presentation and disclosure

- Five (63%) municipal entities attracted qualifications pertaining to presentation and disclosure [2007-08: nine (60%)].
- Reductions in presentation and disclosure qualifications occurred in the Eastern Cape and Free State.

The common root causes of the qualifications in respect of presentation and disclosure include a lack of supporting documentation, a lack of knowledge/understanding of the accounting framework in the finance units to supply consultants with complete and accurate information and records, and inadequate monitoring of consultants by the leadership.

Unauthorised, fruitless and wasteful and irregular expenditure

Four (50%) municipal entities were qualified. This was as a result of non-disclosure/incomplete disclosure of fruitless and wasteful and irregular expenditure incurred by them [2007-08: five (33%)].

The common root causes of qualifications regarding irregular expenditure can be summarised as follows:

- Leadership instability resulted in insufficient direction provided to the entity with regard to procurement and financial reporting requirements
- Where control measures existed, control activities and monitoring were ineffective and did not ensure



that all instances of non-compliance with applicable legislation that resulted in irregular expenditure were identified and reported

Revenue

- Five (63%) municipal entities were qualified on revenue [2007-08: eight (53%)]
- Reductions in revenue qualifications occurred in the Eastern Cape (two) and Free State (one)

The qualifications stem mainly from ineffective control activities and inadequate actions taken to mitigate risks as well as a lack of ongoing monitoring to ensure the accuracy of transactions (such as setting tariffs and regular reconciliations).

Expenditure

- Six (75%) municipal entities attracted qualifications with regard to expenditure [2007-08: seven (47%)]
- Only one entity in the Eastern Cape was able to address its expenditure qualification of the previous year

The qualifications regarding expenditure can mainly be attributed to the following common root causes:

- Inadequate supervision by the accounting officers and management throughout the year
- Lack of understanding of the accounting framework by employees in the finance sections
- Controls over transactions were lacking, resulting in financial information not being properly supported
- Lack of accountability for prior year's negative results (no consequences)

Conclusion

The common qualification drivers are the following:

- Inadequacy of fixed asset registers, placing a limitation on the scope of the audit of capital assets
- Insufficient filing systems leading to the documentation that supports financial information not being submitted for audit, resulting in disclaimers and qualifications
- No systems to account for commitments, contingent liabilities and provisions
- Financial statements did not fully comply with the requirements of the GRAP reporting framework, which resulted in numerous corrections having to be made by management. Such financial statements were subject to 'with other matters' audit opinions
- Incomplete disclosure or non-disclosure of irregular, unauthorised, and fruitless and wasteful expenditure

In addition to the root causes mentioned under the various qualified areas above, other common contributing factors include the following:

- Internal audit units and audit committees are not sufficiently well-established to assert their independent accountability to the executive authority on all matters of risk, financial management and service delivery
- The leadership of municipalities did not monitor the implementation of the GRAP implementation plans, and did not seek guidance from provincial treasuries in a timely manner

- There is a need for both National Treasury and provincial treasuries to be more proactive in assisting municipalities with GRAP implementation issues

The achievement of clean audit reports will require dedicated attention to the basics of financial management and service delivery, through effective leadership, effective financial and performance management and effective governance arrangements.

SECTION 6: WARNING SIGNALS REQUIRING ATTENTION

6.1 Emphasis of matter: Municipalities (including metros) and municipal entities

Regularity audits emphasise matters that do not directly impact on the audit opinion, but which the reader of the financial statements should nevertheless take note of. The incidence of some of the financial matters revealed by the regularity audit is depicted in various tables below. Details are provided in the paragraphs that follow.

6.1.1 Financial sustainability of municipalities (including metros) and municipal entities

As indicated in table 9 below, there are indications that some 59 (24%) municipalities and nine municipal entities (3%) analysed may not be financially sustainable without significant increases in the financial support received from the National and/or provincial treasuries. The absence of such support may result in an interruption of the services provided by these municipalities to their communities.

- The majority of these municipalities are in the Free State (13) and Northern Cape (13). The Eastern Cape and KwaZulu-Natal each have 12 such entities.
- Nine (19%) municipal entities displayed indicators of financial sustainability concerns.
- Seven of these municipal entities (78%) are in Gauteng, the province with the highest number of municipal entities, namely 26 (54% of all municipal entities).
- Ekurhuleni Metro is the parent municipality of five of the entities with financial sustainability concerns and the City of Tshwane Metro of two such entities.

Table 9: Financial sustainability of municipalities (including metros) and municipal entities

Province	Municipalities displaying financial sustainability / going concern issues		Municipal entities displaying financial sustainability / going concern issues	
	Number	Percentage	Number	Percentage
Eastern Cape	12	21%	0	0%
Free State	13	22%	0	0%
Gauteng	2	3%	7	78%
KwaZulu-Natal	12	21%	0	0%
Limpopo	2	3%	1	11%
Mpumalanga	0	0%	0	0%
Northern Cape	13	22%	0	0%
North West	3	5%	1	11%
Western Cape	2	3%	0	0%
Total	59	100%	9	100%

The following are the common reasons for significant uncertainty regarding the financial sustainability of these municipalities and municipal entities:

- Difficulties experienced in collecting debts/revenue
- Current liabilities exceeding current assets
- Difficulties experienced to meet some of their financial obligations, including paying over statutory deductions from payrolls and VAT
- Cash flow shortages

The City of Tshwane Metro has financial sustainability issues due to the economic recession which resulted in a decrease in the recoverability of debtors and an increase in amounts owed to its creditors.

6.1.2 Basis of accounting

The objective of an audit of financial statements is to enable the auditor to express an opinion on whether the financial statements have been prepared, in all material respects, in accordance with an identified basis of accounting. A financial reporting framework is a basis of accounting that has been established by authorised or recognised standard-setting bodies, and is designed to achieve fair presentation of financial statements.

Overall, 157 of the 247 (64%) municipalities analysed had applied Standards of GRAP in the preparation of their financial statements. The extent to which Standards of GRAP have been applied is as follows:

- Applied by all six metros and all 41 high-capacity municipalities
- Applied by 71 medium-capacity (83% of 86 medium-capacity municipalities)
- Applied by 40 low-capacity municipalities (35% of 114 low-capacity municipalities)
- Gauteng is the only province where all 13 (100%) municipalities analysed applied the Standards of GRAP
- North West had the lowest number (6 or 55%) of municipalities applying the Standards of GRAP

Low-capacity municipalities continued applying the transitional provisions, as allowed by Directive 4: *Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities*, issued by the Accounting Standards Board. With effect from 1 July 2009, low-capacity municipalities are required to apply Standards of GRAP. Section 6.2 of this report provides information on the GRAP-readiness of municipalities.

It is important that all municipalities adequately prepare themselves for the full adoption of Standards of GRAP through monitoring by the leadership of their GRAP implementation plans. This process will also require close monitoring by the provincial Department of Local Government and provincial treasury.

6.1.3 Material losses/impairments, unauthorised expenditure, fruitless and wasteful and irregular expenditure, including material underspending of budgets and unspent government grants

Table 10 below indicates the total amount for the provinces in respect of material losses/impairments, unauthorised expenditure, fruitless and wasteful and irregular expenditure, including material underspending of budgets and unspent government grants. A brief definition of the categories set out in table 10 is provided below.

- *Material losses* refer to above-average losses primarily resulting from the distribution of electricity and water, which ultimately translate into a loss of revenue for municipalities.

- *Unauthorised expenditure*, in relation to a municipality, means any expenditure incurred by a municipality, which includes the following:
 - a) overspending of the total amount appropriated in the municipality's approved budget
 - b) overspending of the total amount appropriated for a vote in the approved budget
 - c) expenditure from a vote unrelated to the department or functional area covered by the vote
 - d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose
 - e) spending of an allocation otherwise than in accordance with any conditions of the allocation
 - f) a grant by the municipality otherwise than in accordance with the MFMA.
- *Irregular expenditure*, in relation to a municipality means:
 - a) expenditure incurred by a municipality in contravention of, or not in accordance with, a requirement of the MFMA or MSA, and which has not been condoned in terms of these acts
 - b) expenditure incurred by a municipality in contravention of, or not in accordance with, a requirement of the Public Office-Bearers Act, 1998
 - c) expenditure incurred by a municipality or municipal entity in contravention of, or not in accordance with, a requirement of the supply chain management policy of the municipality or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.
- *Fruitless and wasteful expenditure* means expenditure that was made in vain and would have been avoided had reasonable care been exercised.
- *Under-spending of budget*, in relation to the budget of a municipality, means operational or capital expenditure incurred by the municipality during a financial year that is below the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be.
- *Under-spending of a government grant*, in relation to the budget of a municipality, means operational or capital expenditure incurred by the municipality during a financial year that is below the total amount of the grant or allocation, as the case may be.

Table 10: Material losses/impairments, unauthorised expenditure, fruitless and wasteful and irregular expenditure, including material underspending of budgets and unspent government grants

Province	Material losses/ impairments		Unauthorised expenditure		Fruitless and wasteful expenditure		Irregular expenditure		Material under spending of budget		Material unspent government grant	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
Eastern Cape	11	188,197	13	253,800	12	9,637	14	289,700	5	505,028	0	0
Free State	3	47,286	6	742,105	19	56,998	23	664,923	0	0	6	453,195
Gauteng	3	2,626,077	1	552,000	1	1,855	13	659,669	3	94,300	0	0
KwaZulu-Natal	15	924,972	19	235,324	11	1,690	26	171,384	9	386,358	17	236,725
Limpopo	0	0	12	353,101	14	21,959	13	133,097	0	0	0	0
Mpumalanga	1	3,200	0	0	4	8,846	4	5,704	3	241,690	10	553,656



Province	Material losses/ impairments		Unauthorised expenditure		Fruitless and wasteful expenditure		Irregular expenditure		Material under spending of budget		Material unspent government grant	
	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000	No.	R'000
Northern Cape	6	113,321	18	103,341	15	4,351	22	220,775	0	0	12	41,122
North West	6	87,638	5	66,625	4	3,687	4	100,772	0	0	4	208,774
Western Cape	20	1,029,581	8	130,840	12	8,421	20	85,571	8	233,341	11	136,246
Total	65	R5,020,272	82	R2,437,136	92	R117,444	139	R2,331,595	28	R1,460,717	60	R1,629,718

Material losses incurred by municipalities and municipal entities

Municipalities and municipal entities in all provinces, except Limpopo, incurred material losses exceeding R5 billion at 65 (22%) auditees.

- The losses, in the main, relate to above-average water and electricity losses. This may be indicative of ageing infrastructure assets, which require improved maintenance, and a need to monitor these losses more closely to take corrective action.
- Significantly, a material loss of R2,6 billion (52%) was incurred by two municipalities (Ekurhuleni Metro and Mogale City) and a municipal entity (Johannesburg City Power) located in Gauteng.
- Other losses were sustained through, inter alia, debtor impairments (write-offs) and fraud.

Unauthorised expenditure

Auditees in all provinces except Mpumalanga incurred unauthorised expenditure during the financial year under review. Unauthorised expenditure exceeding R2,4 billion was incurred by 82 (28%) municipalities and municipal entities during the year under review, mainly due to overspending on various votes.

- The highest unauthorised expenditure was in the Free State, where four local municipalities incurred unauthorised expenditure amounting to R668 million, accounting for 90% of the total unauthorised expenditure incurred by the Free State local government. The expenditure related to overspending on various votes.
- In Gauteng, unauthorised expenditure of R552 million was incurred by the City of Tshwane Metro due to overspending on various votes.

Unauthorised expenditure resulted from inadequate monitoring of budgets by the leadership of municipalities and entities.

Fruitless and wasteful expenditure

Auditees in all provinces incurred fruitless and wasteful expenditure during the current financial year.

- An aggregate of R117,4 million in fruitless and wasteful expenditure was disclosed in the financial statements of 92 (31%) municipalities and municipal entities.
- Fruitless and wasteful expenditure mainly relates to interest incurred on late payments of creditors, rentals for buildings that were not occupied by municipalities and the cancellation of alleged irregular contracts, which were under investigation.



Such expenditure was incurred as a result of a lapse in monitoring by the leadership.

Irregular expenditure

All provinces incurred irregular expenditure during the year under review, most of which was condoned at the financial year-end.

- Such irregular expenditure, amounting to some R2,3 billion, was incurred by 139 (47%) auditees.
- Irregular expenditure resulted in the main from non-compliance with supply chain management pre-scripts.

The reason for the irregular expenditure is a failure by the leadership of the municipalities to enforce adherence to the supply chain management regulations.

Underspending of budget and unspent government grants

Municipalities and municipal entities in five of the provinces (Eastern Cape, Gauteng, KwaZulu-Natal, Mpumalanga and Western Cape) underspent against their approved budgets.

- The aggregate underspending for the financial year amounted to R1,5 billion.
- Twenty-eight (9%) municipalities and municipal entities materially underspent their budgets
- Of the total budget underspent by provinces, the highest occurrence was in the Eastern Cape (35%), KwaZulu-Natal (26%), Mpumalanga (17%) and Western Cape (16%).

Underspending of budgets impacted negatively on service delivery, especially in the areas of housing, water services, electricity services and community facilities. The political and administrative leadership, audit and oversight committees failed to detect underspending timeously. In-year monitoring tools such as monthly management accounts should be used by the leadership of these municipalities to identify underspending timeously and take corrective actions where necessary.

Unspent government grants (R1,6 billion) were noted in all provinces except the Eastern Cape, Gauteng and Limpopo.

- Provinces responsible for the highest percentages of the total underspent grants of R1,6 billion were Mpumalanga (33%), the Free State (28%) and KwaZulu-Natal (15%).
- Ten of the 17 (59%) municipalities in Mpumalanga underspent on grants.

Revision of previously issued financial statements

While none of the municipalities had to revise their previously issued financial statements, 123 (43%) municipalities and municipal entities had to restate some of the corresponding figures that were disclosed in the financial statements of the year under review, as a result of errors discovered during the year under review relating to the previous period and/or changes in accounting policy by the National Treasury.

- The highest occurrence of restatement of corresponding figures occurred was at 17 municipalities in Mpumalanga (100%), 20 in the Western Cape (69%) and six in Gauteng (50%)
- The Eastern Cape (25%) and Northern Cape (21%) required the lowest percentage of restatements in their financial statements
- Restatements of corresponding figures for the previous financial year related mainly to property, plant

and equipment, receivables from exchange and non-exchange transactions, trade payables, provisions, grants and subsidies and general expenditure.

Significant uncertainties

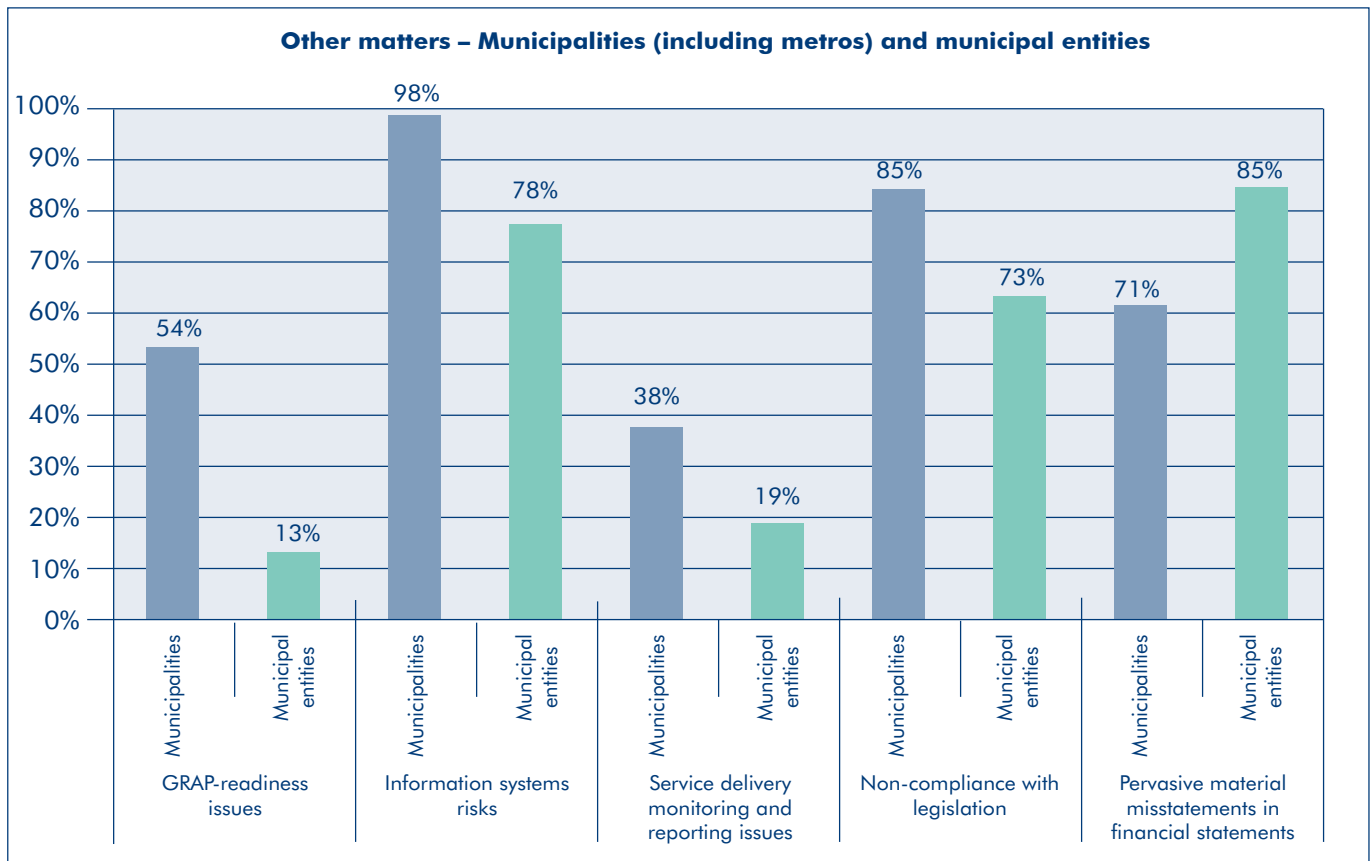
Significant uncertainty is defined as a matter, the outcome of which is dependent upon future events, and which will not be capable of reasonable measurement at the date on which the auditor's report is signed, by virtue of the nature of the matter in question, the facts of the particular situation and the lack of objective evidence. Such a matter is a significant uncertainty when its potential to affect the financial statements is not so remote as to make its disclosure irrelevant.

- All provinces, except the Eastern Cape, had municipalities or entities that disclosed significant uncertainties in their financial statements
- Twenty (8%) municipalities and two (5%) municipal entities disclosed significant uncertainties in their financial statements
- Uncertain outcomes related primarily to major litigation in which municipalities and municipal entities were involved at year-end.

6.2 Other matters: Municipalities (including metros) and municipal entities

Regularity audits further revealed "other matters" that do not directly impact on the audit opinion. The incidence of the significant other matters is depicted in figure 3 below. Details of these other matters are provided in the paragraphs that follow.

Figure 3: Other matters: Municipalities (including metro) and municipal entities



GRAP-readiness issue

One hundred and twenty-four (50%) municipalities and six (13%) municipal entities had GRAP-readiness issues. The incidents of these issues are summarised as follows:

- In Gauteng one municipality, and in the Western Cape six (21%) municipalities, had not adequately implemented Standards of GRAP.
- Nationally, 42 municipal entities (87%) implemented Standards of GRAP.
- Provinces with the highest number of GRAP-readiness issues were the Eastern Cape (94%), Free State (83%), Northern Cape (69%) and Limpopo (97%).
- Low-capacity municipalities are required to convert to GRAP during 2009-10. Many of them are either not ready for the implementation of GRAP or are behind in terms of the milestones contained in their GRAP implementation plans. These municipalities are expected to make use of the transitional provisions allowed by the directives on their conversion to GRAP during 2009-10.

Common elements of GRAP implementation issues and obstacles include the following:

Monitoring of GRAP implementation plans

- The GRAP implementation plans did not have detailed plans linked to clearly defined milestones to facilitate the effective monitoring of the implementation by the leadership of the municipalities and provincial treasuries.

Adequacy of financial reporting systems

- Information systems did not adequately enable the transition to GRAP.
- The risk of errors is increased when data/figures have to be drawn and consolidated from more than one system in order for the finance staff to produce the annual financial statements.

Accounting policies, changes in estimates and errors (GRAP 3)

- The principles of GRAP 3 were not implemented correctly or not at all, as they related to retrospective application due to changes in accounting policies or retrospective restatement due to prior period errors, particularly in the areas of capital assets, investment properties, provisions, leases and revenue from exchange and non-exchange transactions.

Revenue from exchange transactions (GRAP 9)

- Income from agency arrangements was not accounted for.
- Incorrect accounting treatment of revenue from prepaid electricity, as the related unearned revenue was not accounted for at year-end.

Property, plant and equipment (GRAP 17)

- Incorrect application of Directive 4 on transitional provisions applicable to property, plant and equipment, as issued by the Accounting Standards Board.
- Infrastructure assets were not componentised.
- Useful lives of assets and residual values were not assessed.

Provisions, contingent liabilities and contingent assets (GRAP 19)

- No provisions were made for the rehabilitation of landfill sites, or the calculations could not be substantiated.
- Incorrect classification of leave pay and performance bonuses as provisions.

Root causes of GRAP-readiness issues

The low level of GRAP-readiness, viewed together with the high number of pervasive material misstatements, as well as the high incidence of dependence on consultants to assist with accounting-related services and the compilation of financial statements, are indicative of the following situations:

- The municipalities' CFOs have a limited understanding of the technical requirements of GRAP statements.
- The leadership of the municipalities did not create an environment conducive to good financial management within which GRAP implementation is taking place.
- The GRAP implementation plans were not adequately monitored by the leadership of the affected municipalities, including the provincial treasuries.
- There is a lack of reliable information systems to enable accurate and reliable financial reporting.

Addressing GRAP-readiness issues

- The CFOs must enhance their knowledge of GRAP standards to ensure that they effectively drive the GRAP implementation plans.
- The responsibility for learning from the consultants rests with the accounting officers, CFOs and the finance staff. The CFOs and accounting officers need to be directly involved in the process and ensure that knowledge is transferred to relevant finance staff members at the municipalities.
- The GRAP implementation plans need to be revised to include clearly defined milestones that facilitate adequate monitoring by the leadership of the municipalities, as well as the provincial treasuries.
- Key personnel should be available on a day-to-day basis at the municipalities to ensure an effective and efficient audit, which will result in improved audit outcomes.
- The leadership of the affected municipalities should take ownership of the process of GRAP implementation and also address the deficiencies in the information systems to ensure reliable and accurate financial reporting.
- The National and provincial treasuries must provide comprehensive, clear, timely and authoritative guidance, training and support in relation to GRAP implementation in the 2009-10 financial year.

6.3 Significant findings from the audit of information systems**Importance of computerised information systems in the public sector**

Municipalities rely heavily on computerised information systems to perform their statutory financial management, reporting and administrative functions. Computerised information systems enable the automation of business processes and transaction processing, which significantly contributes to efficient service delivery by the municipalities and municipal entities. The information processed and stored on information systems is, therefore, regarded as a strategic asset vital to the achievement of service delivery planning, monitoring and reporting.

Risks related to computer information systems and the mitigation thereof

Along with the benefits, the use of computer information systems by municipalities and municipal entities comes with a number of monetary and financial reporting risks. Ineffective information system controls may contribute to financial management weaknesses, inaccurate financial and performance information, poor performance of the entity, and fruitless and wasteful expenditure, and may even contribute to non-compliance with applicable laws and regulations. Furthermore, weak information system controls render the systems vulnerable to fraud.

Key local government computer information systems

Municipalities employ a range of computer systems and a number of different business application programmes, which are not all integrated with their financial accounting systems. Common systems used by municipalities are set out in table 11.

Table 11: Accounting and financial reporting systems used by municipalities (including metros)

Province	Accounting and financial reporting systems							
	ABACUS	VENUS	PASTEL	SEBATA	SAMRAS	SAP	MUNSOFT	PROMIS
Eastern Cape	4	10	8	7	2	0	3	0
Free State	3	0	2	7	4	0	0	0
Gauteng	0	5	1	1	0	2	0	0
KwaZulu-Natal	17	0	7	1	6	0	9	2
Limpopo	0	7	3	6	0	1	7	6
Mpumalanga	0	4	0	7	0	0	8	1
Northern Cape	2	7	0	9	4	0	1	0
North West	1	9	9	2	1	1	0	1
Western Cape	4	2	0	1	13	1	0	2
Total	31	44	30	41	30	5	28	12

Objectives, scope and key findings arising from information system audits conducted by the AGSA

The objective of information system audits is to evaluate the effectiveness of information technology controls to ensure that:

- financial information processed and stored on the computer systems is reliable for financial reporting purposes
- critical information is recoverable and usable in the event of disasters and disruptions
- financial and sensitive computer systems are only accessed by authorised officials
- systems are developed, enhanced, configured and implemented so that they are effective, functional and secure.

Key findings arising from information systems reviews

The AGSA conducted audits of computer information systems as part of the 2008-09 regularity audits of the annual financial statements of 117 (39%) municipalities (including metros), and six municipal entities. One hundred and twelve municipalities (96%) had findings in the areas of general controls over information systems and user account management. Similar reviews are being considered for the remaining low- and medium-capacity municipalities, as well as municipal entities during the next two financial years.

Several high-risk deficiencies, as listed below, were found in the general computer controls and user account management controls, which compromised the reliability of computer systems for financial reporting purposes, as well as the security around the data and the physical computers.

- Inadequate information technology security policies or lack of such policies.
- Inadequate backup procedures to ensure that information can be retrieved in the event of system breakdowns.
- Inadequate service level agreements between the municipality and the service providers of financial accounting systems.
- Inadequate review of change control procedures. The changes to the system were not adequately rolled out to staff to ensure that all staff understood the changes implemented. The changes made were also not properly monitored.
- The domain account policy settings were not appropriate. The default names of administrator accounts had not been changed to protect the system against intruders. These accounts are well known and could be used by intruders to gain unauthorised access to the system.
- Various weaknesses were identified with regard to password controls, as well as inadequate segregation of duties between the system controller and user functions.

Concerns regarding the number of financial reporting systems in use

The use of multiple accounting and financial application systems has a negative impact on the cost of running and maintaining such systems. In addition, most of these systems are not compliant with reporting based on accrual accounting. The National and provincial treasuries should ensure that they are geared towards providing the relevant support and guidance to municipalities for the successful implementation of Standards of GRAP, through determining the most suitable accounting and financial system that should be in use at municipalities. As a result of the high-risk weaknesses:

- the systems may be vulnerable to errors and unauthorised changes to records
- the systems may not provide adequate audit/management trails, including schedules and listings in support of account balances
- some systems in use may not enable transition to GRAP
- staff members in the finance units may not be able to easily execute their financial management and accounting responsibilities, such as periodic reconciliation and verification of the accuracy of captured data/transactions/make-up of general ledger and subsidiary ledger/modules account balances
- the risk of errors is heightened when data/figures need to be drawn and consolidated from more than one system in order for municipal staff to produce in-year (management information) or annual financial statements.

Root causes

The leadership of municipalities do not necessarily regard information systems as a strategic asset vital to



the achievement of service delivery planning, monitoring and reporting and therefore the risks related to computer information systems and the mitigation thereof are not prioritised.

The leadership of municipalities should assess the risk associated with computer information systems and the mitigation thereof and prioritise it appropriately, and also review the adequacy of governance arrangements required to oversee information system issues.

6.4 Service delivery monitoring and reporting issues

Incidence of non-preparation, non-submission and non-approval of MFMA-prescribed reports

An analysis of the preparation, submission and approval of MFMA-prescribed service delivery and monitoring reports indicates that, overall, there has been a high level of compliance by municipalities and municipal entities. However, there has been a high level of non-compliance in respect of the management of performance information (refer to section 7 of this report), which is indicative of ineffective monitoring and verification of performance information, systems, processes and procedures by the councils, management, internal audit units and audit committees.

Findings related to the preparation and submission of the MFMA prescribed sections 54, 71 and 72 are analysed in the paragraphs below.

Activities and reporting by the mayor

Section 54(1) of the MFMA directs that municipal mayors must, inter alia (i) check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan, (ii) issue any appropriate instructions to the accounting officer to ensure that the budget is implemented in accordance with the service delivery and budget implementation plan, and that spending of funds and revenue collection proceed in accordance with the budget; and (iii) identify any financial problems facing the municipality, including any emerging or impending financial problems.

- Seventy-five municipalities (31%) and one municipal entity (2%) did not comply with section 54(1) of the MFMA.
- Most of these municipalities were in the Northern Cape (28%), Free State (23%), Limpopo (19%) and KwaZulu-Natal (15%).

Monthly budget statements by accounting officer (municipal manager)

- Forty-one municipalities (17%) and three (7%) municipal entities did not submit the monthly budget statements in terms of section 71 of MFMA, which requires the accounting officer to submit a report to the mayor and the relevant provincial treasuries by no later than 10 working days after the end of each month, reflecting, inter alia, an explanation of any material variances from the service delivery and budget implementation plan.
- The highest rates of non-submission of monthly budget statements were 14 in Limpopo (48%) and 12 in the Free State (52%).
- All municipalities in the Eastern Cape and Gauteng submitted their monthly budget statements.

Mid-year report on budget and performance assessment by the accounting officer (municipal manager)

Ninety-five municipalities (39%) and six (13%) municipal entities did not submit a report to the mayor, National Treasury and the relevant provincial treasury by 25 January of each year on the municipalities' service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan, as required by section 72(1)(b) of the MFMA.

- Such non-submission occurred in all provinces.
- The highest incidence of non-submission of monthly budget statements was by 19 municipalities in the Eastern Cape (53%), 19 in the Northern Cape (66%) and 17 in the Free State (74%).

The preparation, submission, approval and evaluation of MFMA-prescribed reports would have assisted the affected municipalities to identify deficiencies in financial management and service delivery for corrective action in a timely manner. Such reports would have highlighted to the executive gaps/anomalies/inconsistencies in the following areas, which resulted in negative audit findings:

- Significant deficiencies in the design and implementation of internal control in respect of financial and risk management, which resulted in the following:
 - Incomplete revenue collection and revenue foregone from water and electricity distribution losses
 - Irregular and fruitless and wasteful expenditure
 - Inappropriate application of conditional grants
 - Incorrect allocation of expenditure
 - Material under-spending of budgets, which impacted on service delivery
- Significant shortcomings in information systems, supported by adequate control processes and procedures to facilitate the preparation of performance information that was accurate and complete, which resulted in the following:
 - Unreliable and inaccurate performance information
 - Performance information that could not be substantiated
 - Non-auditing of performance information by internal audit and non-existence of performance audit committees
 - No mid-year budget and performance assessments

Root causes

Identified root causes include:

- Inadequate leadership involvement in the financial and performance management of the affected municipalities. Those responsible for oversight generally did not set the tone at the top to create an environment conducive to good financial management and service delivery.
- Lack of management oversight and follow-up because the documents in question were not submitted in a timely manner to the mayor, provincial treasuries and the council.

Conclusion

The leadership of the municipalities should implement measures to ensure compliance with the reporting,



monitoring and evaluation aspects of its own performance/service delivery objectives, as required by the MFMA. Appropriate governance arrangements also need to be implemented to assist the municipality in this regard. In addition, leadership should take responsibility for effective oversight and ensure that daily activities are defined, and adequate supervision and review processes are effected.

6.5 Non-compliance with laws and regulations

Material non-compliance with laws and regulations, not affecting the financial statements, was identified at 194 (85%) municipalities [2007-08: 185 (77%)] and at 35 (73%) municipal entities [2007-08: 26 (63%)]. An upward trend in non-compliance is evident.

- Such non-compliance occurred in municipalities and municipal entities in all nine provinces.
- The highest occurrence was in KwaZulu-Natal (23%), the Eastern Cape (16%) and Limpopo and the Northern Cape (13%).
- Compared to the 2007-08 financial year, the overall incidence of non-compliance with legislation has increased in Limpopo (50% increase from 13 to 26), the Northern Cape (13% increase from 24 to 27), Eastern Cape (10% increase from 30 to 33) and Free State (16% increase from 19 to 22), while declining in KwaZulu-Natal (15% reduction from 52 to 44).

Municipalities and municipal entities failed to comply with the provisions of mainly the following acts or prescripts:

- Municipal Finance Management Act (97%)
- Municipal System Act (59%)
- Supply Chain Management prescripts (44%)

Some of the non-compliance matters related to entering into transactions prohibited by legislation while others related to failure by accounting officers, CFOs and other officials to meet their legislated responsibilities, all resulting in unauthorised, fruitless and wasteful and irregular expenditure.

Non-compliance with laws and regulations was directly linked to inadequate risk assessment by the leadership of municipalities and their failure to address the significant deficiencies in the design and implementation of internal controls.

Main areas of non-compliance with legislation

- Creditors were not paid within 30 days from date of receipt of invoices
- Municipalities' annual reports were not tabled seven months after year-end or not tabled at all
- Non-declaration of financial interests by councillors
- Non-compliance with prescripts, mainly relating to non-reporting on supply chain management deviations to council and the National Treasury, and not having supporting documentation in respect of tenders that have been awarded

Root causes of non-compliance with legislation

- Inadequate supervision and monitoring by the leadership
- Ineffective risk management processes
- Lack of proper allocation of responsibilities regarding compliance matters
- Officials were not sufficiently trained to comply with the relevant legislation

Municipalities should consider implementing self-assessment procedures through compliance checklists, together with ongoing review and monitoring by the CFOs and municipal managers to prevent lapses in compliance with laws and regulations. Furthermore, internal audit units should review the adequacy of internal controls and compliance requirements in this regard.

The details of the affected municipalities and municipal entities are reflected in annexure 3 to this report.

6.6 Pervasive material misstatements in financial statements

Most of the financial statements submitted for audit were of poor quality in that management had to make material adjustments during the audit. Material misstatements in the financial statements were identified by auditors and corrected by management at 163 (71%) municipalities [2007-08: 191 (80%)] and at 41 (85%) municipal entities [2007-08: 30 (73%)] to avoid audit qualifications. The trend at entities is on the increase.

- Material misstatements were identified in financial statements submitted by municipalities and municipal entities in all nine provinces
- The highest occurrence at municipalities was in Gauteng (92%), Limpopo (79%), KwaZulu-Natal (78%) and the Eastern Cape (66%)

The financial statements of those entities that did not correct misstatements received a disclaimed, adverse or qualified audit opinion. Material misstatements identified in the financial statements of municipalities and their drivers were as follows:

- The municipalities and entities had misstatements relating to allocation errors (a difference between the amount, classification or presentation of a reported financial statement item and the amount, classification or presentation that is required for the item to be in accordance with the applicable financial reporting framework)
- Financial statements contained misstatements in respect of disclosure notes (disclosures in the financial statements and the disclosures required by the financial reporting framework)
- Misstatements relating to other technical challenges (a limitation was placed on the auditor because the documentation or information requested was not made available by management)

The pervasive material misstatements identified through the audits were mainly the result of a lack of monitoring, supervision and review by the leadership, particularly the CFOs, of monthly reports that are used in the preparation of the financial statements. The leadership of the municipalities did not set the right tone at the top to create a control environment conducive to good financial management in this area. Municipal leadership did not adequately review the financial statements before submitting them for audit purposes, while the internal audit units and audit committees did not play an effective role in evaluating the controls and processes in respect of financial reporting.

6.7 Assistance provided to municipalities (including metros) by consultants

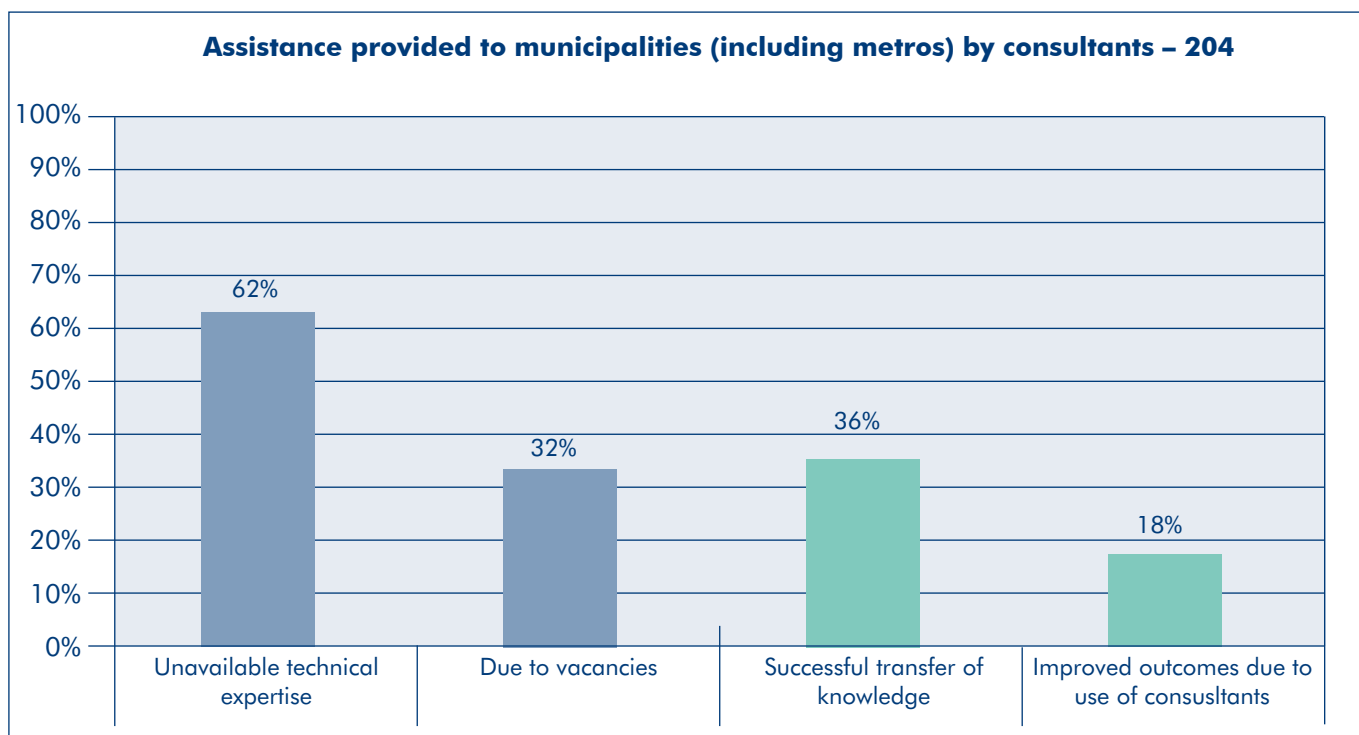
Of the 247 municipalities analysed, 204 (83 %) used consultants to assist with accounting-related services and the compilation of their financial statements.

- The use of consultants by municipalities for accounting-related services and the preparation of financial statements has become more prevalent since the introduction of Standards of GRAP, especially over the last three financial years

- Overall, municipalities spent in excess of R200 million on consultants to assist them with the preparation of annual financial statements and on other accounting-related services
- KwaZulu-Natal alone spent approximately R83 million on consultants

Figure 4 below provides the details of the assistance rendered by consultants to municipalities during the year under review. The blue bars in the figure highlight the reasons for using consultants, while the green bars refer to the impact of the assistance.

Figure 4: Assistance provided to municipalities (including metros) by consultants



Further details on the above aspects are as follows:

6.7.1 Reasons for using consultants

Consultants used due to unavailable technical expertise

- One hundred and twenty-seven (62%) of the 204 municipalities used consultants as a result of a lack of technical expertise, notwithstanding the fact that all their critical posts were filled.
- Most of these municipalities were in the Eastern Cape [(27 of 28 (96%)), Western Cape [24 of 26 (92%)] and the Free State [19 of 21 (90%)].

The extensive use of consultants can be ascribed mainly to the lack of expertise to apply the following GRAP standards:

- *Accounting policies, changes in estimates and errors* (retrospective adjustments to apply the effect of changes in accounting policies and correction of errors) (GRAP 3)
- *Property, plant and equipment* (unbundling of infrastructure assets and compilation of asset registers) (GRAP 17)

- *Provisions, contingent liabilities and contingent assets* (calculations for the provision for the rehabilitation of landfill sites) (GRAP 19)

In most instances, consultants were used towards the financial year-end, which was often too late to ensure the accuracy and completeness of the financial statements. Municipalities that employed consultants carried on with their day-to-day activities, while the consultants focused on the more technical accounting and reporting requirements.

Consultants used due to vacancies

- Sixty-six of 204 municipalities (32%) used consultants as a result of vacancies that existed in the positions of CFO and/or in the financial units
- Municipalities where consultants were used significantly due to vacancies were in the Eastern Cape [13 of 28 (46%)], Limpopo [nine of 21 (43%)], Western Cape [nine of 26 (35%)] and Free State [eight of 21 (38%)]

6.7.2 Impact of assistance provided by consultants

Successful transfer of knowledge by consultants to municipal staff

- Overall, 73 (36%) out of 204 municipalities that utilised consultants reported having benefited from a successful transfer of knowledge and skills to their finance units
- Municipalities in the Free State [(17 of 21 (81%)] and Gauteng [seven of seven (100%)] reported a substantial successful transfer of knowledge.

The transfer of knowledge and skills will go a long way in reducing the dependency of these municipalities on external assistance to draft financial statements, as well as improving the operational effectiveness of the finance units.

The following are reasons why consultants did not transfer skills:

- Available staff lacked the relevant qualifications and technical expertise
- Lack of cooperation by municipal officials
- Staff were not available due to vacancies in the finance units
- The contracts concluded with the consultants for 2008-09 generally did not make provision for the transfer of skills. The provincial treasuries, however, have amended the contracts to include specific provisions on the transfer of skills and knowledge going forward.

Improved audit outcomes attributable to the use of consultants

In addition to compiling the financial statements and assisting with asset registers, the brief of consultants included assistance in addressing specific prior year qualification areas.

- Marked improvement in outcomes due to the use of consultants was only noted in Gauteng [five of seven (71%)] and Limpopo [eight of 21 (38%)]
- The remaining provinces showed improved outcomes varying between 8% and 20%.

The way forward regarding assistance by consultants

Municipalities should assess whether the ongoing use of consultants for accounting-related services was

the most economical way of addressing their needs, also taking into account the need for continuity and sustainability of the function the consultants are engaged to perform. To this end, municipalities should ensure that measures are in place for consultants to transfer knowledge and skills to build sustainable finance units.

Although the use of consultants has increased, it is important that municipalities should continue to adhere to the basic financial controls, such as proper filing of documentation, the daily processing of transactions and monthly reconciliations and balancing of accounting records, throughout the financial year.

Where municipalities choose to continue their use of consultants, the leadership of those municipalities must, with the assistance of the provincial treasury, monitor and evaluate the effectiveness of the services rendered by consultants with reference to the audit outcomes and transfer of skills.

SECTION 7: OTHER REPORTING RESPONSIBILITIES

7.1 Introduction

This section of the 2008-09 general report provides details that relate to the AGSA's additional responsibilities in the audit of the financial statements. It includes the results of the AGSA's audit of performance information (AoPI), performance audits, as well as investigations, where applicable, at the municipalities (including metros) and related municipal entities. There is a significant difference between the discipline of AoPI and performance audits, which is briefly explained below.

Audit of performance information

Auditing of performance information (AoPI) can be defined as an annual audit of reported actual performance against predetermined objectives. This is an integral part of the annual regularity audit, confirming the credibility of the reported performance information in the annual performance report of auditees.

The objective of the audit is to enable the auditor to conclude whether the reported performance against predetermined objectives is reliable, accurate and complete, in all material respects, based on predetermined criteria. The objective is to ultimately provide assurance on the credibility of non-financial information on service delivery against frameworks established by the National Treasury and The Presidency, as well as all relevant laws and regulations.

Performance audit

A performance audit is described as an independent auditing process to evaluate the measures instituted by management to ensure that resources have been procured economically and are used efficiently and effectively.

The following table details the key differences between the AoPI and performance auditing:

Table 12: Key differences between the audit of performance information and performance auditing

Audit of performance information	Performance auditing
Mandatory audit [section 20(2)(c) of the Public Audit Act, 2004]	Discretionary audit [section 20(3) of the Public Audit Act, 2004]
Reflects an opinion or conclusion on performance information	Reporting is factual and does not include an audit opinion
Reporting is done annually as part of the regularity audit process	Report is not limited to annual information and can cover more than one financial period
Reviews and confirms the validity and completeness of information in the annual report	Evaluates the economy, efficiency and effectiveness at organisational, programme or project level

7.2 Audit of performance information

This section of the 2008-09 general report provides details of the results of the AGSA's audits of performance information at the municipalities (including metros) and related municipal entities under the following headings:

- The AGSA's statutory responsibilities relating to the audit of performance information
- Key findings arising from the 2008-09 audit of performance information
- Root causes relating to the three broad areas examined
- Interactions held with auditees over the past 12 months on AoPI
- State of AoPI readiness generally in local government
- Broad recommendations to improve the quality of reported performance information

7.2.1 The AGSA's statutory responsibilities relating to the audit of performance information

The AGSA recognises the following as sources of criteria against which the subject matter will be evaluated as a basis for the audit conclusions:

- All relevant laws and regulations.
- Framework for the managing of programme performance information, issued by The National Treasury.
- Relevant frameworks, circulars and guidance issued by the National Treasury and The Presidency regarding the planning, management, monitoring and reporting of performance information.

In terms of section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), the AGSA has adopted a phasing-in approach to compliance with sections 20 and 28 of the PAA, until such time as the environment at auditees shows a state of readiness to provide reasonable assurance in the form of an audit opinion or conclusion. The phasing-in approach to the auditing of performance information will constitute a review of the policies, systems, processes and procedures for the management of and reporting on performance against predetermined objectives.

In terms of section 13 of the PAA and based on the results of a readiness assessment of audited entities during November 2008, the AG decided to provide reasonable assurance in the form of an audit conclusion on the reporting of performance against predetermined objectives at the following categories of audited entities:

- national and provincial departments, constitutional institutions and trading entities
- national and provincial public entities
- municipal metropolitan councils and the related municipal entities.

For the categories of audited entities referred to, a separate audit conclusion will be included in the auditor's reports with effect from the 2011-12 financial year. Audit conclusions in this regard will be reached as part of the financial auditing process in terms of the International Standards on Assurance Engagements (ISAE) 3000: Assurance engagements other than audits or reviews of historical financial information.

This approach will also be followed for the 2009-10 audit cycles, with only one exception: while all audit work will focus on the expression of an opinion on the performance information of national and provincial departments, their public entities and metropolitan councils and their entities, these opinions will not yet

be elevated to the level of the individual audit reports. Instead, a reflection on the entities' performance information, should an opinion have been expressed, will be contained at management report level. An opinion will thus be prepared, but not expressed publicly beyond being annexed to the management report, as part of the readiness strategy.

Broad areas examined were as follows:

- *Compliance with regularity requirements* – the scope of audit work and audit findings relates to compliance with the MFMA, MSA and the Municipal Planning and Performance Management Regulations pertaining to the planning, management, monitoring, review and reporting of performance information.
- *Usefulness of reported information* – audit work focused on the consistency, relevance and measurability of planned and reported performance information.
- *Reliability of reported performance information* – audit work focused on whether the reported performance information could be traced back to the source data or documentation and whether the reported information is accurate and complete in relation to the source data, evidence or documentation.

7.2.2 Key findings arising from the 2008-09 audit of performance information

Of the 247 municipalities and 48 municipal entities whose audits were finalised by 8 March 2010, the performance information for 89 (39 %) municipalities and five (13%) municipal entities could not be audited for one or more audit categories as the performance information was not received in time for audit purposes. An assessment could therefore not be performed on the level of compliance or usefulness or reliability of the reported information of these municipalities and municipal entities.

The results of the audit of performance information of those municipalities and entities that were audited are presented in table 13 below. Deficiencies in internal control that caused these findings are analysed in the paragraph that follows each table.

Table 13: Consolidated key findings arising from the audit of performance information

Main findings	Percentage		Number	
	Municipalities	Municipal entities	Municipalities	Municipal entities
Non-compliance with regularity requirements	91%	63%	222	24
Reported performance information not useful	57%	32%	86	14
Reported performance information not reliable	50%	31%	82	10
Performance information not submitted for audit	39%	13%	89	5

Overall comments on performance information findings at municipalities and municipal entities can be summarised as follows:

- Two hundred and twenty-two (91%) out of 244 municipalities analysed, compared to 24 (63%) out of 38 municipal entities, had findings relating to non-compliance.
- Eighty-nine (39%) municipalities and five (13%) municipal entities did not submit performance information for audit.
- The findings for municipalities are significantly higher than for municipal entities.
- Metros fared significantly better than high-, medium- and low-capacity municipalities in all three broad areas audited.
- High-capacity municipalities fared better than medium-capacity municipalities, and medium-capacity municipalities fared better than low-capacity municipalities in terms of compliance with regularity requirements, whereas this trend is not visible in usefulness or reliability of the reported performance information.

Table 14: Provincial key findings arising from the audit of performance information

Province	Main findings									
	Non-compliance		Not useful		Not reliable		Not received in time		No findings	
	Municipalities	Municipal entities	Municipalities	Municipal entities	Municipalities	Municipal entities	Municipalities	Municipal entities	Municipalities	Municipal entities
Eastern Cape	94%	100%	69%	63%	56%	75%	33%	38%	0	0
Free State	100%	67%	48%	33%	43%	33%	43%	33%	0	0
Gauteng	69%	35%	15%	27%	23%	8%	31%	0%	2	15
KwaZulu-Natal	82%	40%	25%	0%	35%	0%	13%	20%	8	2
Limpopo	90%	100%	32%	0%	41%	0%	24%	0%	2	0
Mpumalanga	94%	NA	27%	NA	27%	NA	35%	NA	0	NA
Northern Cape	93%	NA	100%	NA	75%	NA	83%	NA	0	NA
North West	100%	100%	100%	100%	75%	100%	38%	0%	0	0
Western Cape	97%	0%	93%	0%	71%	0%	52%	0%	0	3

Overall comments on performance information findings at provinces can be summarised as follows:

- Significant findings were raised on the performance information of municipalities in all provinces
- Twelve municipalities and 20 municipal entities, mainly in Gauteng, KwaZulu-Natal, Limpopo and Western Cape, did not have any findings in any of the three broad areas examined.



- Municipalities in the Eastern Cape, Free State, North West and Western Cape had the highest number of audit findings in all the three broad areas audited.
- Municipalities in Gauteng and Mpumalanga had the lowest number of audit findings in all of the three broad areas audited.

A detailed analysis of findings under the broad areas is as follows:

Non-compliance with regularity requirements

The scope of audit work and audit findings related to compliance with the MFMA, MSA and Municipal Planning and Performance Management Regulations pertaining to the planning, management, monitoring, review and reporting of performance information.

Eastern Cape, Free State, Mpumalanga, North West and Northern Cape had the highest level of findings in the area of non-compliance.

Significant findings in this category include the following:

- The strategic/corporate/annual performance plan was not provided to the executive authority prior to the discussion of the municipality's budget vote or approval of budget [124 (50%) municipalities and five (10%) municipal entities]
- Lack of reporting on all predetermined objectives, indicators and targets in annual report [135 (55%) municipalities and eight (17%) municipal entities]
- There was a lack of effective, efficient and transparent systems and internal controls regarding performance management information [107 (43%) municipalities and 13 (27%) municipal entities]
- No or inadequate quarterly reporting on performance information [101 (41%) municipalities and eight (17%) municipal entities]

Usefulness of performance information

The scope of audit work focused on the consistency, relevance and measurability of planned and reported performance information.

Eastern Cape, Free State and North West had the highest level of findings in the area of usefulness of performance information.

Consistency: [69 (40%) municipalities and 11 (23%) municipal entities]

- Reported performance information not throughout consistent with objectives, indicators and targets as per approved strategic/corporate/annual performance plan

Relevance: [33 (19%) municipalities and five (11%) municipal entities]

- Some indicators and targets did not clearly relate to the objectives and mandate of the municipality

Relevance: [46 (27%) municipalities and 11 (23%) municipal entities]

- Some targets were not specific in clearly identifying the nature and the required level of performance

Reported performance information not reliable

The scope of audit work focused on whether the reported performance information could be traced back to the source data or documentation and whether the reported information is accurate, complete and consistent in relation to the source data, evidence or documentation.

- Eastern Cape, Free State and North West had the highest level of findings in the area of reliability of performance information.
- Lack of sufficient appropriate audit evidence in relation to the reported performance information [53 (31%) municipalities and six (13%) municipal entities]
- The source information or evidence provided to support the reported performance information did not adequately support the accuracy and completeness of the facts throughout 47 (27%) municipalities and seven (15%) municipal entities.
- Lack of appropriate manual and/or computerised systems generating performance information [(35 (20%) municipalities and eight (17%) municipal entities)].

Performance information was not received in time for audit purposes

In accordance with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008, all entities subject to audit in terms of this notice are required to submit their annual financial performance reports for auditing together with the annual financial statements within two months after the end of the financial year.

- The performance information for 89 (39%) municipalities and five (13%) municipal entities could not be audited for one or more audit categories as the performance information was not received in time for audit purposes. An assessment could therefore not be performed on the level of compliance, usefulness and reliability of the reported information of these municipalities.
- Free State, Mpumalanga, North West, Northern Cape and Western Cape had the highest level of performance information not submitted in time for audit purposes.

7.2.3 Root causes relating to the three broad areas examined

Identified root causes include the following:

- Lack of focus on AoPI matters by internal audit, audit committees and management. This matter is a high priority because the reporting of performance information will aid leadership's ability to track service delivery.
- Lack of leadership commitment and accountability to ensure establishment of adequate performance information management systems.
- Inadequate leadership supervision, review and monitoring to ensure compliance with internal policies and procedures for managing performance information, as well as the accuracy and completeness of reported service delivery achievements.
- Lack of integration of performance information structures and systems within existing management processes and systems.
- Inadequate processes, systems and documentation for identifying, collecting, collating, verifying and storing performance information.
- Internal audit and audit committees not assessing the functionality of the processes and performance management systems, as well as auditing the results of performance information.
- Non-existence of performance audit committees (or another audit committee utilised as a performance audit committee).

- Limited training and support provided to municipalities by the National and provincial treasuries regarding the requirements for performance management, monitoring and reporting.

7.2.4 Interactions held with auditees over the past 12 months on AoPI

Over the past 12 months, the AGSA leadership has engaged various key stakeholders (provincial Speakers, Premiers, Minister for Local Government, provincial treasuries, executive mayors, municipal managers, CFOs, audit steering committee meetings, audit committees and internal audit units) on the strategic importance of performance information and there was a commitment to prioritise performance information as one of the key risks.

7.2.5 State of AoPI readiness generally in local government

Considering the number of findings, especially the high incidence of non-compliance with the MSA and performance information regulations, coupled with the non-submission of performance information, it is evident that substantial work still needs to be done to prepare provinces for an opinion on performance information. There are doubts as to the reliability of information reported on service delivery.

Major challenges exist in respect of:

- (i) enforcing regularity compliance
- (ii) implementation of processes to manage performance information
- (iii) monitoring and review of performance information by management and council.

The results of AoPI findings indicate that there is room for improvement, particularly with regard to:

- implementing effective, efficient and transparent manual or computerised systems to capture performance information
- the review by audit committees and the auditing by internal audit units of performance information
- monitoring of performance information and coordination of improvement projects with regard to AoPI and service delivery within the provinces.

7.2.6 Broad recommendations to improve the quality of reported performance information

- The provincial treasuries and the Departments of Local Government should drive and coordinate projects to ensure that systems implemented comply with the performance information reporting framework and that controls are adequate.
- The leadership of municipalities, in particular the councils and executive mayors, must review the content and quality of quarterly reports on performance information submitted by the municipal managers, while taking ownership of the performance results of their municipalities and pre-empting the outcomes of the audit of performance information.
- The political and administrative leadership of municipalities and municipal entities should implement processes to ensure greater credibility of performance information as it reflects the service delivery achievements within local government. Furthermore, it is imperative that actions to strengthen internal controls regarding performance information be prioritised.
- The discipline of preparing GRAP-compliant monthly financial statements with AoPI information must be institutionalised.

The legislatures and leadership of municipalities have recognised the importance of rectifying the current situation as it reflects service delivery achievements and areas of improvement within local government,

and have also recognised the establishment of effective Municipal Public Accounts Committees which will, among other things, focus on monitoring action plans on audit findings and projects that lead to effective reporting on performance information.

7.3 Status of performance audits, investigations and special audits

7.3.1 Performance audits conducted

A performance audit is described as an independent auditing process to evaluate the measures instituted by management to ensure that resources have been procured economically and are used efficiently and effectively. Performance auditing is concerned with the auditing of economy, efficiency and effectiveness and embraces:

- auditing of **economy** in relation to the acquisition of resources in the right quantity, of the right quality, at the right time and place at the lowest possible cost
- auditing of the **efficiency** of utilisation of human, financial and other resources and the optimal relationship between the output of goods, services or other results and the resources used to produce them
- auditing of the **effectiveness** of the performance of the audited entity in relation to achievement of the policy objectives, operational goals and other intended effects.

The following performance audits are being concluded:

Table 15: Performance audits

Province	Municipality	Theme	Expected date of tabling
Gauteng	City of Johannesburg	Investment in infrastructure	September 2010
	Ekurhuleni Metro	Investment in infrastructure	September 2010
	City of Tshwane Metro	Investment in infrastructure	September 2010
	Mogale City Local Municipality	Investment in infrastructure	September 2010
Free State	Mangaung Local Municipality	Investment in infrastructure	September 2010

7.3.2 Investigations conducted

An "investigation", as contemplated in section 5(1)(d) of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), is defined as an independent and objective process where procedures are performed in accordance with guidelines issued by the AGSA to facilitate the investigation of financial misconduct, maladministration and impropriety, which may result in legal proceedings for adjudication and ensure

probity in the accounts, financial statements and financial management of an institution referred to in section 4(1) and 4(3) of the PAA. An investigation may be performed where the AGSA:

- considers it to be in the public interest
- receives a complaint relating to such institution or its affairs
- receives a request relating to such institution or its affairs
- deems it appropriate.

This will result in a report (as contemplated in section 20 of the PAA) or a special report (as contemplated in section 29 of the PAA).

The following investigations were conducted:

Table 16: Investigations

Province	Municipality	Matter under Investigation	Finalisation date
Eastern Cape	Kouga	Sale of golf course	29 Aug 2008
		Sale of other non-residential properties	27 March 2009
		Other property-related issues	4 May 2009
		Pellsrus housing development	31 March 2009
	Nkonkobe	Accommodation costs of the municipal manager	30 Sept 2008
		Vehicle fleet management	31 March 2009
		Performance management (MIG projects and MFMA reports)	31 March 2009
	Ukhahlamba	Financial management, tenders and expenditure (excluding payroll)	30 April 2010
		Payroll expenditure	30 April 2010
Free State	Phumelela Local Municipality	Alleged irregularities in respect of the procurement system	June 2010

7.3.3 Special audits conducted

No special audits were performed by the AGSA for the year under review.

SECTION 8: CONSOLIDATED FINANCIAL STATEMENTS AND TABLING OF ANNUAL REPORTS

8.1 Consolidated financial statements

In terms of section 122(2) of the MFMA, a municipality which has sole control of a municipal entity, or which has effective control within the meaning of the Municipal Systems Act (MSA) of a municipal entity which is a private company, must prepare consolidated annual financial statements incorporating the annual financial statements of the municipality and of such entity. Such consolidated annual financial statements must comply with any requirements, as may be prescribed in the MFMA. The Auditor-General issues separate audit reports for consolidated municipalities and municipal entities and an audit opinion is expressed thereon. It became compulsory for metros and high-capacity municipalities to prepare consolidated financial statements from the 2008-09 financial year.

The financial statements of 21 parent municipalities are required to be consolidated with 47 municipal entities controlled by them in order to produce 21 sets of consolidated annual financial statements. The audits of the consolidated financial statements of Alfred Nzo, Kouga, Polokwane and Metsimaholo were not finalised and, accordingly, their consolidated annual financial statements were not audited.

The audit outcomes of consolidated financial statements are reflected in table 17 below.

Table 17: Audit opinions of consolidated audits

Type of audit opinion	2008-09	
	Number	Percentage
Disclaimer	2	12%
Adverse	0	0%
Qualified	6	35%
Financially unqualified (with other matters)	8	47%
Financially unqualified (with no other matters) – clean audit opinion	1	6%
Total analysed	17	100%
Total not finalised timeously	4	
Total	21	

Salient matters relating to the consolidated annual financial statements are as follows:

- The audits of four (19%) consolidated financial statements were not completed due to either late or non-receipt thereof.
- Eight (47%) of the finalised consolidated financial statements obtained a financially unqualified (with



other matters) audit opinion while six (35%) obtained a qualified audit opinion and two (12%) obtained a disclaimer audit opinion.

- Only one consolidated entity, City of Johannesburg, obtained a financially unqualified (with no other matters) opinion.
- The disclaimer audit opinions of Mangaung and Maluti-A-Phofung are a result of disclaimers in both the parent and controlled entities.
- Of the six qualified audit opinions, three were as a result of qualifications of the financial statements of the parent municipality only; while three were a result of qualifications of the parent and the controlled entities.
- Thirty-eight (81%) controlled entities were financially unqualified, 34 with other matters and four without other matters, compared to 10 (48%) parent municipalities.

The leadership at qualified parent municipalities should address their own audit qualification findings and those of the entities subject to their control through a concerted, collaborative effort with the leadership of those entities.

8.2 Tabling of annual reports

In accordance with section 127(2) of the MFMA, the mayor of a municipality must table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, within seven months after the end of a financial year. The annual report must include the financial statements of the municipality and consolidated financial statements, if applicable, as well as the audit report on those statements.

Table 18 below provides a provincial analysis of non-tabling or late tabling of annual reports by municipalities (including metros) and municipal entities whose audits had been completed by 8 March 2010.

Table 18: Annual reports not tabled by municipalities (including metros) and municipal entities

Province	Municipalities (including metros)	Municipal entities	Total	Percentage
Eastern Cape	29	6	35	32%
Free State	13	1	14	13%
Gauteng	6	0	6	5%
KwaZulu-Natal	4	1	5	4%
Limpopo	13	0	13	13%
Mpumalanga	7	0	7	6%
Northern Cape	14	0	14	13%
North West	8	1	9	8%
Western Cape	7	0	7	6%
Total	101	9	110	100%

SECTION 9: CONCLUSION

As highlighted in this report, local government faces a number of challenges with performance which will require a coordinated effort by the leadership in the auditees and the provinces, with the support of the National Treasury and provincial treasuries, to turn the situation around.

The critical message we are leaving with the legislators and the executives in this report is that it is possible to obtain clean audit reports if the financial management and governance good practices are in place and constantly monitored by the leadership.

We remain confident that municipalities can overcome their challenges and obtain clean audit opinions by focusing on three basic focus areas of leadership, financial management and governance:

- Leadership
 - There is a need for executive mayors to identify the key controls that will drive clean audit outcomes and monitor these controls daily and on a monthly basis. The AGSA, in turn, will review and report on the effectiveness of these key controls of municipalities on a quarterly basis.
 - Act decisively to implement corrective measures.
 - Assess the effectiveness of the structures of the finance units, internal audit units and audit committees, as well as risk management.
- Financial management
 - Enhance the finance management units' capacity to produce reliable monthly financial statements and management information that must be evaluated and monitored at appropriate leadership levels to enable quality decision making and service delivery.
 - Finance units must adhere to basic financial controls throughout the financial year, i.e. the proper and regular filing of documentation supporting the financial statements and management information, daily processing of transactions, monthly reconciliations of accounts and the review thereof, as well as the monthly preparation of schedules which support/analyse items in the financial records.
 - Finance units must produce an audit file to support the figures and disclosures in the financial statements to the external auditors at the commencement of the audit process.
- Governance arrangements
 - Audit committees and internal audit units must be strengthened through the employment of persons with the appropriate knowledge, skills and experience to effectively discharge their responsibilities.
 - Effective risk assessment management strategies, including fraud prevention must be established.

The challenges are certainly not insurmountable and the move to clean audit opinions is well within the reach of most of the municipalities and municipal entities within a short period of time. All it entails is a structured, systematic and simple monitoring approach by the municipal leadership. We are encouraged by the level of commitment evident in the interactions that we have had, so far, with the municipal council and provincial executive.

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
1	Alfred Nzo District	EC	AGSA internal quality assurance and monitoring processes - external auditors					Disclaimer															
2	Amahlali	EC						Disclaimer															
3	Amatole District	EC						Qualified															
4	Baviaans	EC						Qualified															
5	Blue Crane Route	EC						Qualified															
6	Buffalo City	EC						Qualified															
7	Cacadu District	EC						Financially unqualified (with other matters)															
8	Camdeboo	EC						Financially unqualified (with other matters)															
9	Chris Hani District	EC						Disclaimer															
10	Elundini	EC						Qualified															
11	Emalahleni	EC						Adverse															
12	Engcobo	EC						Disclaimer															
13	Gariep	EC	Financial statements submitted after legislated deadline					Disclaimer															
14	Great Kei	EC	Financial statements submitted after legislated deadline					Disclaimer															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
15	Ikwezi	EC						Qualified															
16	Inguza Hill	EC						Disclaimer															
17	Inkwanca	EC						Adverse															
18	Intsika	EC						Disclaimer															
19	Inxuba Yethemba	EC						Qualified															
20	King Sabata Dalindyebo	EC						Disclaimer															
21	Kouga	EC						Qualified															
22	Koukamma	EC						Disclaimer															
23	Lukhanji	EC						Qualified															
24	Makana	EC						Adverse															
25	Maletswai	EC						Adverse															
26	Matatiele	EC						Financially unqualified (with other matters)															
27	Mbhashe	EC						Disclaimer															
28	Mbizana	EC						Disclaimer															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
29	Mhlontlo	EC					AGSA internal quality assurance and monitoring processes - external auditors	Disclaimer															
30	Mnquma	EC						Adverse															
31	Ndlambe	EC						Qualified															
32	Nelson Man- dela Metro	EC						Financially unqualified (with other matters)															
33	Ngqushwa	EC						Disclaimer															
34	Nkonkobe	EC						Disclaimer															
35	Ntbankulu	EC					AGSA internal quality assurance and monitoring processes - external auditors	Disclaimer															
36	Nxuba	EC						Qualified															
37	Nyandeni	EC						Qualified															
38	OR Tambo District	EC						Disclaimer															
39	Port St Johns	EC						Qualified															
40	Sakhisizwe	EC						Adverse															
41	Senqu	EC						Qualified															
42	Sundays River Valley	EC						Disclaimer															
43	Tsolwana	EC						Adverse															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09				Audit opinion 2007-08	Areas qualified																
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)		Financially unqualified (with no other matters)	Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
44	Ukhahlamba District	EC						Qualified																
45	Umkhmvubu	EC						Disclaimer																
46	Diklabeng	FS						Disclaimer																
47	Fezile Dabi District	FS						Financially unqualified (with other matters)																
48	Kopanong	FS						Disclaimer																
49	Lejweleputswa District	FS						Qualified																
50	Letsemeng	FS						Disclaimer																
51	Mafube	FS						Disclaimer																
52	Maluti-A-Phofung	FS						Disclaimer																
53	Mangaung	FS						Disclaimer																
54	Mantsopa	FS						Qualified																
55	Masilonyana	FS						Disclaimer																
56	Matjhabeng	FS						Disclaimer																
57	Metsimaholo	FS	AGSA internal quality assurance and monitoring processes - external auditors				Disclaimer																	
58	Mohokare	FS						Disclaimer																
59	Maghaka	FS						Disclaimer																

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
60	Motho District	FS						Disclaimer															
61	Nala	FS						Disclaimer															
62	Naledi	FS						Disclaimer															
63	Ngwathe	FS						Disclaimer															
64	Nketoana	FS						Disclaimer															
65	Phumelela	FS						Disclaimer															
66	Setso	FS						Qualified															
67	Thabo Mofutsan- yana District	FS						Disclaimer															
68	Tokologo	FS	Financial statements for 2007-08 not submitted					Audit outstanding															
69	Tswelopele	FS						Financially unqualified (with other matters)															
70	Xhariep District	FS						Disclaimer															
71	City of Johannesburg Metro	GP						Financially unqualified (with no other matters)															
72	City of Tshwane Metro	GP						Qualified															
73	Ekurhuleni Metro	GP						Qualified															
74	Emfuleni	GP						Disclaimer															
75	Kungwini	GP	Financial statements submitted after legislated deadline and AGSA qual- ity assurance processes					Disclaimer															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)																								
No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified															
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
76	Lesedi	GP						Financially unqualified (with other matters)																
77	Metsweding District	GP						Financially unqualified (with other matters)																
78	Midvaal	GP						Financially unqualified (with other matters)																
79	Mogale City	GP						Qualified																
80	Nokeng Tsa Tae- mane	GP						Disclaimer																
81	Randfontein	GP						Qualified																
82	Sedibeng District	GP						Financially unqualified (with other matters)																
83	West Rand District	GP						Financially unqualified (with other matters)																
84	Westonaria	GP						Financially unqualified (with other matters)																
85	Abaqulusi	KZN						Financially unqualified (with other matters)																
86	Amajuba District	KZN						Qualified																
87	Big Five	KZN						Qualified																
88	Dannhauser	KZN						Disclaimer																
89	eDumbe	KZN						Disclaimer																
90	eMadlageni	KZN						Disclaimer																
91	Emnambithi/ Ladysmith	KZN						Financially unqualified (with other matters)																

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
92	Endumeni	KZN			Lack of skills during preparation of financial statements			Qualified															
93	eThekwini	KZN					Financially unqualified (with no other matters)																
94	Ezinqoleni	KZN					Disclaimer																
95	Greater Kokstad	KZN					Financially unqualified (with other matters)																
96	Hibiscus Coast	KZN					Financially unqualified (with other matters)																
97	Hlabisa	KZN					Qualified																
98	iLembe District	KZN					Qualified																
99	Imbabazane	KZN					Financially unqualified (with other matters)																
100	Impendle	KZN					Qualified																
101	Indaka	KZN					Qualified																
102	Ingwe	KZN					Financially unqualified (with other matters)																
103	Jozini	KZN					Qualified																
104	Kwa Sani	KZN					Financially unqualified (with other matters)																
105	Kwadukuza	KZN					Financially unqualified (with other matters)																
106	Mandeni	KZN					Financially unqualified (with other matters)																

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
107	Maphumulo	KZN						Qualified															
108	Mbonambi	KZN						Disclaimer															
109	Mkhambathini	KZN						Financially unqualified (with other matters)															
110	Mpofana	KZN						Financially unqualified (with other matters)															
111	Msinga	KZN						Financially unqualified (with other matters)															
112	Msunduzi	KZN						Financially unqualified (with other matters)															
113	Mthonjaneni	KZN						Financially unqualified (with other matters)															
114	Mtubatuba	KZN						Financially unqualified (with other matters)															
115	Ndwedwe	KZN						Financially unqualified (with other matters)															
116	Newcastle	KZN						Financially unqualified (with other matters)															
117	Nkandla	KZN						Disclaimer															
118	Nongoma	KZN						Disclaimer															
119	Nquthu	KZN						Disclaimer															
120	Ntambanana	KZN						Financially unqualified (with other matters)															
121	Okhahlamba	KZN						Adverse															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified															
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
122	Richmond	KZN						Financially unqualified (with other matters)																
123	Sisonke District	KZN						Qualified																
124	Ubuhlebezwe	KZN						Qualified																
125	Ugu District	KZN						Financially unqualified (with other matters)																
126	Ulundi	KZN						Financially unqualified (with other matters)																
127	Umdoni	KZN						Financially unqualified (with other matters)																
128	Umgeni	KZN						Financially unqualified (with other matters)																
129	Umgungundlovu District	KZN						Financially unqualified (with other matters)																
130	Umlabuyingana	KZN						Qualified																
131	uMhlatuze	KZN						Financially unqualified (with other matters)																
132	Umkhanyakude District	KZN						Disclaimer																
133	Umlalazi	KZN						Financially unqualified (with other matters)																
134	uMshwati	KZN						Financially unqualified (with other matters)																
135	Umtshezi	KZN						Financially unqualified (with other matters)																

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)																								
No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified															
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
136	Umuziwabantu	KZN						Financially unqualified (with other matters)																
137	Umvoti	KZN						Financially unqualified (with other matters)																
138	uMzimkhulu	KZN						Financially unqualified (with other matters)																
139	Umzinyathi District	KZN						Qualified																
140	Umkhumbi	KZN						Financially unqualified (with other matters)																
141	uPhongolo	KZN						Financially unqualified (with other matters)																
142	Uthukela District	KZN						Financially unqualified (with other matters)																
143	Uthungulu District	KZN						Financially unqualified (with other matters)																
144	Vulamehlo	KZN						Financially unqualified (with other matters)																
145	Zululand District	KZN						Financially unqualified (with other matters)																
146	Aganang	LP						Qualified																
147	Ba-Phalaborwa	LP						Adverse																
148	Bela-Bela	LP						Qualified																
149	Blouberg	LP						Disclaimer																
150	Capricorn District	LP						Disclaimer																

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
151	Elias Motsoaledi (Greater Groblersdal)	LP						Disclaimer															
152	Fetakgomo	LP						Financially unqualified (with other matters)															
153	Greater Giyani	LP						Qualified															
154	Greater Letaba	LP						Qualified															
155	Greater Marble Hall	LP						Disclaimer															
156	Greater Sekhu- khune District	LP						Disclaimer															
157	Greater Tubatse	LP						Disclaimer															
158	Greater Tzaneen	LP						Qualified															
159	Lepelle-Nkumpi	LP						Disclaimer															
160	Lephalale	LP						Disclaimer															
161	Makhado	LP	AGSA internal quality assurance and monitor- ing processes - external auditors					Adverse															
162	Makhudutamaga	LP						Disclaimer															
163	Maruleng	LP						Disclaimer															
164	Modimolle	LP						Disclaimer															
165	Mogalakwena	LP						Financially unqualified (with other matters)															
166	Molemole	LP						Disclaimer															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
167	Mookgopong	LP						Disclaimer															
168	Mopani District	LP						Disclaimer															
169	Musina	LP						Financially unqualified (with other matters)															
170	Mutale	LP						Disclaimer															
171	Polokwane	LP						Disclaimer															
172	Thabazimbi	LP						Disclaimer															
173	Thulamela	LP						Disclaimer															
174	Vhembe District	LP						Disclaimer															
175	Waterberg District	LP						Financially unqualified (with other matters)															
176	Albert Luthuli	MP	Lack of skills during preparation of financial statements					Qualified															
177	Bushbuckridge	MP						Qualified															
178	Delmas	MP						Financially unqualified (with other matters)															
179	Dipaliseng	MP						Disclaimer															
180	Dr JS Moroka	MP						Financially unqualified (with other matters)															
181	Ehlanzeni District	MP						Financially unqualified (with other matters)															
182	Emakhazeni	MP						Financially unqualified (with other matters)															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
183	Emalahleni	MP						Financially unqualified (with other matters)															
184	Gert Sibande District	MP						Financially unqualified (with other matters)															
185	Govan Mbeki	MP						Qualified															
186	Lekwa Local	MP						Disclaimer															
187	Mbombela	MP						Qualified															
188	Mkhondo	MP					Financial statements sub- mitted late for audit due to capacity	Qualified															
189	Msukaligwa	MP					Financial statements sub- mitted late for audit due to capacity	Qualified															
190	Nkangala District	MP						Financially unqualified (with other matters)															
191	Nkomazi	MP						Disclaimer															
192	Pixley Ka Seme (Volkstrust)	MP						Disclaimer															
193	Steve Tshwete	MP						Financially unqualified (with other matters)															
194	Thaba Chweu	MP						Qualified															
195	Thembisile	MP					Unavailability of manage- ment and/or staff	Financially unqualified (with other matters)															
196	Umgindi Municipality	MP						Financially unqualified (with other matters)															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
197	IKheis	NC						Disclaimer															
198	Dikgatlong	NC						Disclaimer															
199	Emthanjeni	NC						Disclaimer															
200	Frances Baard District	NC						Financially unqualified (with other matters)															
201	Gamagara	NC						Qualified															
202	Ga-Segonyane	NC						Disclaimer															
203	Hantam	NC						Disclaimer															
204	Kai!Garib	NC						Qualified															
205	Kamiesberg	NC						Disclaimer															
206	Kareeberg	NC						Financially unqualified (with no other matters)															
207	Karoo Hoogland	NC						Disclaimer															
208	Kgalagadi District	NC						Qualified															
209	Kgatelopele	NC						Disclaimer															
210	Khai-Ma	NC						Qualified															
211	Khara Hais	NC						Qualified															
212	Magareng	NC						Disclaimer															
213	Mier Municipality	NC						Disclaimer															
214	Moshaweng	NC						Disclaimer															
215	Nama Khoi	NC	Financial statements not submitted					Disclaimer															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
216	Namakwa District	NC						Qualified															
217	Phokwane	NC	Financial statements not submitted					Disclaimer															
218	Pixley Ka Seme District Municipality	NC						Qualified															
219	Renosterberg	NC	Financial statements not submitted					Disclaimer															
220	Richtersveld	NC						Qualified															
221	Siyancuma	NC						Disclaimer															
222	Siyanda District	NC						Disclaimer															
223	Siyathemba	NC						Disclaimer															
224	Sol Plaatje	NC						Disclaimer															
225	Thembelihle	NC						Disclaimer															
226	Tsantsabane	NC						Disclaimer															
227	Ubuntu	NC						Qualified															
228	Umsobomvu	NC						Disclaimer															
229	Bojanala Platinum District	NW						Financially unqualified (with other matters)															
230	City of Matlosana	NW	Financial statements submitted late for audit due to capacity					Disclaimer															
231	Ditsobotla	NW	Financial statements submitted late for audit due to capacity					Audit outstanding															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
232	Dr Kenneth Kaunda District	NW						Qualified															
233	Dr Ruth S Mompati District	NW	Financial statements not submitted					Financially unqualified (with other matters)															
234	Greater Taung	NW	Financial statements submitted late for audit due to capacity					Disclaimer															
235	Kagisano	NW	Financial statements not submitted					Financially unqualified (with other matters)															
236	Kgetleng River	NW	Financial statements not submitted					Disclaimer															
237	Lekwa-Teemane	NW						Disclaimer															
238	Madibeng	NW	Financial statements not submitted					Adverse															
239	Mafikeng	NW						Disclaimer															
240	Mamusa	NW	2007-08 and 2008-09 financial statements not submitted					Audit outstanding															
241	Maquassi Hills	NW	Financial statements not submitted					Audit outstanding															
242	Merafong City	NW						Qualified															
243	Molopo	NW	Financial statements not submitted					Financially unqualified (with other matters)															
244	Moretele	NW	Financial statements not submitted					Disclaimer															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
245	Moses Kotane	NW				Financial statements not submitted	Financially unqualified (with other matters)																
246	Naledi	NW					Disclaimer																
247	Ngaka Modiri Molema District	NW				Financial statements sub- mitted late for audit due to capacity	Qualified																
248	Ramotshere Moloka	NW					Disclaimer																
249	Ratlou	NW					Disclaimer																
250	Rustenburg	NW					Qualified																
251	Tlokwe	NW					Disclaimer																
252	Tswaing	NW					Disclaimer																
253	Ventersdorp	NW				Lack of skills during preparation of financial statements	Disclaimer																
254	Beaufort West	WC					Financially unqualified (with other matters)																
255	Berg River	WC					Disclaimer																
256	Bitou	WC					Financially unqualified (with other matters)																
257	Breede Valley	WC					Financially unqualified (with other matters)																
258	Breede River Winelands	WC					Financially unqualified (with other matters)																

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
259	Cape Agulhas	WC						Financially unqualified (with other matters)															
260	Cape Winelands District	WC						Financially unqualified (with other matters)															
261	Cederberg	WC						Qualified															
262	Central Karoo District	WC						Financially unqualified (with other matters)															
263	City of Cape Town	WC						Financially unqualified (with no other matters)															
264	Drakenstein	WC						Financially unqualified (with other matters)															
265	Eden District	WC						Financially unqualified (with other matters)															
266	George	WC						Qualified															
267	Hessequa	WC						Qualified															
268	Kannaland	WC						Disclaimer															
269	Knysna	WC						Financially unqualified (with other matters)															
270	Laingsburg	WC						Financially unqualified (with other matters)															
271	Matzikama	WC						Financially unqualified (with other matters)															
272	Mossel Bay	WC						Financially unqualified (with other matters)															

Annexure 1.1: Listing of audit outcomes for municipalities (including metros) and areas qualified (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
273	Oudtshoorn	WC						Disclaimer															
274	Overberg District	WC						Financially unqualified (with other matters)															
275	Overstrand	WC						Financially unqualified (with other matters)															
276	Prince Albert	WC						Financially unqualified (with other matters)															
277	Saldanha Bay	WC						Disclaimer															
278	Stellenbosch	WC						Financially unqualified (with other matters)															
279	Swartland	WC						Financially unqualified (with other matters)															
280	Swellendam	WC						Financially unqualified (with other matters)															
281	Theewaterskloof	WC						Financially unqualified (with other matters)															
282	West Coast District	WC						Financially unqualified (with other matters)															
283	Witzenberg	WC						Financially unqualified (with other matters)															

Annexure 1.2: Listing of audit outcomes for municipal entities and areas qualified

No.	Municipal entities	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
1	Amathole Economic Development Agency	EC						Financially unqualified (with other matters)															
2	Blue Crane Route Development Agency	EC			Financial statements submitted after legislated deadline			Audit outstanding															
3	Buffalo City Development Agency	EC						Financially unqualified (with other matters)															
4	Centenary	EC						Disclaimer															
5	Feather Market	EC						Qualified															
6	Kouga Cultural Centre	EC			Financial statements submitted after legislated deadline			Audit outstanding															
7	Kouga Development Agency	EC						Financially unqualified (with other matters)															
8	Mandela Bay Development Agency	EC						Financially unqualified (with no other matters)															
9	Mthombo Sediba	EC						Financially unqualified (with other matters)															
10	Ntinga OR Tambo Development Agency	EC						Qualified															
11	Centlec (Pty) Ltd	FS						Disclaimer															

Annexure 1.2: Listing of audit outcomes for municipal entities and areas qualified (continued)

No.	Municipal entities	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
12	Fezile Dabi District Municipality Trust	FS				Financial statements not submitted		New municipal entity															
13	Krynaauwvlust Farming Trust (Pty) Ltd	FS				Prior year audits not finalised		Audit outstanding															
14	Lejwe Le Putswa Development Agency (Pty) Ltd	FS						Adverse															
15	Maluti-A-Phofung Water (Pty) Ltd	FS						Disclaimer															
16	Metsimaholo Mayoral Trust	FS				AGSA internal quality assurance and monitoring processes - external auditors		Disclaimer															
17	Brakpan Bus Company	GP						Financially unqualified (with other matters)															
18	City Power Johannesburg	GP						Financially unqualified (with other matters)															
19	Civirelo Water	GP						Financially unqualified (with other matters)															
20	Ekurhuleni Development Company Development (Pty) Ltd	GP						Qualified															

Annexure 1.2: Listing of audit outcomes for municipal entities and areas qualified (continued)

No.	Municipal entities	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingents liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
21	Ertek	GP			None - due to incorporation into Erwat		Financially unqualified (with other matters)																
22	Erwat	GP					Qualified																
23	Housing Company Tshwane	GP					Disclaimer																
24	Joburg Property Company	GP					Financially unqualified (with other matters)																
25	Johannesburg City Parks	GP					Financially unqualified (with no other matters)																
26	Johannesburg Civic Theatre	GP					Financially unqualified (with other matters)																
27	Johannesburg Development Agency	GP					Financially unqualified (with other matters)																
28	Johannesburg Fresh Produce Market	GP					Financially unqualified (with other matters)																
29	Johannesburg Metropolitan Bus Services	GP					Financially unqualified (with other matters)																
30	Johannesburg Roads Agency	GP					Financially unqualified (with other matters)																
31	Johannesburg Social Housing Company	GP					Financially unqualified (with other matters)																

Annexure 1.2: Listing of audit outcomes for municipal entities and areas qualified (continued)

No.	Municipal entities	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
32	Johannesburg Tourism Company	GP						Financially unqualified (with no other matters)															
33	Johannesburg Water	GP						Financially unqualified (with no other matters)															
34	Johannesburg Zoo	GP						Financially unqualified (with other matters)															
35	Lethabong Housing Institute	GP						Qualified															
36	Metropolitan Trading Company	GP						Financially unqualified (with other matters)															
37	Pharoe Park Housing Company (Pty) Ltd	GP						Financially unqualified (with other matters)															
38	Phase 2 Housing Company (Pty) Ltd	GP						Financially unqualified (with other matters)															
39	Pikitup Johannesburg	GP						Financially unqualified (with other matters)															
40	Rodeplaas Temba Water Trust	GP						Financially unqualified (with other matters)															
41	Rodepoort Civic Theatre	GP						Financially unqualified (with other matters)															
42	Sandspruit Works	GP						Financially unqualified (with other matters)															
43	TradePoint Pretoria	GP						Financially unqualified (with other matters)															

Annexure 1.2: Listing of audit outcomes for municipal entities and areas qualified (continued)

No.	Municipal entities	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified														
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure
44	Durban Marine Theme Park (Pty) Ltd	KZN						Financially unqualified (with other matters)															
45	ICC, Durban (Pty) Ltd	KZN						Financially unqualified (with other matters)															
46	Hibiscus Coast Development Agency	KZN						Financially unqualified (with other matters)															
47	iLembe Management Development Enterprise (Pty) Ltd	KZN						Financially unqualified (with other matters)															
48	uMhlozinga Development Agency	KZN						Financially unqualified (with other matters)															
49	Uthukela Water (Pty) Ltd	KZN	Lack of skills during preparation of financial statements					Audit outstanding															
50	Polokwane Housing Association	LP						Qualified															
51	Zelpy 1903 (Pty) Ltd Trading as Letsema	LP						Financially unqualified (with other matters)															
52	Moses Kotane Development Agency	NW	Financial statements not submitted					Audit outstanding															

Annexure 1.2: Listing of audit outcomes for municipal entities and areas qualified (continued)

No.	Municipal entities	Province	Audit opinion 2008-09					Audit opinion 2007-08	Areas qualified															
			Disclaimer	Adverse	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)		Cash, cash equivalents and investments	Receivables	Inventory	Capital assets	Payables and borrowings	Provisions, contingent liabilities and guarantees	Taxes and VAT	Grants, capital and reserves	Presentation and disclosure	Revenue	Expenditure	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Other general issues
53	Rustenburg Water Services Trust	NW						Financially unqualified (with other matters)																
54	SDN Economic Agency (Pty) Ltd	NW	Financial statements not submitted					Audit outstanding																
55	Cape Town International Convention Centre	WC						Financially unqualified (with other matters)																
56	Khayelitsha Community Trust	WC						Financially unqualified (with other matters)																
57	Overstrand Local Economic Development Agency	WC						New municipal entity																
58	Philippi East Trading Centre (Pty) Ltd	WC	None - liquidated					Qualified																
59	Regional Electricity Distributor One (Pty) Ltd	WC	None - liquidated					Financially unqualified (with other matters)																

Ertek, Philippi East Trading Centre (Pty) Ltd and Regional Electricity Distributor One (Pty) Ltd included in listing for purpose of comparison only.

Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
1	Alfred Nzo District	EC	Audit outstanding	Disclaimer
2	Amahlati	EC	Qualified	Financially unqualified (with other matters)
3	Amatole District	EC	Qualified	Financially unqualified (with other matters)
4	Baviaans	EC	Qualified	Qualified
5	Blue Crane Route	EC	Financially unqualified (with other matters)	Disclaimer
6	Buffalo City	EC	Qualified	Qualified
7	Cacadu District	EC	Financially unqualified (with other matters)	Disclaimer
8	Camdeboo	EC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
9	Chris Hani District	EC	Disclaimer	Disclaimer
10	Elundini	EC	Qualified	Disclaimer
11	Emalahleni	EC	Disclaimer	Adverse
12	Engcobo	EC	Disclaimer	Disclaimer
13	Gariep	EC	Audit outstanding	Disclaimer
14	Great Kei	EC	Audit outstanding	Disclaimer
15	Ikwezi	EC	Financially unqualified (with other matters)	Disclaimer
16	Ingquza Hill	EC	Adverse	Disclaimer
17	Inkwanca	EC	Adverse	Adverse
18	Intsika	EC	Qualified	Disclaimer
19	Inxuba Yethemba	EC	Qualified	Adverse
20	King Sabata Dalindyebo	EC	Audit outstanding	Disclaimer
21	Kouga	EC	Audit outstanding	Disclaimer
22	Koukamma	EC	Audit outstanding	Disclaimer
23	Lukhanji	EC	Financially unqualified (with other matters)	Qualified
24	Makana	EC	Adverse	Disclaimer
25	Maletswai	EC	Disclaimer	Disclaimer
26	Matatiele	EC	Audit outstanding	Disclaimer
27	Mbhashe	EC	Disclaimer	Disclaimer



**Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros)
(continued)**

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
28	Mbizana	EC	Disclaimer	Disclaimer
29	Mhlontlo	EC	Audit outstanding	Disclaimer
30	Mnquma	EC	Disclaimer	Disclaimer
31	Ndlambe	EC	Qualified	Disclaimer
32	Nelson Mandela Metro	EC	Financially unqualified (with other matters)	Qualified
33	Ngqushwa	EC	Disclaimer	Disclaimer
34	Nkonkobe	EC	Disclaimer	Disclaimer
35	Ntabankulu	EC	Audit outstanding	Disclaimer
36	Nxuba	EC	Disclaimer	Disclaimer
37	Nyandeni	EC	Qualified	Disclaimer
38	OR Tambo District	EC	Qualified	Disclaimer
39	Port St Johns	EC	Qualified	Disclaimer
40	Sakhisizwe	EC	Disclaimer	Disclaimer
41	Senqu	EC	Financially unqualified (with other matters)	Disclaimer
42	Sundays River Valley	EC	Disclaimer	Adverse
43	Tsolwana	EC	Qualified	Disclaimer
44	Ukhahlamba District	EC	Adverse	Disclaimer
45	Umzimvubu	EC	Adverse	Disclaimer
46	Dihlabeng	FS	Disclaimer	Disclaimer
47	Fezile Dabi District	FS	Financially unqualified (with other matters)	Qualified
48	Kopanong	FS	Disclaimer	Qualified
49	Lejweleputswa District	FS	Financially unqualified (with other matters)	Qualified
50	Letsemeng	FS	Disclaimer	Qualified
51	Mafube	FS	Disclaimer	Disclaimer
52	Maluti-A-Phofung	FS	Disclaimer	Disclaimer
53	Mangaung	FS	Disclaimer	Qualified
54	Mantsopa	FS	Disclaimer	Qualified
55	Masilonyana	FS	Disclaimer	Disclaimer
56	Matjhabeng	FS	Disclaimer	Adverse

Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros) (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
57	Metsimaholo	FS	Audit outstanding	Disclaimer
58	Mohokare	FS	Adverse	Adverse
59	Moqhaka	FS	Disclaimer	Disclaimer
60	Motho District	FS	Qualified	Qualified
61	Nala	FS	Disclaimer	Disclaimer
62	Naledi	FS	Adverse	Disclaimer
63	Ngwathe	FS	Disclaimer	Qualified
64	Nketoana	FS	Disclaimer	Qualified
65	Phumelela	FS	Disclaimer	Disclaimer
66	Setsoto	FS	Qualified	Qualified
67	Thabo Mofutsanyana District	FS	Disclaimer	Disclaimer
68	Tokologo	FS	Audit outstanding	Disclaimer
69	Tswelopele	FS	Financially unqualified (with other matters)	Financially unqualified (with other matters)
70	Xhariep District	FS	Disclaimer	Disclaimer
71	City of Johannesburg Metro	GP	Financially unqualified (with no other matters)	Disclaimer
72	City of Tshwane Metro	GP	Qualified	Qualified
73	Ekurhuleni Metro	GP	Financially unqualified (with other matters)	Qualified
74	Emfuleni	GP	Qualified	Qualified
75	Kungwini	GP	Audit outstanding	Disclaimer
76	Lesedi	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
77	Metsweding District	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
78	Midvaal	GP	Financially unqualified (with other matters)	Qualified
79	Mogale City	GP	Financially unqualified (with other matters)	Qualified
80	Nokeng Tsa Taemane	GP	Qualified	Disclaimer
81	Randfontein	GP	Financially unqualified (with other matters)	Disclaimer



Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros) (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
82	Sedibeng District	GP	Financially unqualified (with other matters)	Qualified
83	West Rand District	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
84	Westonaria	GP	Financially unqualified (with other matters)	Qualified
85	Abaqulusi	KZN	Financially unqualified (with other matters)	Disclaimer
86	Amajuba District	KZN	Qualified	Disclaimer
87	Big Five	KZN	Qualified	Qualified
88	Dannhauser	KZN	Qualified	Disclaimer
89	eDumbe	KZN	Disclaimer	Disclaimer
90	eMadlageni	KZN	Qualified	Qualified
91	Emnambithi/Ladysmith	KZN	Qualified	Financially unqualified (with other matters)
92	Endumeni	KZN	Audit outstanding	Disclaimer
93	eThekwini	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
94	Ezinqoleni	KZN	Financially unqualified (with other matters)	Qualified
95	Greater Kokstad	KZN	Financially unqualified (with other matters)	Disclaimer
96	Hibiscus Coast	KZN	Financially unqualified (with other matters)	Qualified
97	Hlabisa	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
98	iLembe District	KZN	Financially unqualified (with other matters)	Qualified
99	Imbabazane	KZN	Financially unqualified (with other matters)	Disclaimer
100	Impendle	KZN	Financially unqualified (with other matters)	Disclaimer
101	Indaka	KZN	Disclaimer	Disclaimer
102	Ingwe	KZN	Financially unqualified (with other matters)	Qualified
103	Jozini	KZN	Financially unqualified (with other matters)	Qualified

Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros) (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
104	Kwa Sani	KZN	Financially unqualified (with other matters)	Qualified
105	Kwadukuza	KZN	Financially unqualified (with other matters)	Qualified
106	Mandeni	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
107	Maphumulo	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
108	Mbonambi	KZN	Disclaimer	Qualified
109	Mkhambathini	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
110	Mpofana	KZN	Qualified	Financially unqualified (with other matters)
111	Msinga	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
112	Msunduzi	KZN	Qualified	Qualified
113	Mthonjaneni	KZN	Financially unqualified (with other matters)	Qualified
114	Mtubatuba	KZN	Financially unqualified (with other matters)	Qualified
115	Ndwedwe	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
116	Newcastle	KZN	Qualified	Qualified
117	Nkandla	KZN	Disclaimer	Disclaimer
118	Nongoma	KZN	Disclaimer	Disclaimer
119	Nquthu	KZN	Disclaimer	Disclaimer
120	Ntambanana	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
121	Okhahlamba	KZN	Disclaimer	Disclaimer
122	Richmond	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
123	Sisonke District	KZN	Financially unqualified (with other matters)	Disclaimer
124	Ubuhlebezwe	KZN	Disclaimer	Disclaimer
125	Ugu District	KZN	Financially unqualified (with other matters)	Qualified

Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros) (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
126	Ulundi	KZN	Financially unqualified (with other matters)	Disclaimer
127	Umdoni	KZN	Financially unqualified (with other matters)	Disclaimer
128	Umgeni	KZN	Financially unqualified (with other matters)	Qualified
129	Umgungundlovu District	KZN	Financially unqualified (with other matters)	Qualified
130	Umhlabuyingana	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
131	uMhlathuze	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
132	Umkhanyakude District	KZN	Disclaimer	Qualified
133	Umlalazi	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
134	uMshwati	KZN	Financially unqualified (with other matters)	Qualified
135	Umtshezi	KZN	Financially unqualified (with other matters)	Disclaimer
136	Umuziwabantu	KZN	Financially unqualified (with other matters)	Qualified
137	Umvoti	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
138	uMzimkhulu	KZN	Financially unqualified (with other matters)	Disclaimer
139	Umzinyathi District	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
140	Umzumbe	KZN	Financially unqualified (with other matters)	Disclaimer
141	uPhongolo	KZN	Financially unqualified (with other matters)	Disclaimer
142	Uthukela District	KZN	Financially unqualified (with other matters)	Qualified
143	Uthungulu District	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
144	Vulamehlo	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)

Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros) (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
145	Zululand District	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
146	Aganang	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
147	Ba-Phalaborwa	LP	Disclaimer	Disclaimer
148	Bela-Bela	LP	Qualified	Disclaimer
149	Blouberg	LP	Disclaimer	Disclaimer
150	Capricorn District	LP	Disclaimer	Disclaimer
151	Elias Motsoaledi (Greater Groblersdal)	LP	Disclaimer	Adverse
152	Fetakgomo	LP	Financially unqualified (with other matters)	Adverse
153	Greater Giyani	LP	Qualified	Disclaimer
154	Greater Letaba	LP	Financially unqualified (with other matters)	Disclaimer
155	Greater Marble Hall	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
156	Greater Sekhukhune District	LP	Disclaimer	Disclaimer
157	Greater Tubatse	LP	Disclaimer	Disclaimer
158	Greater Tzaneen	LP	Qualified	Disclaimer
159	Lepelle-Nkumpi	LP	Disclaimer	Disclaimer
160	Lephalale	LP	Disclaimer	Qualified
161	Makhado	LP	Audit outstanding	Disclaimer
162	Makhudutamaga	LP	Disclaimer	Disclaimer
163	Maruleng	LP	Qualified	Disclaimer
164	Modimolle	LP	Qualified	Qualified
165	Mogalakwena	LP	Qualified	Adverse
166	Molemole	LP	Disclaimer	Qualified
167	Mookgopong	LP	Disclaimer	Qualified
168	Mopani District	LP	Financially unqualified (with other matters)	Disclaimer
169	Musina	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
170	Mutale	LP	Qualified	Qualified



Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros) (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
171	Polokwane	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
172	Thabazimbi	LP	Disclaimer	Adverse
173	Thulamela	LP	Qualified	Adverse
174	Vhembe District	LP	Disclaimer	Financially unqualified (with other matters)
175	Waterberg District	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
176	Albert Luthuli	MP	Audit outstanding	Disclaimer
177	Bushbuckridge	MP	Financially unqualified (with other matters)	New municipality
178	Delmas	MP	Qualified	Financially unqualified (with other matters)
179	Dipaliseng	MP	Disclaimer	Disclaimer
180	Dr JS Moroka	MP	Qualified	Financially unqualified (with other matters)
181	Ehlanzeni District	MP	Financially unqualified (with other matters)	Qualified
182	Emakhazeni	MP	Financially unqualified (with other matters)	Disclaimer
183	Emalahleni	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
184	Gert Sibande District	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
185	Govan Mbeki	MP	Financially unqualified (with other matters)	Disclaimer
186	Lekwa Local	MP	Disclaimer	Disclaimer
187	Mbombela	MP	Qualified	Qualified
188	Mkhondo	MP	Audit outstanding	Adverse
189	Msukaligwa	MP	Audit outstanding	Financially unqualified (with other matters)
190	Nkangala District	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
191	Nkomazi	MP	Qualified	Qualified
192	Pixley Ka Seme (Volksrust)	MP	Disclaimer	Financially unqualified (with other matters)

Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros) (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
193	Steve Tshwete	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
194	Thaba Chweu	MP	Disclaimer	Disclaimer
195	Thembisile	MP	Audit outstanding	Financially unqualified (with other matters)
196	Umkhondo Municipality	MP	Qualified	Qualified
197	!Kheis	NC	Disclaimer	Disclaimer
198	Dikgatlong	NC	Disclaimer	Disclaimer
199	Emthanjeni	NC	Disclaimer	Disclaimer
200	Frances Baard District	NC	Financially unqualified (with no other matters)	Financially unqualified (with other matters)
201	Gamagara	NC	Qualified	Financially unqualified (with other matters)
202	Ga-Segonyane	NC	Disclaimer	Disclaimer
203	Hantam	NC	Qualified	Qualified
204	Kai!Garib	NC	Disclaimer	Disclaimer
205	Kamiesberg	NC	Disclaimer	Disclaimer
206	Kareeberg	NC	Financially unqualified (with no other matters)	Qualified
207	Karoo Hoogland	NC	Disclaimer	Disclaimer
208	Kgalagadi District	NC	Financially unqualified (with other matters)	Qualified
209	Kgatelopele	NC	Disclaimer	Disclaimer
210	Khai-Ma	NC	Financially unqualified (with other matters)	Disclaimer
211	Khara Hais	NC	Qualified	Disclaimer
212	Magareng	NC	Disclaimer	Disclaimer
213	Mier Municipality	NC	Disclaimer	Disclaimer
214	Moshaweng	NC	Disclaimer	New municipality
215	Nama Khoi	NC	Audit outstanding	Disclaimer
216	Namakwa District	NC	Financially unqualified (with other matters)	Disclaimer
217	Phokwane	NC	Audit outstanding	Disclaimer
218	Pixley Ka Seme District Municipality	NC	Qualified	Qualified



Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros) (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
219	Renosterberg	NC	Audit outstanding	Adverse
220	Richtersveld	NC	Financially unqualified (with other matters)	Adverse
221	Siyancuma	NC	Disclaimer	Adverse
222	Siyanda District	NC	Disclaimer	Disclaimer
223	Siyathemba	NC	Disclaimer	Disclaimer
224	Sol Plaatje	NC	Disclaimer	Disclaimer
225	Thembelihle	NC	Disclaimer	Disclaimer
226	Tsantsabane	NC	Disclaimer	Disclaimer
227	Ubuntu	NC	Disclaimer	Disclaimer
228	Umsobomvu	NC	Disclaimer	Adverse
229	Bojanala Platinum District	NW	Financially unqualified (with other matters)	Financially unqualified (with other matters)
230	City of Matlosana	NW	Audit outstanding	Disclaimer
231	Ditsobotla	NW	Audit outstanding	Disclaimer
232	Dr Kenneth Kaunda District	NW	Qualified	Disclaimer
233	Dr Ruth S Mompoti District	NW	Audit outstanding	Financially unqualified (with other matters)
234	Greater Taung	NW	Audit outstanding	Disclaimer
235	Kagisano	NW	Audit outstanding	Qualified
236	Kgetleng River	NW	Audit outstanding	Disclaimer
237	Lekwa-Teemane	NW	Disclaimer	Disclaimer
238	Madibeng	NW	Audit outstanding	Disclaimer
239	Mafikeng	NW	Disclaimer	Disclaimer
240	Mamusa	NW	Audit outstanding	Disclaimer
241	Maquassi Hills	NW	Audit outstanding	Disclaimer
242	Merafong City	NW	Qualified	Disclaimer
243	Molopo	NW	Audit outstanding	Financially unqualified (with other matters)
244	Moretele	NW	Audit outstanding	Disclaimer
245	Moses Kotane	NW	Audit outstanding	Qualified
246	Naledi	NW	Adverse	Disclaimer

**Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros)
(continued)**

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
247	Ngaka Modiri Molema District	NW	Audit outstanding	Disclaimer
248	Ramotshere Moiloa	NW	Qualified	Disclaimer
249	Ratlou	NW	Financially unqualified (with other matters)	Disclaimer
250	Rustenburg	NW	Qualified	Qualified
251	Tlokwe	NW	Disclaimer	Disclaimer
252	Tswaing	NW	Disclaimer	Disclaimer
253	Ventersdorp	NW	Audit outstanding	Disclaimer
254	Beaufort West	WC	Financially unqualified (with other matters)	Qualified
255	Berg River	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
256	Bitou	WC	Financially unqualified (with other matters)	Qualified
257	Breede Valley	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
258	Breede River Winelands	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
259	Cape Agulhas	WC	Financially unqualified (with other matters)	Financially unqualified (with no other matters)
260	Cape Winelands District	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
261	Cederberg	WC	Disclaimer	Disclaimer
262	Central Karoo District	WC	Financially unqualified (with other matters)	Qualified
263	City of Cape Town	WC	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)
264	Drakenstein	WC	Financially unqualified (with other matters)	Qualified
265	Eden District	WC	Financially unqualified (with other matters)	Disclaimer
266	George	WC	Qualified	Financially unqualified (with other matters)
267	Hessequa	WC	Financially unqualified (with other matters)	Qualified
268	Kannaland	WC	Disclaimer	Disclaimer

**Annexure 2.1: Listing of five-year audit opinions: Municipalities (including metros)
(continued)**

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2004-05
269	Knysna	WC	Financially unqualified (with other matters)	Qualified
270	Laingsburg	WC	Financially unqualified (with other matters)	Qualified
271	Matzikama	WC	Financially unqualified (with other matters)	Qualified
272	Mossel Bay	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
273	Oudtshoorn	WC	Audit outstanding	Qualified
274	Overberg District	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
275	Overstrand	WC	Financially unqualified (with other matters)	Qualified
276	Prince Albert	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
277	Saldanha Bay	WC	Disclaimer	Financially unqualified (with other matters)
278	Stellenbosch	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
279	Swartland	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
280	Swellendam	WC	Disclaimer	Qualified
281	Theewaterskloof	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
282	West Coast District	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
283	Witzenberg	WC	Financially unqualified (with other matters)	Qualified

Annexure 2.2: Listing of five-year audit opinions: Municipal entities

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2004-05
1	Amathole Economic Development Agency	EC	Financially unqualified (with other matters)	New municipal entity
2	Blue Crane Route Development Agency	EC	Audit outstanding	Financially unqualified (with no other matters)
3	Buffalo City Development Agency	EC	Financially unqualified (with other matters)	Qualified
4	Centenary	EC	Disclaimer	New municipal entity
5	Feather Market	EC	Qualified	New municipal entity
6	Kouga Cultural Centre	EC	Audit outstanding	Audit outstanding
7	Kouga Development Agency	EC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
8	Mandela Bay Development Agency	EC	Financially unqualified (with no other matters)	New municipal entity
9	Mthombo Sediba	EC	Financially unqualified (with other matters)	New municipal entity
10	Ntinga OR Tambo Development Agency	EC	Qualified	New municipal entity
11	Centlec (Pty) Ltd	FS	Disclaimer	New municipal entity
12	Fezile Dabi District Municipality Trust	FS	Audit outstanding	New municipal entity
13	Krynaauwlust Farming Trust (Pty) Ltd	FS	Audit outstanding	Audit outstanding
14	Lejwe Le Putswa Development Agency (Pty) Ltd	FS	Qualified	New municipal entity
15	Maluti-A-Phofung Water (Pty) Ltd	FS	Disclaimer	New municipal entity
16	Metsimaholo Mayoral Trust	FS	Audit outstanding	Disclaimer
17	Brakpan Bus Company	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
18	City Power Johannesburg	GP	Financially unqualified (with other matters)	Disclaimer
19	Civirelo Water	GP	Financially unqualified (with other matters)	New municipal entity
20	Ekurhuleni Development Company Development (Pty) Ltd	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)



Annexure 2.2: Listing of five-year audit opinions: Municipal entities (continued)

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2004-05
21	Ertek	GP	None	Financially unqualified (with other matters)
22	Erwat	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
23	Housing Company Tshwane	GP	Disclaimer	New municipal entity
24	Joburg Property Company	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
25	Johannesburg City Parks	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
26	Johannesburg Civic Theatre	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
27	Johannesburg Development Agency	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
28	Johannesburg Fresh Produce Market	GP	Financially unqualified (with no other matters)	Disclaimer
29	Johannesburg Metropolitan Bus Services	GP	Financially unqualified (with other matters)	Qualified
30	Johannesburg Roads Agency	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
31	Johannesburg Social Housing Company	GP	Financially unqualified (with other matters)	Disclaimer
32	Johannesburg Tourism Company	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
33	Johannesburg Water	GP	Financially unqualified (with other matters)	Disclaimer
34	Johannesburg Zoo	GP	Financially unqualified (with other matters)	Disclaimer
35	Lethabong Housing Institute	GP	Financially unqualified (with other matters)	Qualified
36	Metropolitan Trading Company	GP	Financially unqualified (with other matters)	Qualified
37	Pharoe Park Housing Company (Pty) Ltd	GP	Financially unqualified (with other matters)	New municipal entity
38	Phase 2 Housing Company (Pty) Ltd	GP	Financially unqualified (with other matters)	New municipal entity
39	Pikitup Johannesburg	GP	Financially unqualified (with other matters)	Disclaimer

Annexure 2.2: Listing of five-year audit opinions: Municipal entities (continued)

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2004-05
40	Roodeplaat Temba Water Trust	GP	Financially unqualified (with other matters)	New municipal entity
41	Roodepoort Civic Theatre	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
42	Sandspruit Works	GP	Financially unqualified (with other matters)	New municipal entity
43	TradePoint Pretoria	GP	Financially unqualified (with other matters)	New municipal entity
44	Durban Marine Theme Park (Pty) Ltd	KZN	Financially unqualified (with other matters)	Financially unqualified (with no other matters)
45	Hibiscus Coast Development Agency	KZN	Financially unqualified (with other matters)	Financially unqualified (with no other matters)
46	ICC, Durban (Pty) Ltd	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)
47	iLembe Management Development Enterprise (Pty) Ltd	KZN	Financially unqualified (with other matters)	Financially unqualified (with no other matters)
48	uMhlosinga Development Agency	KZN	Financially unqualified (with other matters)	New municipal entity
49	Uthukela Water (Pty) Ltd	KZN	Audit outstanding	Disclaimer
50	Polokwane Housing Association	LP	Qualified	Disclaimer
51	Zelpy 1903 (Pty) Ltd Trading as Letsema	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)
52	Moses Kotane Development Agency	NW	Audit outstanding	New municipal entity
53	Rustenburg Water Services Trust	NW	Financially unqualified (with other matters)	Qualified
54	SDN Economic Agency (Pty) Ltd	NW	Audit outstanding	New municipal entity
55	Cape Town International Convention Centre	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)
56	Khayelitsha Community Trust	WC	Financially unqualified (with other matters)	Qualified
57	Overstrand Local Economic Development Agency	WC	Financially unqualified (with other matters)	New municipal entity
58	Philippi East Trading Centre (Pty) Ltd	WC	None	Financially unqualified (with other matters)



Annexure 2.2: Listing of five-year audit opinions: Municipal entities (continued)

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2004-05
59	Regional Electricity Distributor One (Pty) Ltd	WC	None	New municipal entity

Ertek, Philippi East Trading Centre (Pty) Ltd and Regional Electricity Distributor One (Pty) Ltd included in listing for purpose of comparison only.

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
1	Alfred Nzo District	EC	Audit outstanding	Disclaimer						
2	Amahlati	EC	Qualified	Disclaimer						
3	Amatole District	EC	Qualified	Qualified						
4	Baviaans	EC	Qualified	Qualified						
5	Blue Crane Route	EC	Financially unqualified (with other matters)	Qualified						
6	Buffalo City	EC	Qualified	Qualified						
7	Cacadu District	EC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
8	Camdeboo	EC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
9	Chris Hani District	EC	Disclaimer	Disclaimer						
10	Elundini	EC	Qualified	Qualified						
11	Emalahleni	EC	Disclaimer	Adverse						
12	Engcobo	EC	Disclaimer	Disclaimer						
13	Gariep	EC	Audit outstanding	Disclaimer						
14	Great Kei	EC	Audit outstanding	Disclaimer						
15	Ikwezi	EC	Financially unqualified (with other matters)	Qualified						
16	Ingquza Hill	EC	Adverse	Disclaimer						
17	Inkwanca	EC	Adverse	Adverse						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
18	Intsika	EC	Qualified	Disclaimer						
19	Inxuba Yethemba	EC	Qualified	Qualified						
20	King Sabata Dalindyebo	EC	Audit outstanding	Disclaimer						
21	Kouga	EC	Audit outstanding	Qualified						
22	Koukamma	EC	Audit outstanding	Disclaimer						
23	Lukhanji	EC	Financially unqualified (with other matters)	Qualified						
24	Makana	EC	Adverse	Adverse						
25	Maletswai	EC	Disclaimer	Adverse						
26	Matatiele	EC	Audit outstanding	Financially unqualified (with other matters)						
27	Mbashe	EC	Disclaimer	Disclaimer						
28	Mbizana	EC	Disclaimer	Disclaimer						
29	Mhlontlo	EC	Audit outstanding	Disclaimer						
30	Mnquma	EC	Disclaimer	Adverse						
31	Ndlambe	EC	Qualified	Qualified						
32	Nelson Mandela Metro	EC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
33	Ngqushwa	EC	Disclaimer	Disclaimer						
34	Nkonkobe	EC	Disclaimer	Disclaimer						
35	Ntabankulu	EC	Audit outstanding	Disclaimer						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
36	Nxuba	EC	Disclaimer	Qualified						
37	Nyandeni	EC	Qualified	Qualified						
38	OR Tambo District	EC	Qualified	Disclaimer						
39	Port St Johns	EC	Qualified	Qualified						
40	Sakhisizwe	EC	Disclaimer	Adverse						
41	Senqu	EC	Financially unqualified (with other matters)	Qualified						
42	Sundays River Valley	EC	Disclaimer	Disclaimer						
43	Tsolwana	EC	Qualified	Adverse						
44	Ukhahlamba District	EC	Adverse	Qualified						
45	Umkhumbi	EC	Adverse	Disclaimer						
46	Dhlabeng	FS	Disclaimer	Disclaimer						
47	Fezile Dabi District	FS	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
48	Kopanong	FS	Disclaimer	Disclaimer						
49	Lejweleputswa District	FS	Financially unqualified (with other matters)	Qualified						
50	Letsemeng	FS	Disclaimer	Disclaimer						
51	Mafube	FS	Disclaimer	Disclaimer						
52	Maluti-A-Phofung	FS	Disclaimer	Disclaimer						
53	Mangaung	FS	Disclaimer	Disclaimer						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DoRA	Supply Chain Management	MSA	Other enabling legislation	
54	Mantsopa	FS	Disclaimer	Qualified						
55	Masilanyana	FS	Disclaimer	Disclaimer						
56	Matjhabeng	FS	Disclaimer	Disclaimer						
57	Metsimaholo	FS	Audit outstanding	Disclaimer						
58	Mohokare	FS	Adverse	Disclaimer						
59	Moqhaka	FS	Disclaimer	Disclaimer						
60	Motheo District	FS	Qualified	Disclaimer						
61	Nala	FS	Disclaimer	Disclaimer						
62	Naledi	FS	Adverse	Disclaimer						
63	Ngwathe	FS	Disclaimer	Disclaimer						
64	Nketoana	FS	Disclaimer	Disclaimer						
65	Phumelela	FS	Disclaimer	Disclaimer						
66	Setso	FS	Qualified	Qualified						
67	Thabo Mofutsanyana District	FS	Disclaimer	Disclaimer						
68	Tokologo	FS	Audit outstanding	Audit outstanding						
69	Tswelopele	FS	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
70	Xhariep District	FS	Disclaimer	Disclaimer						
71	City of Johannesburg Metro	GP	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
72	City of Tshwane Metro	GP	Qualified	Qualified						
73	Ekurhuleni Metro	GP	Financially unqualified (with other matters)	Qualified						
74	Emfuleni	GP	Qualified	Disclaimer						
75	Kungwini	GP	Audit outstanding	Disclaimer						
76	Lesedi	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
77	Metsweding District	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
78	Midvaal	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
79	Mogale City	GP	Financially unqualified (with other matters)	Qualified						
80	Nokeng Tsa Taamane	GP	Qualified	Disclaimer						
81	Randfontein	GP	Financially unqualified (with other matters)	Qualified						
82	Sedibeng District	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
83	West Rand District	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
84	Westonaria	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
85	Abaqulusi	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
86	Amajuba District	KZN	Qualified	Qualified						
87	Big Five	KZN	Qualified	Qualified						
88	Dannhauser	KZN	Qualified	Disclaimer						
89	eDumbe	KZN	Disclaimer	Disclaimer						
90	eMadlageni	KZN	Qualified	Qualified						
91	Emnambithi/Ladysmith	KZN	Qualified	Financially unqualified (with other matters)						
92	Endumeni	KZN	Audit outstanding	Qualified						
93	eThekwini	KZN	Financially unqualified (with other matters)	Financially unqualified (with no other matters)						
94	Ezinqoleni	KZN	Financially unqualified (with other matters)	Disclaimer						
95	Greater Kokstad	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
96	Hibiscus Coast	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
97	Hlabisa	KZN	Financially unqualified (with other matters)	Qualified						
98	iLembe District	KZN	Financially unqualified (with other matters)	Qualified						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
99	Imbabazane	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
100	Impendle	KZN	Financially unqualified (with other matters)	Qualified						
101	Indaka	KZN	Disclaimer	Qualified						
102	Ingwe	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
103	Jozini	KZN	Financially unqualified (with other matters)	Qualified						
104	Kwa Sani	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
105	Kwadukuza	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
106	Mandeni	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
107	Maphumulo	KZN	Financially unqualified (with other matters)	Qualified						
108	Mbonambi	KZN	Disclaimer	Disclaimer						
109	Mkhambathini	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
110	Mpofana	KZN	Qualified	Financially unqualified (with other matters)						
111	Msinga	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations						Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation		
112	Msunduzi	KZN	Qualified	Financially unqualified (with other matters)							
113	Mthonjaneni	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)							
114	Mtubatuba	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)							
115	Ndwedwe	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)							
116	Newcastle	KZN	Qualified	Financially unqualified (with other matters)							
117	Nkandla	KZN	Disclaimer	Disclaimer							
118	Nongoma	KZN	Disclaimer	Disclaimer							
119	Nquthu	KZN	Disclaimer	Disclaimer							
120	Ntambanana	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)							
121	Okhahlamba	KZN	Disclaimer	Adverse							
122	Richmond	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)							
123	Sisonke District	KZN	Financially unqualified (with other matters)	Qualified							
124	Ubuhlebezwe	KZN	Disclaimer	Qualified							
125	Ugu District	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)							

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
126	Ulundi	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
127	Umdoni	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
128	Umgeni	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
129	Umgungundlovu District	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
130	Umhlabuyingana	KZN	Financially unqualified (with other matters)	Qualified						
131	uMhlathuze	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
132	Umkhanyakude District	KZN	Disclaimer	Disclaimer						
133	Umlalazi	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
134	uMshwati	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
135	Umtshezi	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
136	Umuziwabantu	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
137	Umvoti	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
138	uMzimkhulu	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
139	Umzinyathi District	KZN	Financially unqualified (with other matters)	Qualified						
140	Umzumbe	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
141	uPhongolo	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
142	Uthukela District	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
143	Uthungulu District	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
144	Vulamehlo	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
145	Zululand District	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
146	Aganang	LP	Financially unqualified (with other matters)	Qualified						
147	Ba-Phalaborwa	LP	Disclaimer	Adverse						
148	Bela-Bela	LP	Qualified	Qualified						
149	Blouberg	LP	Disclaimer	Disclaimer						
150	Capricorn District	LP	Disclaimer	Disclaimer						
151	Elias Motsoaledi (Greater Goblersdal)	LP	Disclaimer	Disclaimer						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
152	Fetakgomo	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
153	Greater Giyani	LP	Qualified	Qualified						
154	Greater Letaba	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
155	Greater Marble Hall	LP	Financially unqualified (with other matters)	Disclaimer						
156	Greater Sekhukhune District	LP	Disclaimer	Disclaimer						
157	Greater Tubatse	LP	Disclaimer	Disclaimer						
158	Greater Tzaneen	LP	Qualified	Qualified						
159	Lepelle-Nkumpi	LP	Disclaimer	Disclaimer						
160	Lephalale	LP	Disclaimer	Disclaimer						
161	Makhado	LP	Audit outstanding	Adverse						
162	Makhudutamaga	LP	Disclaimer	Disclaimer						
163	Maruleng	LP	Qualified	Disclaimer						
164	Modimolle	LP	Qualified	Disclaimer						
165	Mogalakwena	LP	Qualified	Financially unqualified (with other matters)						
166	Molemole	LP	Disclaimer	Disclaimer						
167	Mookgopong	LP	Disclaimer	Disclaimer						
168	Mopani District	LP	Financially unqualified (with other matters)	Disclaimer						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
169	Musina	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
170	Mutale	LP	Qualified	Disclaimer						
171	Polokwane	LP	Financially unqualified (with other matters)	Disclaimer						
172	Thabazimbi	LP	Disclaimer	Disclaimer						
173	Thulamela	LP	Qualified	Disclaimer						
174	Vhembe District	LP	Disclaimer	Disclaimer						
175	Waterberg District	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
176	Albert Luthuli	MP	Audit outstanding	Qualified						
177	Bushbuckridge	MP	Financially unqualified (with other matters)	Qualified						
178	Delmas	MP	Qualified	Financially unqualified (with other matters)						
179	Dipaliseng	MP	Disclaimer	Disclaimer						
180	Dr JS Moroka	MP	Qualified	Financially unqualified (with other matters)						
181	Ehlanzeni District	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
182	Emakhazeni	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
183	Emalahleni	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
184	Gert Sibande District	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
185	Govan Mbeki	MP	Financially unqualified (with other matters)	Qualified						
186	Lekwa Local	MP	Disclaimer	Disclaimer						
187	Mbombela	MP	Qualified	Qualified						
188	Mkhondo	MP	Audit outstanding	Qualified						
189	Msukaligwa	MP	Audit outstanding	Qualified						
190	Nkangala District	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
191	Nkomazi	MP	Qualified	Disclaimer						
192	Pixley Ka Seme (Volksrust)	MP	Disclaimer	Disclaimer						
193	Steve Tshwete	MP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
194	Thaba Chweu	MP	Disclaimer	Qualified						
195	Thembisile	MP	Audit outstanding	Financially unqualified (with other matters)						
196	Umgindi Municipality	MP	Qualified	Financially unqualified (with other matters)						
197	IKheis	NC	Disclaimer	Disclaimer						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations						Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation		
198	Dikgatlong	NC	Disclaimer	Disclaimer							
199	Emthanjeni	NC	Disclaimer	Disclaimer							
200	Frances Baard District	NC	Financially unqualified (with no other matters)	Financially unqualified (with other matters)							
201	Gamagara	NC	Qualified	Qualified							
202	Ga-Segonyane	NC	Disclaimer	Disclaimer							
203	Hantam	NC	Qualified	Disclaimer							
204	Kai!Garib	NC	Disclaimer	Qualified							
205	Kamiesberg	NC	Disclaimer	Disclaimer							
206	Kareeberg	NC	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)							
207	Karoo Hoogland	NC	Disclaimer	Disclaimer							
208	Kgalagadi District	NC	Financially unqualified (with other matters)	Qualified							
209	Kgatelopele	NC	Disclaimer	Disclaimer							
210	Khai-Ma	NC	Financially unqualified (with other matters)	Qualified							
211	Khara Hais	NC	Qualified	Qualified							
212	Magareng	NC	Disclaimer	Disclaimer							
213	Mier Municipality	NC	Disclaimer	Disclaimer							
214	Moshaweng	NC	Disclaimer	Disclaimer							

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
215	Nama Khoi	NC	Audit outstanding	Disclaimer						
216	Namakwa District	NC	Financially unqualified (with other matters)	Qualified						
217	Phokwane	NC	Audit outstanding	Disclaimer						
218	Pixley Ka Seme District Municipality	NC	Qualified	Qualified						
219	Renosterberg	NC	Audit outstanding	Disclaimer						
220	Richtersveld	NC	Financially unqualified (with other matters)	Qualified						
221	Siyancuma	NC	Disclaimer	Disclaimer						
222	Siyanda District	NC	Disclaimer	Disclaimer						
223	Siyathemba	NC	Disclaimer	Disclaimer						
224	Sol Plaatje	NC	Disclaimer	Disclaimer						
225	Thembelihle	NC	Disclaimer	Disclaimer						
226	Tsantsabane	NC	Disclaimer	Disclaimer						
227	Ubuntu	NC	Disclaimer	Qualified						
228	Umsobomvu	NC	Disclaimer	Disclaimer						
229	Bojanala Platinum District	NW	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
230	City of Matlosana	NW	Audit outstanding	Disclaimer						
231	Ditsobotla	NW	Audit outstanding	Audit outstanding						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
232	Dr Kenneth Kaunda District	NW	Qualified	Qualified						
233	Dr Ruth S Mompoti District	NW	Audit outstanding	Financially unqualified (with other matters)						
234	Greater Taung	NW	Audit outstanding	Disclaimer						
235	Kagisano	NW	Audit outstanding	Financially unqualified (with other matters)						
236	Kgetleng River	NW	Audit outstanding	Disclaimer						
237	Lekwa-Teemane	NW	Disclaimer	Disclaimer						
238	Madibeng	NW	Audit outstanding	Adverse						
239	Mafikeng	NW	Disclaimer	Disclaimer						
240	Mamusa	NW	Audit outstanding	Audit outstanding						
241	Maquassi Hills	NW	Audit outstanding	Audit outstanding						
242	Merapong City	NW	Qualified	Qualified						
243	Molopo	NW	Audit outstanding	Financially unqualified (with other matters)						
244	Moretele	NW	Audit outstanding	Disclaimer						
245	Moses Kotane	NW	Audit outstanding	Financially unqualified (with other matters)						
246	Naledi	NW	Adverse	Disclaimer						
247	Ngaka Modiri Molema District	NW	Audit outstanding	Qualified						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
248	Ramotshere Moiloa	NW	Qualified	Disclaimer						
249	Ratlou	NW	Financially unqualified (with other matters)	Disclaimer						
250	Rustenburg	NW	Qualified	Qualified						
251	Tlokwe	NW	Disclaimer	Disclaimer						
252	Tswaing	NW	Disclaimer	Disclaimer						
253	Ventersdorp	NW	Audit outstanding	Disclaimer						
254	Beaufort West	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
255	Berg River	WC	Financially unqualified (with other matters)	Disclaimer						
256	Bitou	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
257	Breede Valley	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
258	Breede River Winelands	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
259	Cape Agulhas	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
260	Cape Winelands District	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
261	Cederberg	WC	Disclaimer	Qualified						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
262	Central Karoo District	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
263	City of Cape Town	WC	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)						
264	Drakenstein	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
265	Eden District	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
266	George	WC	Qualified	Qualified						
267	Hessequa	WC	Financially unqualified (with other matters)	Qualified						
268	Kannaland	WC	Disclaimer	Disclaimer						
269	Knysna	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
270	Laingsburg	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
271	Matzikama	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
272	Mossel Bay	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
273	Oudtshoorn	WC	Audit outstanding	Disclaimer						
274	Overberg District	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						

Annexure 3.1: Listing of municipalities (including metros) on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipalities (including metros)	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
275	Overstand	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
276	Prince Albert	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
277	Saldanha Bay	WC	Disclaimer	Disclaimer						
278	Stellenbosch	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
279	Swartland	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
280	Swellendam	WC	Disclaimer	Financially unqualified (with other matters)						
281	Theewaterskloof	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
282	West Coast District	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
283	Witzenberg	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						

Annexure 3.2: Listing of municipal entities on non-compliance with laws and regulations and material misstatements corrected

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
1	Amathole Economic Development Agency	EC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
2	Blue Crane Route Development Agency	EC	Audit outstanding	Audit outstanding						
3	Buffalo City Development Agency	EC	Financially unqualified (with other matters)	Qualified						
4	Centenary	EC	Disclaimer	Disclaimer						
5	Feather Market	EC	Qualified	Qualified						
6	Kouga Cultural Centre	EC	Audit outstanding	Audit outstanding						
7	Kouga Development Agency	EC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
8	Mandela Bay Development Agency	EC	Financially unqualified (with no other matters)	Financially unqualified (with other matters)						
9	Mthombo Sediba	EC	Financially unqualified (with other matters)	Qualified						
10	Ntinga OR Tambo Development Agency	EC	Qualified	Qualified						
11	Centlec (Pty) Ltd	FS	Disclaimer	Disclaimer						
12	Fezile Dabi District Municipality Trust	FS	Audit outstanding	New municipal entity						
13	Krynaauwlust Farming Trust (Pty) Ltd	FS	Audit outstanding	Audit outstanding						

Annexure 3.2: Listing of municipal entities on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
14	Lejwe Le Putswa Development Agency (Pty) Ltd	FS	Qualified	Adverse						
15	Maluti-A-Phofung Water (Pty) Ltd	FS	Disclaimer	Disclaimer						
16	Metsimaholo Mayoral Trust	FS	Audit outstanding	Disclaimer						
17	Brakpan Bus Company	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
18	City Power Johannesburg	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
19	Civirelo Water	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
20	Ekurhuleni Development Company Development (Pty) Ltd	GP	Financially unqualified (with other matters)	Qualified						
21	Ertek	GP	None	Financially unqualified (with other matters)						
22	Erwat	GP	Financially unqualified (with other matters)	Qualified						
23	Housing Company Tshwane	GP	Disclaimer	Disclaimer						
24	Joburg Property Company	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						

Annexure 3.2: Listing of municipal entities on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
25	Johannesburg City Parks	GP	Financially unqualified (with other matters)	Financially unqualified (with no other matters)						
26	Johannesburg Civic Theatre	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
27	Johannesburg Development Agency	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
28	Johannesburg Fresh Produce Market	GP	Financially unqualified (with no other matters)	Financially unqualified (with other matters)						
29	Johannesburg Metropolitan Bus Services	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
30	Johannesburg Roads Agency	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
31	Johannesburg Social Housing Company	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
32	Johannesburg Tourism Company	GP	Financially unqualified (with other matters)	Financially unqualified (with no other matters)						
33	Johannesburg Water	GP	Financially unqualified (with other matters)	Financially unqualified (with no other matters)						
34	Johannesburg Zoo	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
35	Lethabong Housing Institute	GP	Financially unqualified (with other matters)	Qualified						
36	Metropolitan Trading Company	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						

Annexure 3.2: Listing of municipal entities on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
37	Pharoe Park Housing Company (Pty) Ltd	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
38	Phase 2 Housing Company (Pty) Ltd	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
39	Pikitup Johannesburg	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
40	Rodeplaats Temba Water Trust	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
41	Rodepoort Civic Theatre	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
42	Sandspruit Works	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
43	TradePoint Pretoria	GP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
44	Durban Marine Theme Park (Pty) Ltd	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
45	Hibiscus Coast Development Agency	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
46	ICC, Durban (Pty) Ltd	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
47	iLembe Management Development Enterprise (Pty) Ltd	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						

Annexure 3.2: Listing of municipal entities on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DORA	Supply Chain Management	MSA	Other enabling legislation	
48	uMhlozinga Development Agency	KZN	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
49	Uthukela Water (Pty) Ltd	KZN	Audit outstanding	Audit outstanding						
50	Polokwane Housing Association	LP	Qualified	Qualified						
51	Zelpy 1903 (Pty) Ltd Trading as Letsema	LP	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
52	Moses Kotane Development Agency	NW	Audit outstanding	Audit outstanding						
53	Rustenburg Water Services Trust	NW	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
54	SDN Economic Agency (Pty) Ltd	NW	Audit outstanding	Audit outstanding						
55	Cape Town International Convention Centre	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
56	Khayelitsha Community Trust	WC	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
57	Overstrand Local Economic Development Agency	WC	Financially unqualified (with other matters)	New municipal entity						
58	Philippi East Trading Centre (Pty) Ltd	WC	None	Qualified						

Annexure 3.2: Listing of municipal entities on non-compliance with laws and regulations and material misstatements corrected (continued)

No.	Municipal entities	Province	Audit opinion 2008-09	Audit opinion 2007-08	Non-compliance with laws and regulations					Material misstatements corrected
					MFMA / Treasury Regulations	DoRA	Supply Chain Management	MSA	Other enabling legislation	
59	Regional Electricity Distributor One (Pty) Ltd	WC	None	Financially unqualified (with other matters)						

Ertek, Philippi East Trading Centre (Pty) Ltd and Regional Electricity Distributor One (Pty) Ltd included in listing for purpose of comparison only.

Annexure 4.1: Listing of municipalities (including metros) on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants

No.	Municipalities (including metros)	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
1	Alfred Nzo District	EC	Audit outstanding					
2	Amahlati	EC						
3	Amatole District	EC						
4	Baviaans	EC						
5	Blue Crane Route	EC						
6	Buffalo City	EC						
7	Cacadu District	EC						
8	Camdeboo	EC						
9	Chris Hani District	EC						
10	Elundini	EC						
11	Emalahleni	EC						
12	Engcobo	EC						
13	Gariep	EC	Audit outstanding					
14	Great Kei	EC	Audit outstanding					
15	Ikwezi	EC						
16	Ingquza Hill	EC						
17	Inkwanca	EC						
18	Intsika	EC						
19	Inxuba Yethemba	EC						
20	King Sabata Dalindyebo	EC	Audit outstanding					
21	Kouga	EC	Audit outstanding					
22	Koukamma	EC	Audit outstanding					
23	Lukhanji	EC						
24	Makana	EC						
25	Maletswai	EC						
26	Matatiele	EC	Audit outstanding					
27	Mbhashe	EC						
28	Mbizana	EC						
29	Mhlontlo	EC	Audit outstanding					
30	Mnquma	EC						
31	Ndlambe	EC						
32	Nelson Mandela Metro	EC						
33	Ngqushwa	EC						
34	Nkonkobe	EC						

Annexure 4.1: Listing of municipalities (including metros) on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipalities (including metros)	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
35	Ntabankulu	EC	Audit outstanding					
36	Nxuba	EC						
37	Nyandeni	EC						
38	OR Tambo District	EC						
39	Port St Johns	EC						
40	Sakhisizwe	EC						
41	Senqu	EC						
42	Sundays River Valley	EC						
43	Tsolwana	EC						
44	Ukhahlamba District	EC						
45	Umzimvubu	EC						
46	Dihlabeng	FS						
47	Fezile Dabi District	FS						
48	Kopanong	FS						
49	Lejweleputswa District	FS						
50	Letsemeng	FS						
51	Mafube	FS						
52	Maluti-A-Phofung	FS						
53	Mangaung	FS						
54	Mantsopa	FS						
55	Masilonyana	FS						
56	Matjhabeng	FS						
57	Metsimaholo	FS	Audit outstanding					
58	Mohokare	FS						
59	Moqhaka	FS						
60	Motheo District	FS						
61	Nala	FS						
62	Naledi	FS						
63	Ngwathe	FS						
64	Nketoana	FS						
65	Phumelela	FS						
66	Setsotho	FS						
67	Thabo Mofutsanyana District	FS						

Annexure 4.1: Listing of municipalities (including metros) on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipalities (including metros)	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
68	Tokologo	FS	Audit outstanding					
69	Tswelopele	FS						
70	Xhariep District	FS						
71	City of Johannesburg Metro	GP						
72	City of Tshwane Metro	GP						
73	Ekurhuleni Metro	GP						
74	Emfuleni	GP						
75	Kungwini	GP	Audit outstanding					
76	Lesedi	GP						
77	Metsweding District	GP						
78	Midvaal	GP						
79	Mogale City	GP						
80	Nokeng Tsa Taemane	GP						
81	Randfontein	GP						
82	Sedibeng District	GP						
83	West Rand District	GP						
84	Westonaria	GP						
85	Abaqulusi	KZN						
86	Amajuba District	KZN						
87	Big Five	KZN						
88	Dannhauser	KZN						
89	eDumbe	KZN						
90	eMadlageni	KZN						
91	Emnambithi/Ladysmith	KZN						
92	Endumeni	KZN	Audit outstanding					
93	eThekweni	KZN						
94	Ezinqoleni	KZN						
95	Greater Kokstad	KZN						
96	Hibiscus Coast	KZN						
97	Hlabisa	KZN						
98	iLembe District	KZN						
99	Imbabazane	KZN						
100	Impendle	KZN						

Annexure 4.1: Listing of municipalities (including metros) on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipalities (including metros)	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
101	Indaka	KZN						
102	Ingwe	KZN						
103	Jozini	KZN						
104	Kwa Sani	KZN						
105	Kwadukuza	KZN						
106	Mandeni	KZN						
107	Maphumulo	KZN						
108	Mbonambi	KZN						
109	Mkhambathini	KZN						
110	Mpofana	KZN						
111	Msinga	KZN						
112	Msunduzi	KZN						
113	Mthonjaneni	KZN						
114	Mtubatuba	KZN						
115	Ndwedwe	KZN						
116	Newcastle	KZN						
117	Nkandla	KZN						
118	Nongoma	KZN						
119	Nquthu	KZN						
120	Ntambanana	KZN						
121	Okhahlamba	KZN						
122	Richmond	KZN						
123	Sisonke District	KZN						
124	Ubuhlebezwe	KZN						
125	Ugu District	KZN						
126	Ulundi	KZN						
127	Umdoni	KZN						
128	Umgeni	KZN						
129	Umgungundlovu District	KZN						
130	Umhlabuyingana	KZN						
131	uMhlathuze	KZN						
132	Umkhanyakude District	KZN						
133	Umlalazi	KZN						

Annexure 4.1: Listing of municipalities (including metros) on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipalities (including metros)	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
134	uMshwati	KZN						
135	Umtshezi	KZN						
136	Umuziwabantu	KZN						
137	Umvoti	KZN						
138	uMzimkhulu	KZN						
139	Umkhanyakazi District	KZN						
140	Umkhanyakazi District	KZN						
141	uPhongolo	KZN						
142	Uthukela District	KZN						
143	Uthungulu District	KZN						
144	Vulamehlo	KZN						
145	Zululand District	KZN						
146	Aganang	LP						
147	Ba-Phalaborwa	LP						
148	Bela-Bela	LP						
149	Blouberg	LP						
150	Capricorn District	LP						
151	Elias Motsoaledi (Greater Groblersdal)	LP						
152	Fetakgomo	LP						
153	Greater Giyani	LP						
154	Greater Letaba	LP						
155	Greater Marble Hall	LP						
156	Greater Sekhukhune District	LP						
157	Greater Tubatse	LP						
158	Greater Tzaneen	LP						
159	Lepelle-Nkumpi	LP						
160	Lephalale	LP						
161	Makhado	LP	Audit outstanding					
162	Makhudutamaga	LP						
163	Maruleng	LP						
164	Modimolle	LP						
165	Mogalakwena	LP						
166	Molemole	LP						

Annexure 4.1: Listing of municipalities (including metros) on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipalities (including metros)	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
167	Mookgopong	LP						
168	Mopani District	LP						
169	Musina	LP						
170	Mutale	LP						
171	Polokwane	LP						
172	Thabazimbi	LP						
173	Thulamela	LP						
174	Vhembe District	LP						
175	Waterberg District	LP						
176	Albert Luthuli	MP	Audit outstanding					
177	Bushbuckridge	MP						
178	Delmas	MP						
179	Dipaliseng	MP						
180	Dr JS Moroka	MP						
181	Ehlanzeni District	MP						
182	Emakhazeni	MP						
183	Emalahleni	MP						
184	Gert Sibande District	MP						
185	Govan Mbeki	MP						
186	Lekwa Local	MP						
187	Mbombela	MP						
188	Mkhondo	MP	Audit outstanding					
189	Msukaligwa	MP	Audit outstanding					
190	Nkangala District	MP						
191	Nkomazi	MP						
192	Pixley Ka Seme (Volksrust)	MP						
193	Steve Tshwete	MP						
194	Thaba Chweu	MP						
195	Thembisile	MP	Audit outstanding					
196	Umjindi Municipality	MP						
197	!Kheis	NC						
198	Dikgatlong	NC						
199	Emthanjeni	NC						

Annexure 4.1: Listing of municipalities (including metros) on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipalities (including metros)	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
200	Frances Baard District	NC						
201	Gamagara	NC						
202	Ga-Segonyane	NC						
203	Hantam	NC						
204	Kai!Garib	NC						
205	Kamiesberg	NC						
206	Kareeberg	NC						
207	Karoo Hoogland	NC						
208	Kgalagadi District	NC						
209	Kgatelopele	NC						
210	Khai-Ma	NC						
211	Khara Hais	NC						
212	Magareng	NC						
213	Mier Municipality	NC						
214	Moshaweng	NC						
215	Nama Khoi	NC	Audit outstanding					
216	Namakwa District	NC						
217	Phokwane	NC	Audit outstanding					
218	Pixley Ka Seme District Municipality	NC						
219	Renosterberg	NC	Audit outstanding					
220	Richtersveld	NC						
221	Siyancuma	NC						
222	Siyanda District	NC						
223	Siyathemba	NC						
224	Sol Plaatje	NC						
225	Thembelihle	NC						
226	Tsantsabane	NC						
227	Ubuntu	NC						
228	Umsobomvu	NC						
229	Bojanala Platinum District	NW						
230	City of Matlosana	NW	Audit outstanding					
231	Ditsobotla	NW	Audit outstanding					

Annexure 4.1: Listing of municipalities (including metros) on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipalities (including metros)	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
232	Dr Kenneth Kaunda District	NW						
233	Dr Ruth S Mompoti District	NW	Audit outstanding					
234	Greater Taung	NW	Audit outstanding					
235	Kagisano	NW	Audit outstanding					
236	Kgetleng River	NW	Audit outstanding					
237	Lekwa-Teemane	NW						
238	Madibeng	NW	Audit outstanding					
239	Mafikeng	NW						
240	Mamusa	NW	Audit outstanding					
241	Maquassi Hills	NW	Audit outstanding					
242	Merafong City	NW						
243	Molopo	NW	Audit outstanding					
244	Moretele	NW	Audit outstanding					
245	Moses Kotane	NW	Audit outstanding					
246	Naledi	NW						
247	Ngaka Modiri Molema District	NW	Audit outstanding					
248	Ramotshere Moiloa	NW						
249	Ratlou	NW						
250	Rustenburg	NW						
251	Tlokwe	NW						
252	Tswaing	NW						
253	Ventersdorp	NW	Audit outstanding					
254	Beaufort West	WC						
255	Berg River	WC						
256	Bitou	WC						
257	Breede Valley	WC						
258	Breede River Winelands	WC						
259	Cape Agulhas	WC						
260	Cape Winelands District	WC						
261	Cederberg	WC						
262	Central Karoo District	WC						
263	City of Cape Town	WC						
264	Drakenstein	WC						

Annexure 4.1: Listing of municipalities (including metros) on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipalities (including metros)	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
265	Eden District	WC						
266	George	WC						
267	Hessequa	WC						
268	Kannaland	WC						
269	Knysna	WC						
270	Laingsburg	WC						
271	Matzikama	WC						
272	Mossel Bay	WC						
273	Oudtshoorn	WC	Audit outstanding					
274	Overberg District	WC						
275	Overstrand	WC						
276	Prince Albert	WC						
277	Saldanha Bay	WC						
278	Stellenbosch	WC						
279	Swartland	WC						
280	Swellendam	WC						
281	Theewaterskloof	WC						
282	West Coast District	WC						
283	Witzenberg	WC						

Annexure 4.2: Listing of municipal entities on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants

No.	Municipal entities	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
1	Amathole Economic Development Agency	EC						
2	Blue Crane Route Development Agency	EC	Audit outstanding					
3	Buffalo City Development Agency	EC						
4	Centenary	EC						
5	Feather Market	EC						
6	Kouga Cultural Centre	EC	Audit outstanding					
7	Kouga Development Agency	EC						
8	Mandela Bay Development Agency	EC						
9	Mthombo Sediba	EC						
10	Ntinga OR Tambo Development Agency	EC						
11	Centlec (Pty) Ltd	FS						
12	Fezile Dabi District Municipality Trust	FS	Audit outstanding					
13	Krynaauwlust Farming Trust (Pty) Ltd	FS	Audit outstanding					
14	Lejwe Le Putswa Development Agency (Pty) Ltd	FS						
15	Maluti-A-Phofung Water (Pty) Ltd	FS						
16	Metsimaholo Mayoral Trust	FS	Audit outstanding					
17	Brakpan Bus Company	GP						
18	City Power Johannesburg	GP						
19	Civirelo Water	GP						
20	Ekurhuleni Development Company Development (Pty) Ltd	GP						
21	Ertek	GP	None					
22	Erwat	GP						
23	Housing Company Tshwane	GP						
24	Joburg Property Company	GP						
25	Johannesburg City Parks	GP						
26	Johannesburg Civic Theatre	GP						

Annexure 4.2: Listing of municipal entities on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipal entities	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
27	Johannesburg Development Agency	GP						
28	Johannesburg Fresh Produce Market	GP						
29	Johannesburg Metropolitan Bus Services	GP						
30	Johannesburg Roads Agency	GP						
31	Johannesburg Social Housing Company	GP						
32	Johannesburg Tourism Company	GP						
33	Johannesburg Water	GP						
34	Johannesburg Zoo	GP						
35	Lethabong Housing Institute	GP						
36	Metropolitan Trading Company	GP						
37	Pharoe Park Housing Company (Pty) Ltd	GP						
38	Phase 2 Housing Company (Pty) Ltd	GP						
39	Pikitup Johannesburg	GP						
40	Roodeplaat Temba Water Trust	GP						
41	Roodepoort Civic Theatre	GP						
42	Sandspruit Works	GP						
43	TradePoint Pretoria	GP						
44	Durban Marine Theme Park (Pty) Ltd	KZN						
45	Hibiscus Coast Development Agency	KZN						
46	ICC, Durban (Pty) Ltd	KZN						
47	iLembe Management Development Enterprise (Pty) Ltd	KZN						
48	uMhlosinga Development Agency	KZN						
49	Uthukela Water (Pty) Ltd	KZN	Audit outstanding					
50	Polokwane Housing Association	LP						
51	Zelpy 1903 (Pty) Ltd Trading as Letsema	LP						

Annexure 4.2: Listing of municipal entities on material losses/impairments, unauthorised, fruitless and wasteful and irregular expenditure, including material under-spending of budgets and unspent government grants (continued)

No.	Municipal entities	Province	Material losses / impairments	Unauthorised expenditure	Fruitless and wasteful expenditure	Irregular expenditure	Material under spending of the budget	Material unspent portion of government grants
52	Moses Kotane Development Agency	NW	Audit outstanding					
53	Rustenburg Water Services Trust	NW						
54	SDN Economic Agency (Pty) Ltd	NW	Audit outstanding					
55	Cape Town International Convention Centre	WC						
56	Khayelitsha Community Trust	WC						
57	Overstrand Local Economic Development Agency	WC						
58	Philippi East Trading Centre (Pty) Ltd	WC	None					
59	Regional Electricity Distributor One (Pty) Ltd	WC	None					

Ertek, Philippi East Trading Centre (Pty) Ltd and Regional Electricity Distributor One (Pty) Ltd included in listing for purpose of comparison only.

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