



A U D I T O R - G E N E R A L



General report of the Auditor-General

ON THE AUDIT OUTCOMES OF
LOCAL GOVERNMENT

for the financial year 2006-07

PUBLISHED BY AUTHORITY

RP 05/2009

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FOREWORD

It gives me great pleasure to present my 2006-07 general report to the national parliament, municipal councils and provincial legislatures, summarising the results of the audit outcomes of local government, excluding municipal entities, for the financial year ended 30 June 2007.

The purpose of this general report is to provide an overview of the audit outcomes of local government as well as help guide the executive, legislatures and councils to work towards achieving financially unqualified audit opinions. It complements countrywide roadshows, in which I presented an overview of these audit outcomes to mayors and facilitated dialogue on the understanding of their root causes and possible solutions thereto. Where possible these discussions were held with the members of both the executive and the legislatures.

The main body of this report covers an overview of the financial reporting results (section 1), overview of performance reporting results (section 2) and the issues driving audit conclusions for financial and performance reporting, specifically for qualified audit results (section 3). In addition, supplementary annexures are also provided to further enhance understanding of the state of affairs of local government.

We also make recommendations on how municipalities can improve their governance and financial control systems. This is done in an effort to continue to make audit reports more relevant to enable as wide a range of stakeholders as possible to use our reports and gain insight into the manner in which South Africa's public resources are accounted for.

Considerable attention needs to be dedicated to the issues of accountability and governance in the public sector. In this regard, the attainment of financially unqualified audit reports by all government entities is a vision we fully subscribe to in our efforts to strengthen South Africa's democracy, thereby building public confidence. The critical message we want to highlight is that it is possible to obtain an unqualified audit report if the basics of internal control systems, specifically document control, are in place and constantly monitored by the leadership. The analysis further provides specific reference to the areas where these internal control shortcomings were identified.

In total, local government, excluding municipal entities, comprises 283 municipalities, categorised as: six metros, 44 high-capacity, 104 medium-capacity and 129 low-capacity municipalities. The results of 13 municipalities are not included in this report due to capacity constraints in finalising prior year audit backlogs and annual financial statements that were not submitted on time.

The audit outcomes for the municipalities according to grading are¹:

- metro: three qualified and three financially unqualified (with other matters)
- high capacity: four adverse, 11 disclaimer, 14 qualified and 12 financially unqualified (with other matters)

¹ Refer to glossary of terms for definitions of audit classifications



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- medium capacity: six adverse, 40 disclaimers, 27 qualified, 24 financially unqualified (with other matters) and one financially unqualified (with no other matters)
- low capacity: 15 adverse, 67 disclaimers, 27 qualified, 14 financially unqualified (with other matters) and two financially unqualified (with no other matters).

Twenty-five (25) municipalities, four high capacity, six medium capacity and 15 low capacity, obtained an adverse audit opinion, which is one of the worst categories of audit opinions. These, together with the 11 high-capacity municipalities, 40 medium-capacity municipalities and 67 low-capacity municipalities that obtained a disclaimer of audit opinion, the other worst audit opinion, in particular, face serious challenges to improve their financial management and significant efforts are required to turn the situation around in these municipalities.

The widespread balance sheet and income statement audit findings are indicative of poor financial management, which is further reflected by a lack of adequate internal controls and lack of supporting documentation. Furthermore, there is a challenge for municipalities to capacitate themselves to fully comply with the prescribed accounting framework, particularly with respect to receivables, non-current assets and payables and borrowings.

The majority of the audit qualifications were as a result of internal control weaknesses in the areas of compliance with established controls (86%) and a lack of effective monitoring of financial controls by leadership (80%). Refer to section 3 for a detailed discussion.

In addition to the financial qualifications, the majority of the municipalities had shortcomings in:

- compliance with applicable legislation (89%), relating mainly to compliance with the Municipal Finance Management Act and the Municipal Systems Act
- governance (67%), relating mainly to the effectiveness of both individual and shared audit committees and internal audit functions
- internal controls, relating to the areas of material adjustments to financial statements (50%) during the audit that were initially not detected by the municipalities' own internal controls.

Addressing the identified shortcomings highlighted in this report will require a coordinated effort by a number of parties to turn the situation around. This would entail the proactive involvement and leadership visibility of the national and provincial Accountants-General, the provincial Departments of Local Government and Finance as well as the provincial Auditor-General's office in complementing the more obvious role of the municipal councils, MECs for Local Government, mayors and municipal managers. The respective roles are as follows:

1. Role of the Auditor-General

- To monitor progress on the 2008 audit process and implementation of action plans from 2007
- To maintain the visibility of senior management throughout the audit process in order to improve adequate supervision of junior audit staff and private audit firms
- To strengthen cooperation with internal auditors with a view to better planning and coordination of audit execution throughout the year



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2. Role of the Accountant-General

- To review the appropriateness of grading and categorisation of municipalities in relation to their current status and financial management challenges
- To supplement guidance and training for mayors and municipal managers in relation to financial management accountability, where necessary
- To provide accounting guidelines to address other account balances linked to legacy issues
- To define the urgent role and focus of internal audit units and audit committees in order to assist with the attainment of unqualified audit reports
- To provide guidance on building the capacity of internal audit, which could include innovative ways of sourcing candidates

3. Role of MECs for Local Government and Finance

- To coordinate the establishment of internal audit units and audit committees, including the effective utilisation of internal audit and audit committee shared services, where applicable
- To coordinate good practices existing in municipalities that received unqualified audit opinions and to utilise this opportunity for knowledge sharing and twinning
- To provide continuous support to mayors in their monitoring and implementation of financial management action plans, particularly on capacity constraints and the effective management of consultants

A detailed discussion is provided in section 4.

While much needs to be done to improve performance and thereby service delivery, I am confident that the tide can be turned towards achieving financially unqualified audit opinions and I will follow up on the action plans developed for improved local government performance and report on the related progress in the next general report.

In conclusion, I wish to thank the AGSA's staff in each province for their diligent efforts towards the fulfilment of our constitutional mandate. I would like to express my appreciation to the councillors, MECs for Local Government, mayors and officials from the municipalities for their cooperation and input during my visits to present the audit outcomes. Together we will continue to make every effort to collaborate in order to contribute to the strengthening of our country's democracy.

Auditor-General

Auditor-General
Pretoria
December 2008



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SECTION 1: FINANCIAL REPORTING RESULTS

1.1 Introduction

According to the information available at the time of our analysis local government, excluding municipal entities, comprises 283 municipalities consisting of six metros, 44 high-capacity, 104 medium-capacity and 129 low-capacity municipalities. The results of 13 municipalities are not included in this report. Refer to section 1.2 below for the reasons for the delay and the expected date of audit completion.

1.2 Overview of status of completion of the audits of municipalities for 2006-07

- Table 1 below provides details of the status of completion of the audits of municipalities.

Table 1: Status of completion of audits of municipalities as at 30 November 2008

Province	Total	Audit completed	Audit outstanding	% Completion
Eastern Cape	45	45	0	100%
Free State	25	19	6	76%
Gauteng	14	14	0	100%
KwaZulu-Natal	61	61	0	100%
Limpopo	30	25	5	83%
Mpumalanga	21	21	0	100%
North West	25	23	2	92%
Northern Cape	32	32	0	100%
Western Cape	30	30	0	100%
Overall	283	270	13	95%

Free State (6)

The reasons for the delay in the completion of the audits of six municipalities (Letsemeng, Mafube, Maluti-A-Phofung, Phumelela, Tokologo and Xhariep) are financial statements that are outstanding or were submitted late.

Limpopo (5)

The reason for the delay in the completion of the audits of five municipalities (Ba-Phalaborwa, Capricorn, Greater Letaba, Greater Sekhukhune and Polokwane) is capacity constraints at the municipalities as a result of high vacancy rates and these audits are expected to be completed in the 2007-08 MFMA audit cycle.

North West (2)

The reasons for the delay in the completion of the audits of two municipalities (Kagisano and Mamusa) are outstanding annual financial statements and the completion of prior year backlogs.



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1.3 Overview of audit opinions on municipalities per province for 2006-07

- Table 2 below provides details of the actual audit outcomes of the municipalities.

Table 2: Audit opinions on municipalities

Type of audit opinion	2006-07		2005-06	
	Number	%	Number	%
Adverse	25	9%	28	10%
Disclaimer	118	44%	130	48%
Qualified	71	26%	67	25%
Financially unqualified (with other matters)	53	20%	43	16%
Financially unqualified (with no other matters)	3	1%	2	1%
Total analysed	270	100%	270	100%

From the above table it is clear that there has been little or no improvement when compared to the prior year. Fifty-three per cent of municipalities, compared to 58% in the previous year, obtained a worst-case audit opinion (adverse or disclaimer).

The majority of adverse and disclaimer audit opinions were from (i) the Eastern Cape (35) (ii) the Northern Cape (26) (iii) Limpopo (22) and (iv) other provinces combined (60), while 71 (26%) municipalities were financially qualified. This current trend of financial qualifications requires the leadership to develop action plans to address the internal control weaknesses and deficiencies that led to the audit findings reported.

- Tables 3 and 4 provide details on the actual audit outcomes per province.

Table 3: Audit opinions on municipalities per province for 2006-07

Province	Adverse	Disclaimer	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)	Total
Eastern Cape	12	23	9	1	0	45
Free State	0	10	8	1	0	19
Gauteng	1	3	4	5	1	14
KwaZulu-Natal	2	17	24	17	1	61
Limpopo	5	17	1	2	0	25
Mpumalanga	2	5	3	11	0	21
Northern Cape	1	25	4	2	0	32
North West	2	16	1	4	0	23
Western Cape	0	2	17	10	1	30
Total	25	118	71	53	3	270
Percentages of total	9%	44%	26%	20%	1%	100%



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Table 4: Audit opinions on municipalities per province for 2005-06

Province	Adverse	Disclaimer	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)	Total
Eastern Cape	3	38	3	1	0	45
Free State	2	13	4	0	0	19
Gauteng	2	2	4	6	0	14
KwaZulu-Natal	3	19	24	14	1	61
Limpopo	7	13	4	1	0	25
Mpumalanga	3	3	6	9	0	21
Northern Cape	1	27	4	0	0	32
North West	5	13	1	3	1	23
Western Cape	2	2	17	9	0	30
Total	28	130	67	43	2	270
Percentages of total	10%	48%	25%	16%	1%	100%

Overall there has been a slight decrease of worst-case opinions (adverse and disclaimer) from 58% in 2005-06 to 53% in 2006-07; however, the number of adverse opinions in the Eastern Cape has increased from three to 12. The leadership of this province is faced with a serious challenge to develop action plans in time to remedy the situation for the next cycle.

It is encouraging to note an increase in the number of municipalities that are now financially unqualified with or without other matters (56 in 2006-07 versus 45 in 2005-06). However, the 53 municipalities that are financially unqualified but had concerns in the areas of non-compliance, governance and material misstatement require the focused attention of the leadership to prevent their current financial management practices from worsening.

- Table 5 below provides details of the actual audit outcomes of the municipalities according to their respective capacities.

Table 5: Audit opinions on municipalities per grade for 2006-07

Capacity	Adverse	Disclaimer	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)	Total analysed
Metro	0	0	3	3	0	6
High capacity	4	11	14	12	0	41
Medium capacity	6	40	27	24	1	98
Low capacity	15	67	27	14	2	125
Total	25	118	71	53	3	270



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Fifty per cent or three metros (Nelson Mandela, City of Tshwane and Ekurhuleni Metro) were qualified, while Nelson Mandela was only qualified in respect of assets, which indicates that Nelson Mandela Metro can assist other municipalities that have qualifications in other areas.

Fifteen higher-capacity municipalities were qualified with worst-case opinions (adverse and disclaimer). Of the 13 qualifications, King Sabata Dalindyebo was qualified with 12 qualifications while Ukhahlamba District, Madibeng, Moqhaka, Matjhabeng and Sol Plaatje had 11 qualifications.

Overall it is therefore doubtful that metros and high-capacity municipalities will be in a position to exercise their oversight/support role more effectively for medium- and low-capacity municipalities when they themselves have been qualified. The current trend of financial qualification (metro three and high capacity 29) poses a serious challenge to the leadership to develop action plans in time to address the internal control impacting financial management.

1.4 Audit opinions on municipalities per district for 2006-07

Below is a summary of the actual audit outcomes of the municipalities per provincial district. Refer to annexure 3 for detailed information.

Eastern Cape

Of the seven district municipalities within the Eastern Cape, including the metro, 86% (six district municipalities) were financially qualified, while the remaining Cacadu District (14%) was financially unqualified (with other matters).

Free State

In the Free State, none of the district municipalities achieved financially unqualified opinions, which questions their ability to guide and support municipalities within their districts. Opportunities therefore exist for other districts to implement the good practices existing in the Tswelopele Local Municipality, in an attempt to address their particular audit qualifications.

Gauteng

It is encouraging to note that, of the six district municipalities in the Gauteng Province, including the metros, 67% (four district municipalities) were financially unqualified (with or without other matters).

KwaZulu-Natal

Overall, of the 11 district municipalities in KwaZulu-Natal, including the metro, seven (64%) were financially qualified, while the remaining four (36%) were financially unqualified (with other matters). Amajuba, Sisonke and Umkhanyakude were the worst performing districts with all their municipalities being qualified, while the uThukela and Umzinyathi districts also had more than 80% of their municipalities qualified and uThungulu was the only district with a clean audit report.

Limpopo

The trend of financial qualifications cuts across all districts with only the Vhembe and Waterberg Districts having a municipality each that was unqualified (with other matters). The good practices in the Musina and Waterberg District Municipalities should be used when designing action plans to alleviate the situation at the Limpopo municipalities.



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Mpumalanga

Of the six districts in Mpumalanga, including the metro, 33% (two district municipalities) were financially qualified, while the remaining four (67%) were financially unqualified (with no other matters).

Northern Cape

The trend of severe audit qualifications cuts across all the districts, with the exception of Francis Baard and Pixley ka Seme that are each represented by one municipality in the financially unqualified (with other matters) classification.

North West

Even though the Bojanala and Bophirima District Municipalities themselves were unqualified (with other matters), of particular concern is that most of the local municipalities within their districts obtained an adverse, disclaimer or qualified audit opinion.

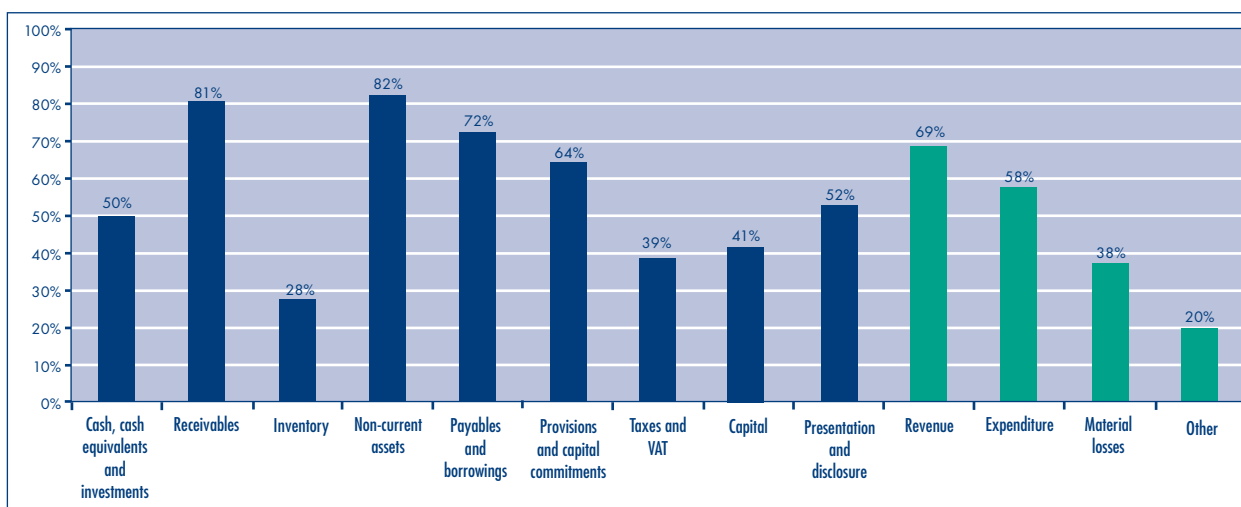
Western Cape

Of the six district municipalities in the Western Cape, including the metro, 33% (two district municipalities) were financially qualified, while the remaining four (67%) were financially unqualified (with other matters). These four district municipalities in particular were well positioned to assist other municipalities to overcome challenges in financial management.

1.5 Qualification details

Figure 1 below provides a breakdown of all the audit findings which gave rise to the qualified audit opinions. It also provides an indication of the percentage of the municipalities that were qualified per audit finding. The audit findings are split between items in the balance sheet (statement of financial position) highlighted in blue bars and the income statement (statement of financial performance) highlighted in green bars. The associated root causes are discussed in section 3 of this report.

Figure 1: Municipalities (214) that were qualified per audit finding





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Balance sheet items (blue bars)

A lack of adequate internal controls, lack of supporting documentation and a general lack of capacity and skills to fully comply with the prescribed accounting framework are the main contributing factors to the high proportion of audit qualifications related to the balance sheet.

Non-current assets and receivables were the main contributing factors to municipalities being financially qualified due to a lack of adequate supporting documentation to confirm the existence of assets and the completeness of revenue. Overall, assistance and guidance should be sought from both the National Treasury and provincial treasuries to strengthen the financial reporting processes.

Income statement (green bars)

The high incidence of audit qualifications in terms of revenue, expenditure and material losses indicates the municipalities' inability to account accurately for the spending of the revenue generated from the rendering of services. These inability are mainly due to the deficiencies in internal controls surrounding the validity, accuracy and completeness of recorded transactions. Further threats regarding the maladministration of such generated funds are raised.

1.5.1 Audit qualifications per capacity

Table 6 below provides a breakdown of all the audit findings which gave rise to the qualified audit opinions per grade of municipality. It also indicates where the remedial action to be implemented by management should be directed.

Table 6: Audit qualifications per grade

Audit qualifications	Metro	High capacity	Medium capacity	Low capacity	Total
Cash, cash equivalents and investments	0	11	31	66	108
Receivables	2	17	56	98	173
Inventory	0	6	21	32	59
Non-current assets	3	24	59	89	175
Payables and borrowings	1	19	49	86	155
Provisions and capital commitments	1	17	47	71	136
Taxes and VAT	0	11	26	47	84
Capital	0	9	30	48	87
Presentation and disclosure	0	16	37	59	112
Revenue	2	17	43	85	147
Expenditure	0	9	43	72	124
Material losses	1	8	29	43	81
Other	0	3	11	29	43
Total number of qualifications	10	167	482	825	1484

From the above table the following are evident:



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a. Metros

For the three metros that were qualified the majority of findings related to the balance sheet, with capital assets being an issue for all three. With the assistance of the relevant provincial treasuries to resolve the audit qualifications, these three metros, together with the other three that were financially unqualified (with other matters), can exercise their oversight role more effectively within their respective provinces.

b. High-capacity municipalities

The majority of audit qualifications (78%) related to the balance sheet and it is therefore expected that the leadership would focus the bulk of their remedial action towards the balance sheet.

c. Medium-capacity municipalities

Similar to the high-capacity municipalities, medium-capacity audit qualifications predominantly related to the balance sheet, which is where the bulk of the remedial action should be focused by the leadership.

d. Low-capacity municipalities

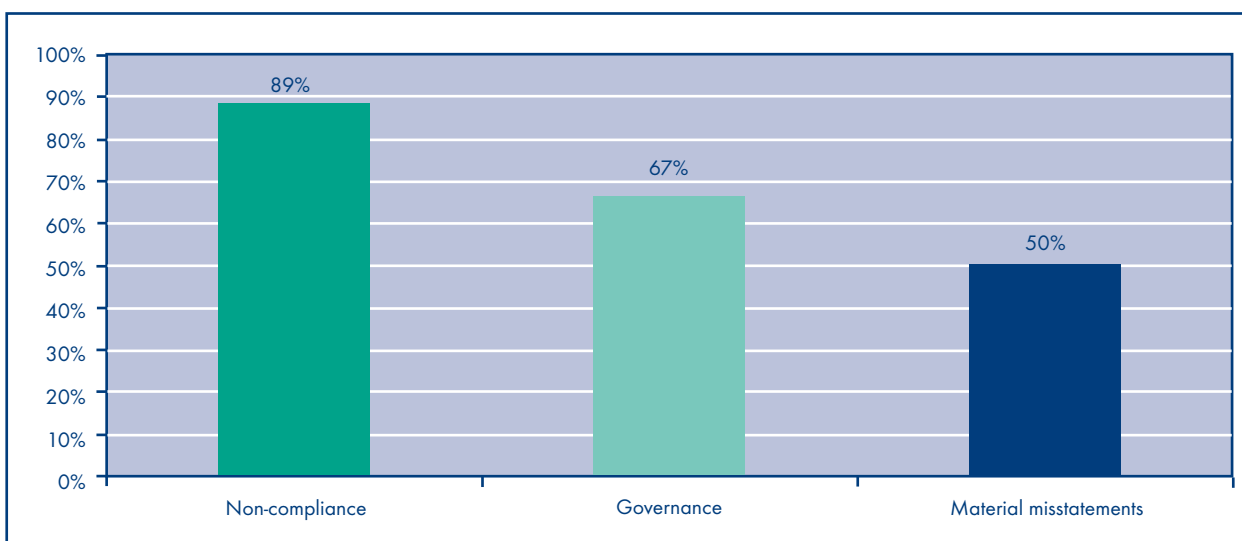
There is a wide spread of audit qualifications covering both the balance sheet and income statement. However, with assistance, guidance and support from (i) high-capacity (ii) medium-capacity and (iii) district municipalities, low-capacity municipalities can improve their financial management and governance processes tremendously. The fact that three municipalities achieved a financially unqualified opinion demonstrates that this goal can be achieved by other low-capacity municipalities.

1.6 Audit findings related to other matters

The audit findings reported under "other matters" draw attention to the matters that are ancillary to the AGSA's responsibilities in the audit of the financial statements.

Figure 2 below provides further details on the findings associated with other matters, as well as the percentage of municipalities linked to the findings.

Figure 2: Municipalities (266) linked to other matters





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Non-compliance with applicable legislation

A high proportion of municipalities – 238 (89%) – had instances of non-compliance with the MFMA and MSA. The lack of compliance with the governing legislation stems from a lack of adequate supervision and monitoring processes by those charged with governance. All metros, 36 high-capacity, 85 medium-capacity and 111 low-capacity municipalities had such audit findings.

Governance

Effective internal audit functions and audit committees generally existed to provide management with, inter alia, additional assurance with regard to the effective functioning of developed internal controls that generate financial data, which is ultimately reported in the annual financial statements, and compliance with applicable legislation including municipally developed policy and procedures manuals. These functions are therefore key to achieving good governance and accountability and ensuring that risk management processes receive the appropriate attention.

However, 67% or 177 municipalities indicated deficiencies in the area of governance. Every effort should be made by management to fully capacitate the internal audit unit, attract and retain suitably qualified audit committee members and view these two units as an indispensable tool in discharging their responsibilities.

Material misstatements/corrections to the financial statements

One hundred and thirty-four (134) municipalities required material corrections to their financial statements due to errors, omissions and inconsistencies that were identified by the auditors. These material corrections could have been detected by the municipalities themselves had the internal audit unit and audit committee functions, as detailed above, functioned as expected and had the level of supervision and reviews been adequate.

These findings also related to municipalities lacking the skills and resources to prepare financial statements of a high quality that would not only comply with the applicable legislation and accounting framework, but also enable the AGSA to express a financially unqualified audit opinion. In this regard municipalities should work closely with their provincial treasuries to:

- develop a strategy that has the overall aim to improve financial management controls in order to produce accurate financial statements
- reduce the municipalities' sole dependence on the use of consultants to prepare a set of financial statements
- coordinate the good practices existing in municipalities that received unqualified audit opinions and utilise this opportunity for knowledge sharing and twinning.



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SECTION 2: PERFORMANCE REPORTING RESULTS

2.1 Introduction

Sections 20(2)(c) and 28(1)(c) of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) require the AGSA to provide an opinion or conclusion on the performance of the auditee against predetermined objectives. Section 13 of the PAA requires the AGSA to determine the standards to be applied in performing such audits. The AGSA has adopted a phasing-in approach to comply with the PAA in the auditing of performance information (PI). It is anticipated that the required maturity level will only be reached during the 2009-10 financial year when the AGSA may be in a position to issue an opinion on PI. Annexure 6 contains details of the phasing-in approach.

During May 2007 the NT issued the *Framework for managing programme performance information*² that is applicable to all spheres of government. This framework aims, inter alia, to clarify definitions and standards pertaining to PI, improve the systems and processes required to manage PI, and promote accountability and transparency in providing oversight bodies with timely and accurate PI. It is hoped that this framework will go a long way towards addressing the shortcomings in managing and reporting on PI. The NT has considered information published by institutions like the Reserve Bank and Statistics South Africa to facilitate improved coordination of oversight in the management of programme performance information. Refer to annexure 6 for details on the framework.

2.2 Overview of the results of the auditing of performance information

The AGSA continued to report on the auditing of performance information in line with the relevant phasing-in approach. For 2006-07 the review was extended to the controls and systems used in generating and reporting on performance information.

Below are extracts from the individual provincial general reports.

Eastern Cape

Twenty-eight per cent of all municipalities in the Eastern Cape did not report performance information and a further 20% did not provide any form of supporting documentation to assess their respective performance against individual predetermined targets and measurable objectives contained in their strategic plans. Therefore, performance audit committees need to exist and play a critical role in ensuring that the municipalities' measurable objectives are regularly monitored, reported and supported by adequate supporting documentation which will facilitate the tracking of service delivery.

Free State

Fifty-eight per cent of municipalities in the Free State did not provide any form of supporting documentation to assess their respective performance against individual predetermined targets and measurable objectives contained in their strategic plans. Therefore, performance audit committees need to exist and play a critical

² The *Framework for managing programme performance information*, report number RP86/2007, is available at www.treasury.gov.za



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role in ensuring that the municipalities' measurable objectives are regularly monitored, reported and supported by adequate supporting documentation which will facilitate the tracking of service delivery.

Gauteng

The findings reported under performance information indicate a need for the developed internal controls to be constantly reviewed to ensure that municipalities in the Gauteng Province maintain good audit results and, in so doing, provide credibility for the tracking of service delivery.

KwaZulu-Natal

Fifty-five per cent of all municipalities in KwaZulu-Natal did not report performance information against performance measures as contained in their IDPs/strategic plans/annual performance plans, while a further 30% did not provide performance information for audit purposes. Therefore, performance audit committees need to exist and play a critical role in ensuring that the municipalities' measurable objectives are regularly monitored, reported and supported by adequate supporting documentation which will facilitate the tracking of service delivery.

Limpopo

Despite the fairly satisfactory results shown for the audit of performance information, a need remains for the developed internal controls to be constantly reviewed to ensure that municipalities in the Limpopo Province maintain these good audit results and, in so doing, improve the tracking of service delivery.

Mpumalanga

Sixty-seven per cent of all municipalities in Mpumalanga did not provide any form of supporting documentation in time to assess their respective performance against individual predetermined targets and measurable objectives contained in their strategic plans. With the high incidence of findings reported on the existence and functioning of performance audit committees (57%) and the lack of internal auditing of performance information (57%), the extent to which one can reliably interpret the results of AOPI is doubtful. The leadership therefore needs to address the concerns in the reporting of performance information that will enable stakeholders better to assess the municipalities' performance in terms of service delivery.

Northern Cape

Seventy-five per cent of all municipalities in the Northern Cape did not report their performance against individual predetermined targets and measurable objectives contained in their strategic plans. Therefore, performance audit committees need to exist and play a critical role in ensuring that the municipalities' measurable objectives are regularly monitored, reported and supported by adequate supporting documentation which will facilitate the tracking of service delivery.

North West

Fifty-seven per cent or less municipalities in the North West either did not provide any form of supporting documentation to assess their respective performance against individual predetermined targets and measurable objectives contained in their strategic plans, or did not report on such targets in their annual reports. Therefore, performance audit committees need to exist and play a critical role in ensuring that the municipalities' measurable objectives are regularly monitored, reported and supported by adequate supporting documentation which will facilitate the tracking of service delivery.



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SECTION 3: ISSUES DRIVING AUDIT RESULTS

3.1 Introduction

The following benchmark information is considered to be the basic good practice indicators which are relevant for achieving financially unqualified audit opinions as well as for adequately reporting performance results:

- Clear trail of supporting documentation
- Quality of financial statements and management information
- Timeliness of financial statements and management information
- Availability of key officials during audits
- Development of, and compliance with, risk management and good internal control practices
- Supervision and monitoring (leadership effectiveness)

3.2 Achievement against good practice indicators

Table 7 below presents the results of the municipalities achieving the said good practice indicators.

Table 7: Results of good practice indicators for municipalities for 2006-07

No.	Good practices	Percentage of total municipalities achieving good practice indicators ³
1	Clear trail of supporting documentation that is easily available and provided in time	33%
2	Quality of financial statements and management information	16%
3	Timeliness of financial statements and management information	75%
4	Availability of key officials during audits	49%
5	Development of, and compliance with, risk management and good internal control and governance practices	17%
6	Supervision/monitoring	31%

• Clear trail of supporting documentation

The majority (67%) of the municipalities have to do more to ensure that sufficient appropriate audit evidence is available to support the transactions and balances in the financial statements. Significant

³ This would serve as a baseline to monitor future improvement



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difficulties were experienced during the audits of 33% of the municipalities concerning delays in providing information or the unavailability of expected information. The management of documentation requires improvement to ensure that it is readily available and furnished in a timely manner. The discipline of document retention significantly reduces the risk of fraud in the environment.

- **Quality annual financial statements**

Good practice requires annual financial statements to be prepared and submitted for auditing in accordance with the auditee's applicable accounting framework. Only 16% (42) of municipalities had submitted a set of financial statements that complied fully with their accounting framework, as evidenced by the high incidence of material corrections that were made, which were only detected following the auditors' scrutiny. This practice requires significant improvement with the support of adequate reviews at the correct levels, such as the chief financial officer, internal audit and audit committee.

- **Timeliness of annual financial statements**

Despite the high incidence of timely submission (75%), the quality was lacking, as detailed above.

- **Availability of key officials**

It is discouraging to report on the low levels of key officials participating throughout the audit process (49% or 132 municipalities). Their future involvement would go a long way in reducing the 214 (79%) financial qualifications of this year.

- **Governance**

Good practice requires a fully functional audit committee and internal audit unit that clearly identify the key business risks faced by the municipality and develop action plans that mitigate such risks. Only 17% exhibited this trend, which is in direct correlation with the 67% of governance audit findings as reported in figure 2 of this report. Effort should be focused on improving the effectiveness of internal audit and audit committees.

- **Supervision and monitoring**

Eighty per cent of audit findings in respect of non-compliance with the MFMA and MSA were the result of a lack of basic management supervision and review. Therefore audit committees can assist management in providing oversight to ensure that the municipalities comply with applicable legislation as well as municipally developed policies and procedures.



A U D I T O R - G E N E R A L

SECTION 4: CONCLUSION

As highlighted in this report local government, excluding municipal entities, faces a number of challenges with financial management performance which will require a coordinated effort by the leadership of the province with the support of the National Treasury and provincial treasuries to turn the situation around. However, there are indications that progress is being made and the actions taken by the provincial treasuries and municipalities are welcome initiatives. The MECs for Local Government have also committed to developing action plans to address key issues and monitoring related progress, which we will report on the next general report.

We are confident that the challenges are not insurmountable and remain committed to working with the legislatures and the executive to assist in the process of identifying and disseminating good practices to increase governance and accountability, so as to build public confidence in the government's ability to account for public resources in a transparent manner.



AUDITOR - GENERAL

ANNEXURE 1: AUDIT OUTCOMES

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Cash, cash equivalents and investments	Receivables	Inventory	Non-current assets	Payables and borrowings	Provisions and capital commitments	Taxes and VAT	Capital	Presentation and disclosure	Revenue	Expenditure	Material losses	Other	Non-compliance	Governance	Material misstatements
1	Alfred Nzo District	EC	Medium capacity	DM	Alfred Nzo District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
2	Ananinde District	EC	High capacity	DM	Ananinde District	Adverse	Qualified	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
3	Baviaans	EC	Low capacity	LM	Carade District	Adverse	Adverse	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
4	Blue Crane Route	EC	Low capacity	LM	Carade District	Adverse	Adverse	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
5	Chris Hani District	EC	Medium capacity	DM	Chris Hani District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
6	Ganep	EC	Low capacity	LM	Ukhahlamba District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
7	Inkwanza	EC	Low capacity	LM	Chris Hani District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
8	Maleswai	EC	Low capacity	LM	Ukhahlamba District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
9	Ndambe	EC	Low capacity	LM	Carade District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
10	Sundays River Valley	EC	Low capacity	LM	Carade District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
11	Insika	EC	Low capacity	LM	Chris Hani District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
12	Ukhahlamba District	EC	High capacity	DM	Ukhahlamba District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
13	Kungwini	GP	Medium capacity	DM	Metsweding District	Adverse	Adverse	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
14	Abequlusi	KZN	Low capacity	LM	Zululand District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
15	Endumeni	KZN	Medium capacity	DM	Umtshini District	Adverse	Qualified	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
16	Bloubaerg	LP	Low capacity	LM	Capricorn District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
17	Greater Marble Hall	LP	Low capacity	LM	Greater Sekukhune District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
18	Lephalale	LP	Medium capacity	LM	Waterberg District	Adverse	Qualified	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
19	Mogadikwena	LP	Low capacity	LM	Waterberg District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
20	Molemo	LP	Low capacity	LM	Capricorn District	Adverse	Qualified	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
21	Albert Luthuli	MP	Medium capacity	LM	Gertruida District	Adverse	Adverse	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
22	Mkondo	MP	Low capacity	LM	Gertruida District	Adverse	Adverse	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
23	Khat-Ma	NC	Low capacity	LM	Namakwa District	Adverse	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
24	Madibeng	NW	High capacity	LM	Bojanala Platinum District	Adverse	Adverse	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
25	Tlokweng (Pretoria)	NW	High capacity	LM	Southern District	Adverse	Adverse	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
26	Amahlathi	EC	Low capacity	LM	Anatole District	Disclaimer	Qualified	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
27	Elundini	EC	Low capacity	LM	Ukhahlamba District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
28	Enlatheni	EC	Low capacity	LM	Chris Hani District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
29	Engcobo	EC	Medium capacity	LM	Chris Hani District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
30	Great Kei	EC	Low capacity	LM	Anatole District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
31	Ikwazi	EC	Low capacity	LM	Carade District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
32	King Sabata Dalindyebo	EC	High capacity	LM	OR Tambo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
33	Koukamma	EC	Medium capacity	LM	Carade District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
34	Mazana	EC	Medium capacity	LM	OR Tambo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
35	Mhlonlo	EC	Low capacity	LM	OR Tambo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
36	Nqushwa	EC	Medium capacity	LM	Anatole District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
37	Nkonkobe	EC	Low capacity	LM	Anatole District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
38	Ntabankulu	EC	Low capacity	LM	OR Tambo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
39	Nxuba	EC	Low capacity	LM	Anatole District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
40	Nyandeni	EC	Low capacity	LM	OR Tambo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
41	OR Tambo District	EC	High capacity	DM	OR Tambo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
42	Qakeni	EC	Low capacity	LM	OR Tambo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
43	Sakshizwe	EC	Low capacity	LM	Chris Hani District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
44	Tsolwana	EC	Low capacity	LM	Chris Hani District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
45	Umtshini	EC	Medium capacity	LM	Alfred Nzo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
46	Mhlatse	EC	Low capacity	LM	Anatole District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
47	Mnquma	EC	Medium capacity	LM	Anatole District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
48	Port St Johns	EC	Medium capacity	LM	OR Tambo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
49	Maqadika	FS	High capacity	LM	Fezile Dabi District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
50	Nquthu	FS	Medium capacity	LM	Fezile Dabi District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
51	Masliayana	FS	Low capacity	LM	Lejweletso District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
52	Mafikeng	FS	High capacity	LM	Lejweletso District	Disclaimer	Adverse	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
53	Nala	FS	Medium capacity	LM	Lejweletso District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1



AUDITOR - GENERAL

ANNEXURE 1: AUDIT OUTCOMES (Continued)

No.	Municipality	Province	Capacity	Category (LM, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Cash, cash equivalents and investments	Receivables	Inventory	Non-current assets	Payables and borrowings	Provisions and capital commitments	Taxes and VAT	Capital	Presentation and disclosure	Revenue	Expenditure	Material losses	Other	Non-compliance	Governance	Material misstatements
54	Naledi	FS	Low capacity	LM	Molapo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
55	Thabo Mofutsanyane District	FS	Low capacity	DM	Thabo Mofutsanyane District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
56	Ditshabeng	FS	Medium capacity	DM	Thabo Mofutsanyane District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
57	Mkhotana	FS	Medium capacity	DM	Thabo Mofutsanyane District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
58	Mohale's	FS	Low capacity	LM	Xhariep District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
59	Enlileni	GP	High capacity	LM	Sedibeng District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
60	Mokeng 'n Tsemane	GP	Medium capacity	LM	Metsweding District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
61	Randfontein	GP	High capacity	LM	West Rand District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
62	Danmuis	KZN	Low capacity	LM	Anquaba District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
63	eBumbe	KZN	Low capacity	LM	Zululand District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
64	Greater KwaZulu	KZN	Low capacity	LM	Sisonke District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
65	Impendle	KZN	Low capacity	LM	Umgungundlovu District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
66	Ezinqolweni	KZN	Low capacity	LM	Ugu District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
67	Jozini	KZN	Low capacity	LM	Umkhanyakade District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
68	Nongoma	KZN	Low capacity	LM	Zululand District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
69	Ikuthu	KZN	Low capacity	LM	Umatzini District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
70	Olkhathamba	KZN	Low capacity	LM	Uthukela District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
71	Sisonke District	KZN	Low capacity	DM	Sisonke District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
72	Ulundi	KZN	Low capacity	LM	Zululand District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
73	Umgungundlovu District	KZN	Medium capacity	DM	Umgungundlovu District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
74	Umkhanyakade District	KZN	Medium capacity	DM	Umkhanyakade District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
75	Umatzini District	KZN	Low capacity	DM	Umatzini District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
76	Umtzini	KZN	Low capacity	LM	Ugu District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
77	Uthuli	KZN	Low capacity	LM	Anquaba District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
78	Mkonobisi	KZN	Medium capacity	LM	Uthungulu District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
79	Aganang	LP	Low capacity	LM	Capricorn District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
80	Bela-Bela	LP	Medium capacity	LM	Waterberg District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
81	Elton Morija (Greater Grahamstown)	LP	Medium capacity	LM	Greater Sekhukhune District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
82	Greater Giyani	LP	Low capacity	LM	Mopani District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
83	Greater Tzaneen	LP	Low capacity	LM	Greater Sekhukhune District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
84	Greater Tzaneen	LP	High capacity	LM	Mopani District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
85	Lepelle - Mumpi	LP	Low capacity	LM	Capricorn District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
86	Makrudo	LP	Medium capacity	LM	Vhembe District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
87	Makhudamadama	LP	Low capacity	LM	Greater Sekhukhune District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
88	Mamlang	LP	Low capacity	LM	Mopani District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
89	Medunsa	LP	Low capacity	LM	Waterberg District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
90	Mookgopong	LP	Medium capacity	LM	Waterberg District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
91	Mopani District Municipality	LP	Low capacity	DM	Mopani District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
92	Murilo	LP	Low capacity	LM	Vhembe District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
93	Thabazimbi	LP	Low capacity	LM	Waterberg District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
94	Thulamela	LP	Medium capacity	LM	Vhembe District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
95	Vhembe District Municipality	LP	Low capacity	DM	Vhembe District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
96	Bushbuckridge	MP	Low capacity	LM	Ehlanzeni District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
97	Mkambela	MP	High capacity	LM	Ehlanzeni District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
98	Thabo Chweu	MP	Low capacity	LM	Ehlanzeni District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
99	Dipalising	MP	Low capacity	LM	Gert Shabane District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
100	Le kwa Local	MP	Low capacity	LM	Gert Shabane District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
101	Dikgatleng	NC	Low capacity	LM	Frances Baard District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
102	Magareng	NC	Low capacity	LM	Frances Baard District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
103	Phokwane	NC	Medium capacity	LM	Frances Baard District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
104	Soi Plains	NC	High capacity	LM	Frances Baard District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
105	Enthambeni	NC	Medium capacity	LM	Karoo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
106	Rensselaersburg	NC	Medium capacity	LM	Karoo District	Disclaimer	Disclaimer	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	



AUDITOR - GENERAL

ANNEXURE 1: AUDIT OUTCOMES (Continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Cash, cash equivalents and investments	Receivables	Inventory	Non-current assets	Payables and borrowings	Provisions and capital commitments	Taxes and VAT	Capital	Presentation and disclosure	Revenue	Expenditure	Material losses	Other	Non-compliance	Governance	Material misstatements
107	Siyancuma	NC	Medium capacity	LM	Karoo District	Disclaimer	Disclaimer																
108	Syathemba	NC	Medium capacity	LM	Karoo District	Disclaimer	Disclaimer																
109	Thembelille	NC	Low capacity	LM	Karoo District	Disclaimer	Disclaimer																
110	Uburu	NC	Medium capacity	LM	Karoo District	Disclaimer	Disclaimer																
111	Umsobovu	NC	Low capacity	LM	Karoo District	Disclaimer	Disclaimer																
112	Gamagara	NC	Medium capacity	LM	Kgalagadi District	Disclaimer	Disclaimer																
113	Go-Segonyane	NC	Medium capacity	LM	Kgalagadi District	Disclaimer	Disclaimer																
114	Namakwa District	NC	Medium capacity	DM	Namakwa District	Disclaimer	Disclaimer																
115	Harlam	NC	Low capacity	LM	Namakwa District	Disclaimer	Disclaimer																
116	Kamiesberg	NC	Low capacity	LM	Namakwa District	Disclaimer	Disclaimer																
117	Karoo Hoogland	NC	Medium capacity	LM	Namakwa District	Disclaimer	Disclaimer																
118	Nama Khoi	NC	Medium capacity	LM	Namakwa District	Disclaimer	Disclaimer																
119	Richtersveld	NC	Medium capacity	LM	Namakwa District	Disclaimer	Disclaimer																
120	Syanda District	NC	Medium capacity	DM	Syanda District	Disclaimer	Disclaimer																
121	IKheis	NC	Low capacity	LM	Syanda District	Disclaimer	Disclaimer																
122	Karalepele	NC	Low capacity	LM	Syanda District	Disclaimer	Disclaimer																
123	Khara Hais	NC	Medium capacity	LM	Syanda District	Disclaimer	Disclaimer																
124	Mier Municipality	NC	Low capacity	LM	Syanda District	Disclaimer	Disclaimer																
125	Tsantsabane	NC	Low capacity	LM	Syanda District	Disclaimer	Disclaimer																
126	Central District (Ngaka Modiri Molema)	NW	Low capacity	DM	Ngaka Modiri Molema District	Disclaimer	Disclaimer																
127	City of Mafesana	NW	High capacity	LM	Southern District	Disclaimer	Disclaimer																
128	Ditshabala	NW	Low capacity	LM	Ngaka Modiri Molema District	Disclaimer	Disclaimer																
129	Greater Tugue	NW	Medium capacity	LM	Bophirima District	Disclaimer	Disclaimer																
130	Kgalengrivier	NW	Low capacity	LM	Bojanala Platinum District	Disclaimer	Disclaimer																
131	Lekwa-Tsemane	NW	Low capacity	LM	Bophirima District	Disclaimer	Disclaimer																
132	Marikeng	NW	Low capacity	LM	Ngaka Modiri Molema District	Disclaimer	Disclaimer																
133	Morele	NW	Low capacity	LM	Bojanala Platinum District	Disclaimer	Disclaimer																
134	Naledi	NW	Low capacity	LM	Bophirima District	Disclaimer	Disclaimer																
135	Ramothare Malooa	NW	Low capacity	LM	Ngaka Modiri Molema District	Disclaimer	Disclaimer																
136	Ratou	NW	Low capacity	LM	Ngaka Modiri Molema District	Disclaimer	Disclaimer																
137	Rustenburg	NW	High capacity	LM	Bojanala Platinum District	Disclaimer	Disclaimer																
138	Southern District	NW	Medium capacity	DM	Southern District	Disclaimer	Disclaimer																
139	Tswaing	NW	Low capacity	LM	Ngaka Modiri Molema District	Disclaimer	Disclaimer																
140	Marquass Hills	NW	Medium capacity	LM	Southern District	Disclaimer	Disclaimer																
141	Ventersdorp	NW	Medium capacity	LM	Southern District	Disclaimer	Disclaimer																
142	Kamland	WC	Medium capacity	LM	Eden District	Disclaimer	Disclaimer																
143	Quithisoon	WC	Medium capacity	LM	Eden District	Disclaimer	Disclaimer																
144	Buriba City	EC	High capacity	LM	Amable District	Qualified	Qualified																
145	Gamaboo	EC	Low capacity	LM	Carado District	Qualified	Qualified																
146	Itxoba Yehemba	EC	Low capacity	LM	Chris Ham District	Qualified	Qualified																
147	Kouga	EC	Medium capacity	LM	Carado District	Qualified	Qualified																
148	Ukhonji	EC	Medium capacity	LM	Chris Ham District	Qualified	Qualified																
149	Makana	EC	Low capacity	LM	Carado District	Qualified	Qualified																
150	Matatiele	EC	Medium capacity	LM	Alfred Nzo District	Qualified	Qualified																
151	Nelson Mandela Metro	EC	Metro	Metro	Metro	Qualified	Qualified																
152	Senqu	EC	Medium capacity	LM	Ukhahlamba District	Qualified	Qualified																
153	Fezile Dabi District	FS	Low capacity	DM	Fezile Dabi District	Qualified	Qualified																
154	Meisimholo	FS	High capacity	LM	Fezile Dabi District	Qualified	Qualified																
155	Lejalelwase District	FS	Low capacity	DM	Lejalelwase District	Qualified	Qualified																
156	Mohale District	FS	Low capacity	DM	Mohale District	Qualified	Qualified																
157	Margoung	FS	High capacity	LM	Mohale District	Qualified	Qualified																
158	Mantsopa	FS	Medium capacity	LM	Mohale District	Qualified	Qualified																
159	Setoto	FS	Medium capacity	LM	Thabo Mofutsanyane District	Qualified	Qualified																



AUDITOR - GENERAL

ANNEXURE 1: AUDIT OUTCOMES (Continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Cash, cash equivalents and investments	Receivables	Inventory	Non-current assets	Payables and borrowings	Provisions and capital commitments	Taxes and VAT	Capital	Presentation and disclosure	Revenue	Expenditure	Material losses	Other	Non-compliance	Governance	Material misstatements
160	Kopong	FS	Medium capacity	LM	Xhariep District	Qualified	Disclaimer																
161	City of eThekweni Metro	GP	Metro	Metro		Qualified	Qualified																
162	Eckurhuleni Metro	GP	Metro	Metro		Qualified	Qualified																
163	Mogale City	GP	High capacity	LM	West Rand District	Qualified	Qualified																
164	Westonaria	GP	Medium capacity	LM	West Rand District	Qualified	Qualified																
165	Ansoob District	KZN	Low capacity	DM	Ansoob District	Qualified	Qualified																
166	Big Five	KZN	Low capacity	LM	Umkhanyakude District	Qualified	Qualified																
167	Mandeni	KZN	Low capacity	LM	Ilembe District	Qualified	Qualified																
168	Hlabisa Coast	KZN	High capacity	LM	Ugu District	Qualified	Qualified																
169	Hlabisa	KZN	Low capacity	LM	Umkhanyakude District	Qualified	Qualified																
170	Ilembe District	KZN	Low capacity	DM	Ilembe District	Qualified	Qualified																
171	Imbumba	KZN	Low capacity	LM	Uthukela District	Qualified	Qualified																
172	Indaka	KZN	Low capacity	LM	Uthukela District	Qualified	Qualified																
173	Ingwe	KZN	Medium capacity	LM	Sonke District	Qualified	Qualified																
174	Inkanda	KZN	Medium capacity	LM	Uthukela District	Qualified	Qualified																
175	KwaSoni	KZN	Low capacity	LM	Sonke District	Qualified	Qualified																
176	Maphumulo	KZN	Medium capacity	LM	Ilembe District	Qualified	Qualified																
177	Mofema	KZN	Low capacity	LM	Ungungundlovu District	Qualified	Qualified																
178	Mogale	KZN	Low capacity	LM	Unizwe District	Qualified	Qualified																
179	Mthunzwa	KZN	Low capacity	LM	Umkhanyakude District	Qualified	Qualified																
180	Newcastle	KZN	High capacity	DM	Ansoob District	Qualified	Qualified																
181	Ntombonani	KZN	Low capacity	LM	Uthukela District	Qualified	Qualified																
182	Ukhahlamba	KZN	Low capacity	LM	Sonke District	Qualified	Qualified																
183	Umlalazi	KZN	Medium capacity	LM	Umkhanyakude District	Qualified	Qualified																
184	Umlalazi	KZN	Low capacity	LM	Ungungundlovu District	Qualified	Qualified																
185	Umlalazi	KZN	Medium capacity	LM	Uthukela District	Qualified	Qualified																
186	Umlalazi	KZN	Low capacity	LM	Ugu District	Qualified	Qualified																
187	Umlalazi	KZN	Medium capacity	DM	Sonke District	Qualified	Qualified																
188	Uthukela District	KZN	Medium capacity	DM	Uthukela District	Qualified	Qualified																
189	Fezile	LP	Low capacity	LM	Greater Sekhukhune District	Qualified	Qualified																
190	Ehlanzeni District	MP	High capacity	DM	Ehlanzeni District	Qualified	Qualified																
191	Nkomazi	MP	Medium capacity	LM	Ehlanzeni District	Qualified	Qualified																
192	Pretoria Ka-Same (Valkens)	MP	Medium capacity	LM	Gertruida District	Qualified	Qualified																
193	Pretoria Ka-Same District Municipality	NC	Medium capacity	DM	Karoo District	Qualified	Qualified																
194	Kgalagadi District	NC	Medium capacity	DM	Kgalagadi District	Qualified	Qualified																
195	Moshaweng	NC	Low capacity	LM	Kgalagadi District	Qualified	Qualified																
196	Kaifanib	NC	Low capacity	LM	Siyanda District	Qualified	Qualified																
197	Moring City	NC	High capacity	LM	Southern District	Qualified	Qualified																
198	Bergvlei	WC	Medium capacity	LM	West Coast District	Qualified	Qualified																
199	Brou	WC	Medium capacity	LM	Eden District	Qualified	Qualified																
200	Breda Valley	WC	High capacity	LM	Cape Winelands District	Qualified	Qualified																
201	Cederberg	WC	Low capacity	LM	West Coast District	Qualified	Qualified																
202	Dorpskroon	WC	High capacity	LM	Cape Winelands District	Qualified	Qualified																
203	Eden District	WC	Medium capacity	DM	Eden District	Qualified	Qualified																
204	George	WC	High capacity	LM	Eden District	Qualified	Qualified																
205	Hessequa	WC	Medium capacity	LM	Eden District	Qualified	Qualified																
206	Krysta	WC	Medium capacity	LM	Eden District	Qualified	Qualified																
207	Marikana	WC	Medium capacity	LM	West Coast District	Qualified	Qualified																
208	Mossel Bay	WC	High capacity	LM	Eden District	Qualified	Qualified																
209	Overberg District	WC	Medium capacity	DM	Overberg District	Qualified	Qualified																
210	Saldanha	WC	High capacity	LM	West Coast District	Qualified	Qualified																
211	Stellenbosch	WC	High capacity	LM	Cape Winelands District	Qualified	Qualified																
212	Swartland	WC	Low capacity	LM	Overberg District	Qualified	Qualified																



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ANNEXURE 1: AUDIT OUTCOMES (Continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Cash, cash equivalents and investments	Receivables	Inventory	Non-current assets	Payables and borrowings	Provisions and capital commitments	Taxes and VAT	Capital	Presentation and disclosure	Revenue	Expenditure	Material losses	Other	Non-compliance	Governance	Material misstatements
213	Therwestkloof	WC	Medium capacity	LM	Overberg District	Qualified	Qualified																1
214	Witzenberg	WC	Low capacity	DM	Cape Winelands District	Qualified	Qualified		1														1
215	Cacado District	EC	Medium capacity	DM	Cacado District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
216	Tswelopele	FS	Medium capacity	LM	Lepellekop District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
217	City of Johannesburg Metro	GP	Metro	DM	Metro	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
218	Lesedi	GP	Medium capacity	LM	Sediberg District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
219	Metsweding District	GP	Low capacity	DM	Metsweding District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
220	Midval	GP	Medium capacity	LM	Sediberg District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
221	Sediberg District	GP	Medium capacity	DM	Sediberg District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
222	Emantshini/Ladysmith	KZN	High capacity	LM	Uthukela District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
223	Ehlekweni	KZN	Metro	DM	Ehlekweni Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
224	KwaDukuza	KZN	High capacity	LM	Ilembe District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
225	Mkambathi	KZN	Low capacity	LM	Ungungundlovu District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
226	Masinduzi	KZN	High capacity	LM	Ungungundlovu District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
227	Mthontweni	KZN	Low capacity	LM	Uthungulu District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
228	Ndwedwe	KZN	Low capacity	LM	Ilembe District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
229	Richmond	KZN	Low capacity	LM	Ungungundlovu District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
230	Ugi District	KZN	High capacity	DM	Ugi District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
231	Umdoni	KZN	Medium capacity	DM	Ugi District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
232	Umgini	KZN	Medium capacity	LM	Ungungundlovu District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
233	uMkhathuzi	KZN	High capacity	LM	Uthungulu District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
234	Umtoti	KZN	Medium capacity	LM	Uzinyathi District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
235	uPhongola	KZN	Low capacity	LM	Zululand District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
236	Uthungulu District	KZN	High capacity	DM	Uthungulu District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
237	Vukamahlo	KZN	Low capacity	LM	Ugi District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
238	Zululand District	KZN	Medium capacity	DM	Zululand District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
239	Musina	LP	Low capacity	LM	Vhembe District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
240	Waterberg District Municipality	LP	Low capacity	DM	Waterberg District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
241	Umrizi Municipality	MP	Medium capacity	DM	Ehlangeni District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
242	Gertruida District	MP	Medium capacity	DM	Gertruida District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
243	Govan Mbeki	MP	High capacity	LM	Gertruida District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
244	Musikwini	MP	Low capacity	LM	Gertruida District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
245	Nkangala District	MP	High capacity	DM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
246	Delaas	MP	Medium capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
247	Dr JS Moroka	MP	Low capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
248	Enkhabeni	MP	Low capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
249	Enkhabeni	MP	High capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
250	Sieff Swiebe	MP	High capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
251	Thembisa	MP	Low capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
252	Francis Baard District	NC	Medium capacity	DM	Francis Baard District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
253	Kareeberg	NC	Medium capacity	LM	Karoo District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
254	Bojanala Platinum District	NW	High capacity	DM	Bojanala Platinum District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
255	Bophirima District	NW	Medium capacity	DM	Bophirima District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
256	Molapo	NW	Low capacity	LM	Bophirima District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
257	Moses Moleleke	NW	Medium capacity	LM	Bojanala Platinum District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
258	Breda West	WC	Medium capacity	LM	Central Karoo District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
259	Breda West	WC	Medium capacity	LM	Central Karoo District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
260	Cape Winelands District	WC	Medium capacity	DM	Cape Winelands District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
261	Central Karoo District	WC	Medium capacity	DM	Central Karoo District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
262	City of Cape Town	WC	Metro	DM	Central Karoo District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
263	Lansburg	WC	Medium capacity	LM	Central Karoo District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
264	Overstrand	WC	High capacity	LM	Overberg District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
265	Prins Albert	WC	Medium capacity	LM	Central Karoo District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1



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ANNEXURE 1: AUDIT OUTCOMES (Continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Cash, cash equivalents and investments	Receivables	Inventory	Non-current assets	Payables and borrowings	Provisions and capital commitments	Taxes and VAT	Capital	Presentation and disclosure	Revenue	Expenditure	Material losses	Other	Non-compliance	Government	Material misstatements
266	Swarland	WC	Medium capacity	LM	West Coast District	Financially unqualified (with other matters)	Qualified														1		1
267	West Coast District	WC	Medium capacity	DM	West Coast District	Financially unqualified (with other matters)	Financially unqualified (with other matters)																1
268	West Rand District	GP	Medium capacity	DM	West Rand District	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)																
269	Umlazi	KZN	Low capacity	LM	Uthungulu District	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)																
270	Cape Agulhas	WC	Low capacity	LM	Overberg District	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)																
271	Matube	FS	Medium capacity	LM	Fezile Dabi District	Financially unqualified (with no other matters)	Financially unqualified (with no other matters)																
272	Tokologo	FS	Low capacity	LM	Lejweletso District	Audit outstanding	Audit outstanding																
273	Matladi-Phofung	FS	High capacity	LM	Thabo Mofutsanyane District	Audit outstanding	Audit outstanding																
274	Phumelela	FS	Low capacity	LM	Thabo Mofutsanyane District	Audit outstanding	Audit outstanding																
275	Xhariep District	FS	Low capacity	DM	Xhariep District	Audit outstanding	Audit outstanding																
276	Lesemeng	FS	Medium capacity	LM	Xhariep District	Audit outstanding	Audit outstanding																
277	Bo-Phalaborwa	LP	Medium capacity	LM	Mogani District	Audit outstanding	Audit outstanding																
278	Capricorn District Municipality	LP	Medium capacity	DM	Capricorn District	Audit outstanding	Audit outstanding																
279	Greater Leraba	LP	Low capacity	LM	Mogani District	Audit outstanding	Audit outstanding																
280	Greater Sekhukhune District Municipality	LP	High capacity	DM	Greater Sekhukhune District	Audit outstanding	Audit outstanding																
281	Potlouwene	LP	High capacity	LM	Capricorn District	Audit outstanding	Audit outstanding																
282	Kagiso	NW	Medium capacity	LM	Bophirima District	Audit outstanding	Audit outstanding																
283	Memusa	NW	Medium capacity	LM	Bophirima District	Audit outstanding	Audit outstanding																

Summary: Qualifications

Total no. of qualification audit findings

1484

No. of municipalities qualified

214

Percentage of municipalities qualified per audit findings

50% 81% 28% 82% 72% 64% 39% 41% 52% 69% 58% 38% 20%

Summary: Other matters

Total no. of other matters audit findings

549

No. of municipalities with other matters

266

Percentage of municipalities with other matters audit findings

89% 87% 50%



AUDITOR - GENERAL

ANNEXURE 2: GOOD PRACTICES

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Clear trail of supporting documentation that is easily available and provided in a timely manner	Quality of financial statements and management information	Timeliness of financial statements and management information	Availability of key officials during audits	Development of, and compliance with, risk management and good internal control and governance practices	Supervision/monitoring
1	Abuququ Municipality	KZN	Low capacity	LM	Zululand District Municipality	Adverse	Disclaimer						
2	Albert Luthuli	MP	Medium Capacity	LM	Gert Sibande District	Adverse	Adverse						
3	Alfred Nzo District Municipality	EC	Medium Capacity	DM	Alfred Nzo District	Adverse	Disclaimer						
4	Amathole District Municipality	EC	High Capacity	DM	Amathole District	Adverse	Qualified						
5	Barotseng	EC	Low Capacity	LM	Cacadu District	Adverse	Qualified						
6	Blue Crane Route	LP	Low Capacity	LM	Capricorn District	Adverse	Disclaimer						
7	Blue Crane Route	EC	Low Capacity	LM	Cacadu District	Adverse	Disclaimer						
8	Chris Hani District	EC	Medium Capacity	DM	Chris Hani District	Adverse	Disclaimer						
9	Endamand District Municipality	KZN	Medium capacity	LM	Unzinyathi District Municipality	Adverse	Qualified						
10	Gatop	EC	Low Capacity	LM	Ukhahlamba District	Adverse	Disclaimer						
11	Greater Marble Hall	LP	Low Capacity	LM	Greater Sekhukhune District	Adverse	Disclaimer						
12	Inkwanza	EC	Low Capacity	LM	Chris Hani District	Adverse	Disclaimer						
13	Inziska	EC	Low Capacity	LM	Chris Hani District	Adverse	Disclaimer						
14	Khat-Ma	NC	Low Capacity	LM	Namakwa District	Adverse	Disclaimer						
15	Kungwini	GP	Medium Capacity	LM	Metsweding District	Adverse	Adverse						
16	Lephalale	LP	Medium Capacity	LM	Waterberg District	Adverse	Qualified						
17	Madibeng	NW	High Capacity	LM	Bogata Platinum District	Adverse	Adverse						
18	Maleiswai	EC	Low Capacity	LM	Ukhahlamba District	Adverse	Disclaimer						
19	Mkhondo	MP	Low Capacity	LM	Gert Sibande District	Adverse	Adverse						
20	Mogalekwenza	LP	Low Capacity	LM	Waterberg District	Adverse	Disclaimer						
21	Molemale	LP	Low Capacity	LM	Capricorn District	Adverse	Qualified						
22	Ndlambe	EC	Low Capacity	LM	Cacadu District	Adverse	Disclaimer						
23	Sundays River Valley	EC	Low Capacity	LM	Cacadu District	Adverse	Disclaimer						
24	Tlkwwe	NW	High Capacity	LM	Southern District	Adverse	Adverse						
25	Ikheis	NC	Low Capacity	LM	Syanda District	Disclaimer	Disclaimer						
26	Aqanang	LP	Low Capacity	LM	Capricorn District	Disclaimer	Adverse						
27	Amahlati	EC	Low Capacity	LM	Amathole District	Disclaimer	Qualified						
28	Bela-Bela	LP	Medium Capacity	LM	Waterberg District	Disclaimer	Disclaimer						
29	Bushbuckridge	MP	Low Capacity	LM	Ehlanzeni District	Disclaimer	Adverse						
30	Central District Municipality (Ngaka Modiri Molema)	NW	Low Capacity	DM	Ngaka Modiri Molema District	Disclaimer	Disclaimer						
31	City of Maritzburg	NW	High Capacity	LM	Southern District	Disclaimer	Adverse						
32	Dannhauser Municipality	KZN	Low capacity	LM	Amajuba District Municipality	Disclaimer	Disclaimer						
33	Ditlhabeng	FS	Medium Capacity	LM	Thabo Mofokanyane District	Disclaimer	Disclaimer						
34	Dikgatlong	NC	Low Capacity	LM	Frances Baard District	Disclaimer	Disclaimer						
35	Dipalatseng	MP	Low Capacity	LM	Gert Sibande District	Disclaimer	Disclaimer						
36	Disabobelo Local	NW	Low capacity	LM	Ngaka Modiri Molema District	Disclaimer	Adverse						
37	eDumbe Municipality	KZN	Low capacity	LM	Zululand District Municipality	Disclaimer	Adverse						
38	Elms-Matsoedli (Greater Groblersdal)	LP	Medium Capacity	LM	Greater Sekhukhune District	Disclaimer	Disclaimer						
39	Enlalani	EC	Low Capacity	LM	Ukhahlamba	Disclaimer	Disclaimer						
40	Emalaheni	EC	Low Capacity	LM	Chris Hani District	Disclaimer	Disclaimer						
41	Emfuleni	GP	High Capacity	LM	Sedibeng District	Disclaimer	Disclaimer						
42	Emhlangeni	NC	Medium Capacity	LM	Pheloy ka Somo District	Disclaimer	Disclaimer						
43	Engcobo	EC	Medium Capacity	LM	Chris Hani District	Disclaimer	Disclaimer						
44	Ezingolweni Municipality	KZN	Low capacity	LM	Ugu District Municipality	Disclaimer	Qualified						
45	Gamagara	NC	Medium Capacity	LM	Karagadi District	Disclaimer	Adverse						
46	Go-Sagonyane	NC	Medium Capacity	LM	Karagadi District	Disclaimer	Disclaimer						
47	Great Kai	EC	Low Capacity	LM	Amathole District	Disclaimer	Disclaimer						
48	Greater Gyanzi	LP	Low Capacity	LM	Mogami District	Disclaimer	Disclaimer						
49	Greater Kestrad Municipality	KZN	Low capacity	LM	Greater Kestrad Municipality	Disclaimer	Disclaimer						
50	Greater Tsonga	NW	Medium Capacity	LM	Bophirima District	Disclaimer	Disclaimer						
51	Greater Tzabane	LP	Low Capacity	LM	Greater Sekhukhune District	Disclaimer	Disclaimer						
52	Greater Tzaneen	LP	High Capacity	LM	Mogami District	Disclaimer	Disclaimer						



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ANNEXURE 2: GOOD PRACTICES (continued)

No.	Municipality	Province	Capacity	Category (M, D, M, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Clear trail of supporting documentation that is easily available and provided in a timely manner	Quality of financial statements and management information	Timeliness of financial statements and management information	Availability of key officials during audits	Development of, and compliance with, risk management and good internal control and governance practices	Supervision/monitoring
53	Panoram	NC	Low Capacity	LM	Namakwa District	Disclaimer	Disclaimer						
54	Ikwazi	EC	Low Capacity	LM	Cacadu District	Disclaimer	Disclaimer						
55	Impendle Municipality	KZN	Low capacity	LM	Umgungundlovu District Municipality	Disclaimer	Disclaimer						
56	Jozini Municipality	KZN	Low capacity	LM	Umkhanyakude District Municipality	Disclaimer	Disclaimer						
57	Kamiesberg	NC	Low Capacity	LM	Namakwa District	Disclaimer	Disclaimer	Financially unqualified (with other matters)					
58	Kamaland	WC	Medium capacity	LM	Eden District	Disclaimer	Disclaimer						
59	Karoo Hoofstad	NC	Medium Capacity	LM	Namakwa District	Disclaimer	Disclaimer						
60	Kgetlengse	NC	Low Capacity	LM	Sydenham District	Disclaimer	Disclaimer						
61	Kgetlengse	NW	Low Capacity	LM	Bojanala Platinum District	Disclaimer	Disclaimer						
62	Khara Hais	NC	Medium Capacity	LM	Sydenham District	Disclaimer	Disclaimer						
63	King Sabata Dalindyebo	EC	High Capacity	LM	OR Tambo District	Disclaimer	Disclaimer						
64	Koekamma	EC	Medium Capacity	LM	Cacadu District	Disclaimer	Disclaimer						
65	Lekwa	MP	Low Capacity	LM	Gert Sibande District	Disclaimer	Disclaimer						
66	Lekwa-Teemane	NW	Low Capacity	LM	Bophirima District	Disclaimer	Disclaimer						
67	Lepelle - Nkompi	LP	Low Capacity	LM	Capricorn District	Disclaimer	Adverse						
68	Marikeng	NW	Low Capacity	LM	Nedra Modiri Molena District	Disclaimer	Disclaimer						
69	Magareng	NC	Low Capacity	LM	Frances Baard District	Disclaimer	Disclaimer						
70	Makhotho	LP	Medium Capacity	LM	Vhembe District	Disclaimer	Adverse						
71	Makhudananga	LP	Low Capacity	LM	Greater Sekhukhune District	Disclaimer	Disclaimer						
72	Maquassi Hills	NW	Medium Capacity	LM	Southern District	Disclaimer	Adverse						
73	Maruleng	LP	Low Capacity	LM	Mogami District	Disclaimer	Disclaimer						
74	Masilanyana	FS	Low Capacity	LM	Lejoleputswa District	Disclaimer	Disclaimer						
75	Maribaberg	FS	High Capacity	LM	Lejoleputswa District	Disclaimer	Adverse						
76	Mabatshe	EC	Low Capacity	LM	Anabale District	Disclaimer	Disclaimer						
77	Mabizana	EC	Medium Capacity	LM	OR Tambo District	Disclaimer	Disclaimer						
78	Mabomela	MP	High Capacity	LM	Ehlanzeni District	Disclaimer	Qualified						
79	Mkwanazi Municipality	KZN	Medium capacity	LM	Uthungulu District Municipality	Disclaimer	Qualified						
80	Mkhonto	EC	Low Capacity	LM	OR Tambo District	Disclaimer	Disclaimer						
81	Mier	NC	Low Capacity	LM	Sydenham District	Disclaimer	Disclaimer						
82	Mogamo	EC	Medium Capacity	LM	Anabale District	Disclaimer	Disclaimer						
83	Medunole	LP	Low Capacity	LM	Waterberg District	Disclaimer	Adverse						
84	Mobokare	FS	Low Capacity	LM	Xhariep District	Disclaimer	Disclaimer						
85	Mookgong	LP	Medium Capacity	LM	Waterberg District	Disclaimer	Disclaimer						
86	Mogani District Municipality	FS	Low Capacity	DM	Mogani District	Disclaimer	Disclaimer						
87	Mogale	FS	High Capacity	LM	Fezile Dabi District	Disclaimer	Disclaimer						
88	Moretele	NW	Low Capacity	LM	Bojanala Platinum District	Disclaimer	Adverse						
89	Murale	LP	Low Capacity	LM	Vhembe District	Disclaimer	Adverse						
90	Nala	FS	Medium Capacity	LM	Lejoleputswa District	Disclaimer	Disclaimer						
91	Naledi	FS	Low Capacity	LM	Mohale District	Disclaimer	Disclaimer						
92	Naledi	NW	Low Capacity	LM	Bophirima District	Disclaimer	Disclaimer						
93	Nama Khoi	NC	Medium Capacity	LM	Namakwa District	Disclaimer	Disclaimer						
94	Namakwa District Municipality	NC	Medium Capacity	DM	Namakwa District	Disclaimer	Disclaimer						
95	Nquthu	EC	Medium Capacity	LM	Anabale District	Disclaimer	Disclaimer						
96	Nquthu	FS	Medium Capacity	LM	Fezile Dabi District	Disclaimer	Disclaimer						
97	Nkomo	EC	Medium Capacity	LM	Thabo Mofutsanyane District	Disclaimer	Qualified						
98	Nkomo	EC	Low Capacity	LM	Anabale District	Disclaimer	Disclaimer						
99	Nkomo Tsa Nkomo	GP	Medium Capacity	LM	Metsweding District	Disclaimer	Disclaimer						
100	Nongoma Municipality	KZN	Low capacity	LM	Zululand District Municipality	Disclaimer	Disclaimer						
101	Nquthu Municipality	KZN	Low capacity	LM	Unzinyathi District Municipality	Disclaimer	Disclaimer						
102	Ntshongu	EC	Low Capacity	LM	OR Tambo District	Disclaimer	Disclaimer						
103	Ntshongu	EC	Low Capacity	LM	Anabale District	Disclaimer	Disclaimer						
104	Nyandeni	EC	Low Capacity	LM	OR Tambo District	Disclaimer	Disclaimer						
105	Okhankhamba Municipality	KZN	Low capacity	LM	Uthukela District Municipality	Disclaimer	Disclaimer						



AUDITOR - GENERAL

ANNEXURE 2: GOOD PRACTICES (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Clear trail of supporting documentation that is easily available and provided in a timely manner	Quality of financial statements and management information	Timeliness of financial statements and management information	Availability of key officials during audits	Development of, and compliance with, risk management and good internal control and governance practices	Supervision/monitoring
106	OR Tambo District Municipality	EC	High Capacity	DM	OR Tambo District	Disclaimer	Disclaimer						1
107	Quthlath District Municipality	WC	Medium capacity	LM	Eden District	Disclaimer	Disclaimer						
108	Phakama District Municipality	NC	Medium Capacity	LM	Frances Baard District	Disclaimer	Disclaimer	1			1		
109	Port St Johns District Municipality	EC	Medium Capacity	LM	OR Tambo District	Disclaimer	Disclaimer						
110	Quthlath District Municipality	WC	Low Capacity	LM	OR Tambo District	Disclaimer	Disclaimer						
111	Ramothabane District Municipality	NW	Low Capacity	LM	Nkomo Modiri District	Disclaimer	Disclaimer						
112	Ramothabane District Municipality	GP	High Capacity	LM	West Rand District	Disclaimer	Qualified						
113	Ramothabane District Municipality	NW	Low Capacity	LM	Nkomo Modiri District	Disclaimer	Disclaimer						
114	Ramothabane District Municipality	NC	Medium Capacity	LM	Pretoria District	Disclaimer	Disclaimer						
115	Richtersveld District Municipality	NW	Medium Capacity	LM	Namakwa District	Disclaimer	Disclaimer						
116	Richtersveld District Municipality	NW	High Capacity	LM	Beaufort West District	Disclaimer	Disclaimer						
117	Sidabane District Municipality	EC	Low Capacity	LM	Chris Hani District	Disclaimer	Disclaimer						
118	Sidabane District Municipality	KZN	Low capacity	DM	Sisonke District Municipality	Disclaimer	Disclaimer				1		
119	Sisonke District Municipality	NC	Medium Capacity	LM	Pretoria District	Disclaimer	Disclaimer						
120	Sydenham District Municipality	NC	Medium Capacity	DM	Sydenham District	Disclaimer	Disclaimer						
121	Sydenham District Municipality	NC	Medium Capacity	LM	Pretoria District	Disclaimer	Disclaimer						
122	Sydenham District Municipality	NC	High Capacity	DM	Frances Baard District	Disclaimer	Disclaimer						
123	Sydenham District Municipality	NW	Medium Capacity	DM	Southern District	Disclaimer	Disclaimer						
124	Tlokoeng District Municipality	MP	Low Capacity	LM	Ehlanzeni District	Disclaimer	Disclaimer						
125	Tlokoeng District Municipality	LP	Low Capacity	LM	Waterberg District	Disclaimer	Disclaimer						
126	Thabo Mofokeng District Municipality	FS	Low Capacity	DM	Thabo Mofokeng District	Disclaimer	Disclaimer						
127	Thabamole District Municipality	NC	Low Capacity	LM	Pretoria District	Disclaimer	Disclaimer						
128	Thabamole District Municipality	LP	Medium Capacity	LM	Vhembe District	Disclaimer	Adverse						
129	Thabamole District Municipality	NC	Low Capacity	LM	Sydenham District	Disclaimer	Disclaimer						
130	Tlokoeng District Municipality	EC	Low Capacity	LM	Chris Hani District	Disclaimer	Disclaimer						
131	Tlokoeng District Municipality	NW	Low Capacity	LM	Nkomo Modiri District	Disclaimer	Disclaimer						
132	Tlokoeng District Municipality	NC	Medium Capacity	LM	Pretoria District	Disclaimer	Disclaimer						
133	Ukhahlamba District Municipality	EC	High Capacity	DM	Ukhahlamba District	Disclaimer	Disclaimer						
134	Ukhahlamba District Municipality	KZN	Low capacity	LM	Zululand District	Disclaimer	Disclaimer						
135	Ukhahlamba District Municipality	KZN	Medium capacity	DM	Ukhahlamba District	Disclaimer	Disclaimer						
136	Ukhahlamba District Municipality	KZN	Medium capacity	DM	Ukhahlamba District	Disclaimer	Disclaimer						
137	Ukhahlamba District Municipality	NC	Low Capacity	LM	Pretoria District	Disclaimer	Disclaimer						
138	Ukhahlamba District Municipality	EC	Medium Capacity	LM	Alfred Nzo District	Disclaimer	Disclaimer						
139	Ukhahlamba District Municipality	KZN	Low capacity	DM	Ukhahlamba District	Disclaimer	Disclaimer						
140	Ukhahlamba District Municipality	KZN	Low capacity	LM	Ukhahlamba District	Disclaimer	Disclaimer						
141	Ukhahlamba District Municipality	KZN	Low capacity	LM	Ukhahlamba District	Disclaimer	Disclaimer						
142	Ukhahlamba District Municipality	NW	Medium Capacity	LM	Southern District	Disclaimer	Disclaimer						
143	Ukhahlamba District Municipality	LP	Low Capacity	DM	Vhembe District	Disclaimer	Qualified						
144	Ukhahlamba District Municipality	KZN	Low capacity	DM	Ukhahlamba District	Disclaimer	Qualified						
145	Ukhahlamba District Municipality	WC	Medium capacity	LM	West Coast District	Qualified	Qualified						
146	Ukhahlamba District Municipality	KZN	Low capacity	LM	Ukhahlamba District	Qualified	Qualified						
147	Ukhahlamba District Municipality	WC	Medium capacity	LM	Eden District	Qualified	Qualified						
148	Ukhahlamba District Municipality	WC	High capacity	LM	Cape Winelands District	Qualified	Qualified						
149	Ukhahlamba District Municipality	EC	High Capacity	LM	Anatole District	Adverse	Adverse						
150	Ukhahlamba District Municipality	EC	Low Capacity	LM	Cape Winelands District	Qualified	Qualified						
151	Ukhahlamba District Municipality	WC	Low capacity	LM	West Coast District	Qualified	Qualified						
152	Ukhahlamba District Municipality	GP	Metro Municipalities	LM	Metro	Qualified	Qualified						
153	Ukhahlamba District Municipality	WC	High capacity	LM	Cape Winelands District	Qualified	Qualified						
154	Ukhahlamba District Municipality	WC	Medium capacity	DM	Eden District	Qualified	Qualified						
155	Ukhahlamba District Municipality	MP	High Capacity	DM	Ehlanzeni District	Qualified	Qualified						
156	Ukhahlamba District Municipality	GP	Metro Municipalities	Metro	Metro	Qualified	Adverse						
157	Ukhahlamba District Municipality	KZN	Low capacity	LM	Ukhahlamba District	Qualified	Qualified						



AUDITOR - GENERAL

ANNEXURE 2: GOOD PRACTICES (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Clear trail of supporting documentation that is easily available and provided in a timely manner	Quality of financial statements and management information	Timeliness of financial statements and management information	Availability of key officials during audits	Development of, and compliance with, risk management and good internal control and governance practices	Supervision/monitoring
158	Ficksburg	LP	Low Capacity	LM	Greater Sekhukhune District	Qualified	Adverse			1			
159	Fezile Dabi District Municipality	FS	Low Capacity	DM	Fezile Dabi District	Qualified	Adverse				1	1	
160	George	WC	High capacity	LM	Eden District	Qualified	Qualified	1					
161	Heidelberg	WC	Medium capacity	LM	Eden District	Qualified	Qualified	1					
162	Hibiscus Coast Municipality	KZN	High capacity	LM	Ugu District Municipality	Qualified	Qualified	1					
163	Hlabisa Municipality	KZN	Low capacity	LM	Umkhanyakude District Municipality	Qualified	Qualified	1					
164	Ilambe District Municipality	KZN	Low capacity	DM	Ilambe District Municipality	Qualified	Qualified	1					
165	Imbabwe District Municipality	KZN	Low capacity	LM	Umkhanyakude District Municipality	Qualified	Qualified	1					
166	Indaba Municipality	KZN	Low capacity	LM	Umkhanyakude District Municipality	Qualified	Qualified	1					
167	Inqwe Municipality	KZN	Medium capacity	LM	Sonke District Municipality	Qualified	Qualified	1					
168	Inkanda Municipality	KZN	Medium capacity	LM	Sonke District Municipality	Qualified	Qualified	1					
169	Inxuba Yethembu	EC	Low Capacity	LM	Chris Hani District	Qualified	Adverse						
170	Kaituma	WC	Low Capacity	LM	Sydney District	Qualified	Adverse						
171	Kaizer Motaung District Municipality	NC	Low Capacity	DM	Kaizer Motaung District	Qualified	Adverse						
172	Kayunga	WC	Medium capacity	LM	Eden District	Qualified	Adverse						
173	Kopong	FS	Medium Capacity	LM	Xhariep District	Qualified	Adverse						
174	Kouga	EC	Medium Capacity	LM	Coastal District	Qualified	Adverse						
175	Kwa-Sani Municipality	KZN	Low capacity	LM	Sonke District Municipality	Qualified	Qualified	1					
176	Lejweletso District Municipality	FS	Low Capacity	DM	Lejweletso District	Qualified	Qualified						
177	Likhotlan	EC	Medium Capacity	LM	Chris Hani District	Qualified	Adverse						
178	Makana	EC	Low Capacity	LM	Coastal District	Qualified	Adverse						
179	Mamagong	FS	High Capacity	LM	Molwen District	Qualified	Adverse						
180	Mantop	FS	Medium Capacity	LM	Molwen District	Qualified	Adverse						
181	Maphumulo Municipality	KZN	Medium Capacity	LM	Ilambe District Municipality	Qualified	Adverse						
182	Matatiele	EC	Medium Capacity	LM	Alfred Nzo District	Qualified	Adverse						
183	Matikona	WC	Medium capacity	LM	West Coast District	Qualified	Adverse						
184	Matroosburg	WC	High Capacity	LM	Southern District	Qualified	Adverse						
185	Medunsa	FS	High Capacity	LM	Fezile Dabi District	Qualified	Adverse						
186	Mogale City	GP	High Capacity	LM	West Rand District	Qualified	Adverse						
187	Moshong	NC	Low Capacity	LM	KwaZulu District	Qualified	Adverse						
188	Mosel Bay	WC	High capacity	LM	Eden District	Qualified	Adverse						
189	Mohale District Municipality	FS	Low Capacity	DM	Mohale District	Qualified	Adverse						
190	Mogale City	KZN	Low capacity	LM	Ungavundlovu District Municipality	Qualified	Adverse						
191	Mogale City	KZN	Low capacity	LM	Ungavundlovu District Municipality	Qualified	Adverse						
192	Muthaba Municipality	KZN	Low capacity	LM	Umkhanyakude District Municipality	Qualified	Adverse						
193	Nelson Mandela	EC	Medium	Metro	Nelson Mandela	Qualified	Adverse						
194	Newcastle Municipality	KZN	High capacity	LM	Amajuba District Municipality	Qualified	Adverse						
195	Nkomazi	MP	Medium Capacity	LM	Ehlanzeni District	Qualified	Adverse						
196	Ntshabane Municipality	KZN	Low capacity	LM	Uthungulu District Municipality	Qualified	Adverse						
197	Overberg District Municipality	WC	Medium capacity	DM	Overberg District	Qualified	Adverse						
198	Parkley Ka Sena District Municipality	MP	Medium Capacity	DM	Parkley Ka Sena District	Qualified	Adverse						
199	Parkley Ka Sena (Volksrus)	MP	Medium Capacity	LM	Gertruida District	Qualified	Adverse						
200	Saldanha	EC	High capacity	LM	West Coast District	Qualified	Adverse						
201	Sengca	EC	Medium Capacity	LM	Ukhahlamba District	Qualified	Adverse						
202	Sesito	FS	Medium Capacity	LM	Thabo Mofutsanyane District	Qualified	Adverse						
203	Sielesbosch	WC	High capacity	LM	Cape Winelands District	Qualified	Adverse						
204	Swellendam	WC	Low capacity	LM	Overberg District	Qualified	Adverse						
205	Theewaterskloof	WC	Medium capacity	LM	Overberg District	Qualified	Adverse						
206	Ukhahlamba District Municipality	KZN	Low capacity	LM	Sonke District Municipality	Qualified	Adverse						
207	Umkhanyakude District Municipality	KZN	Medium capacity	LM	Umkhanyakude District Municipality	Qualified	Adverse						
208	Umkhanyakude District Municipality	KZN	Low capacity	LM	Umkhanyakude District Municipality	Qualified	Adverse						
209	Umtsheni Municipality	KZN	Medium capacity	LM	Umkhanyakude District Municipality	Qualified	Adverse						
210	Umtsheni Municipality	KZN	Low capacity	LM	Umkhanyakude District Municipality	Qualified	Adverse						



AUDITOR - GENERAL

ANNEXURE 2: GOOD PRACTICES (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Clear trail of supporting documentation that is easily available and provided in a timely manner	Quality of financial statements and management information	Timeliness of financial statements and management information	Availability of key officials during audits	Development of, and compliance with, risk internal control and governance practices	Supervision/monitoring
211	uMkhathalo Municipality	KZN	Medium capacity	LM	Sisonke District Municipality	Qualified	Disclaimer						
212	Uthukela District Municipality	KZN	Medium capacity	DM	Uthukela District Municipality	Qualified	Financially unqualified (with no other matters)						
213	Westonaria	GP	Medium capacity	DM	West Rand District	Qualified	Financially unqualified (with other matters)						
214	Witzenberg	WC	Low capacity	LM	Cape Winelands District	Qualified	Qualified						
215	Beaufort West	WC	Medium capacity	LM	Central Karoo District	Financially unqualified (with other matters)	Qualified						
216	Bogomo Platinum District Municipality	NW	High capacity	DM	Bogomo Platinum District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
217	Bophirima District Municipality	NW	Medium capacity	DM	Bophirima District	Financially unqualified (with other matters)	Financially unqualified (with no other matters)						
218	Boesmansrivier Winelands	WC	Medium capacity	LM	Cape Winelands District	Financially unqualified (with other matters)	Qualified						
219	Cacadu District Municipality	EC	Medium capacity	DM	Cacadu District	Financially unqualified (with other matters)	Disclaimer						
220	Cape Winelands District Municipality	WC	Medium capacity	DM	Cape Winelands District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
221	Central Karoo District Municipality	WC	Medium capacity	DM	Central Karoo District	Financially unqualified (with other matters)	Qualified						
222	City of Cape Town	WC	Metro municipalities	Metro	Metro	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
223	City of Johannesburg	GP	Metro municipalities	Metro	Metro	Financially unqualified (with other matters)	Qualified						
224	Delmas	MP	Medium capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
225	Dr JS Moroka	MP	Low capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
226	Emakhezeni	MP	Low capacity	LM	Nkangala District	Financially unqualified (with other matters)	Qualified						
227	Emdleneni	MP	High capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
228	Emamabishi Municipality	KZN	High capacity	LM	Uthukela District Municipality	Financially unqualified (with other matters)	Qualified						
229	Ethekevin Municipality	KZN	Metro	Metro	Ethekevin Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
230	Francis Baard District Municipality	NC	Medium capacity	DM	Francis Baard District	Financially unqualified (with other matters)	Qualified						
231	Gert Sibande District Municipality	MP	Medium capacity	DM	Gert Sibande District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
232	Govan Mbeki	MP	High capacity	LM	Gert Sibande District	Financially unqualified (with other matters)	Qualified						
233	Kareberg	NC	Medium capacity	LM	Pekay ka Sema District	Financially unqualified (with other matters)	Qualified						
234	Kwaikuzulu Municipality	KZN	High capacity	LM	iLembe District Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
235	Lingsburg	WC	Medium capacity	LM	Central Karoo District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
236	Lesedi	GP	Medium capacity	LM	Sedibeng District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
237	Metsweding District Municipality	GP	Low capacity	DM	Metsweding District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
238	Milnord	GP	Medium capacity	LM	Sedibeng District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
239	Mkhambathini Municipality	KZN	Low capacity	LM	Ungavundlovu District Municipality	Financially unqualified (with other matters)	Qualified						
240	Molapo	NW	Low capacity	LM	Bophirima District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
241	Moses Kotane	NW	Medium capacity	LM	Bogomo Platinum District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
242	Muskodwa	MP	Low capacity	LM	Gert Sibande District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
243	Musikodwa	KZN	High capacity	LM	Ungavundlovu District Municipality	Financially unqualified (with other matters)	Adverse						
244	Mthonjaneni Municipality	KZN	Low capacity	LM	Uthukela District Municipality	Financially unqualified (with other matters)	Qualified						
245	Musina	LP	Low capacity	LM	Vhembe District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
246	Ndwebwe Municipality	KZN	Low capacity	LM	iLembe District Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
247	Nkangala District Municipality	MP	High capacity	DM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
248	Overstrand	WC	High capacity	LM	Overberg District	Financially unqualified (with other matters)	Adverse						
249	Prins Albert	WC	Medium capacity	LM	Central Karoo District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
250	Richmond Municipality	KZN	Low capacity	LM	Ungavundlovu District Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
251	Sedibeng District Municipality	GP	Medium capacity	DM	Sedibeng District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
252	Steve Tshwete	MP	High capacity	LM	Nkangala District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
253	Swartland	WC	Medium capacity	LM	West Coast District	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
254	Thabisiso	MP	Low capacity	LM	Nkangala District	Financially unqualified (with other matters)	Qualified						
255	Tswelopele	FS	Medium capacity	LM	Leribe District	Financially unqualified (with other matters)	Qualified						
256	Ugu District Municipality	KZN	High capacity	DM	Ugu District Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
257	Umtotoni Municipality	KZN	Medium capacity	LM	Ugu District Municipality	Financially unqualified (with other matters)	Qualified						
258	Umtotoni Municipality	KZN	Medium capacity	LM	Ungavundlovu District Municipality	Financially unqualified (with other matters)	Qualified						
259	uMkhathuze Municipality	KZN	High capacity	LM	Uthukela District Municipality	Financially unqualified (with other matters)	Qualified						
260	Umtotoni Municipality	MP	Medium capacity	LM	Ehlanzeni District	Financially unqualified (with other matters)	Qualified						
261	Umtotoni Municipality	KZN	Medium capacity	LM	Umtotoni District Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)						
262	uPhonopolo Municipality	KZN	Low capacity	LM	Zululand District Municipality	Financially unqualified (with other matters)	Disclaimer						
263	Uthukela District Municipality	KZN	High capacity	DM	Uthukela District Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)						



AUDITOR - GENERAL

ANNEXURE 2: GOOD PRACTICES (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Audit opinion: 2006-07	Audit opinion: 2005-06	Clear trail of supporting documentation that is easily available and provided in a timely manner	Quality of financial statements and management information	Timeliness of financial statements and management information	Availability of key officials during audits	Development of, and compliance with, risk management and governance practices	Supervision/monitoring
264	Vukamahle Municipality	KZN	Low capacity	LM	Ugu District Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)	1	1	1	1	1	1
265	Waterberg District Municipality	LP	Low Capacity	DM	Waterberg District	Financially unqualified (with other matters)	Qualified	1	1	1	1	1	1
266	West Coast District Municipality	WC	Medium capacity	DM	West Coast District	Financially unqualified (with other matters)	Financially unqualified (with other matters)	1	1	1	1	1	1
267	Zululand District Municipality	KZN	Medium capacity	DM	Zululand District Municipality	Financially unqualified (with other matters)	Financially unqualified (with other matters)	1	1	1	1	1	1
268	Cape Agulhas	WC	Low capacity	LM	Overberg District	Financially unqualified (with no other matters)	Financially unqualified (with other matters)	1	1	1	1	1	1
269	Umlalazi Municipality	KZN	Low capacity	LM	Uthungulu District Municipality	Financially unqualified (with no other matters)	Qualified	1	1	1	1	1	1
270	West Rand District Municipality	GP	Medium Capacity	DM	West Rand District	Financially unqualified (with no other matters)	Financially unqualified (with other matters)	1	1	1	1	1	1
271	Ba-Phalaborwa	LP	Medium Capacity	LM	Mogani District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
272	Capricorn District Municipality	LP	Medium Capacity	DM	Capricorn District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
273	Greater Letaba	LP	Low Capacity	LM	Mogani District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
274	Greater Sekhukhune District Municipality	LP	High Capacity	DM	Greater Sekhukhune District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
275	Karisoano Local	NW	Medium Capacity	LM	Bophirima District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
276	Manusa	NW	Medium Capacity	LM	Bophirima District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
277	Polekwane	LP	High Capacity	LM	Capricorn District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
278	Letsemeng	FS	Medium Capacity	LM	Xhariep District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
279	Matlabe	FS	Medium Capacity	LM	Fezile Dabi District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
280	Maluti-A-Potung	FS	High Capacity	LM	Thabo Mofokanyane District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
281	Phumelela	FS	Low Capacity	LM	Thabo Mofokanyane District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
282	Tokologo	FS	Low Capacity	LM	Levvelaputsa District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
283	Xhariep District Municipality	FS	Low Capacity	DM	Xhariep District	Audit outstanding	Audit outstanding	1	1	1	1	1	1
								88	42	203	132	45	84

Summary: Qualifications

594

Total no. of good practice indicators

270

No. of municipalities achieving good practice indicators

Percentage of municipalities achieving good practice indicators

33%

16%

75%

48%

17%

31%



A U D I T O R - G E N E R A L

ANNEXURE 3: AUDIT OPINIONS ON MUNICIPALITIES PER DISTRICT FOR 2006-07

Province	District	Adverse	Disclaimer	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)	Total
Eastern Cape	Metro	0	0	1	0	0	1
	Alfred Nzo District	1	1	1	0	0	3
	Amatole District	1	7	1	0	0	9
	Cacadu District	4	2	3	1	0	10
	Chris Hani District	3	4	2	0	0	9
	OR Tambo District	0	8	0	0	0	8
	Ukhahlamba District	3	1	1	0	0	5
Free State	Fezile Dabi	0	2	2	0	0	4
	Lejweleputswa	0	3	1	1	0	5
	Motheo	0	1	3	0	0	4
	Thabo Mofutsanyane	0	3	1	0	0	4
	Xhariep	0	1	1	0	0	2
Gauteng	Metros	0	0	2	1	0	3
	Metsweding District	1	1	0	1	0	3
	Sedibeng District	0	1	0	3	0	4
	West Rand District	0	1	2	0	1	4
KwaZulu-Natal	Metro	0	0	0	1	0	1
	Amajuba District	0	2	2	0	0	4
	iLembe District	0	0	3	2	0	5
	Sisonke District	0	2	4	0	0	6
	Ugu District	0	2	2	3	0	7
	Umgungundlovu District	0	2	2	4	0	8
	Umkhanyakude District	0	2	4	0	0	6
	Umzinyathi District	1	2	1	1	0	5
	Uthukela District	0	1	4	1	0	6
	Uthungulu District	0	1	2	3	1	7
	Zululand District	1	3	0	2	0	6



AUDITOR - GENERAL

ANNEXURE 3 (continued)

Province	District	Adverse	Disclaimer	Qualified	Financially unqualified (with other matters)	Financially unqualified (with no other matters)	Total
Limpopo	Capricorn	2	2	0	0	0	4
	Greater Sekhukhune	1	3	1	0	0	5
	Mopani	0	4	0	0	0	4
	Vhembe	0	4	0	1	0	5
	Waterberg	2	4	0	1	0	7
Mpumalanga	Ehlanzeni	0	3	2	1	0	6
	Gert Sibande	2	2	1	3	0	8
	Nkangala	0	0	0	7	0	7
Northern Cape	Frances Baard	0	4	0	1	0	5
	Pixley ka Seme	0	7	1	1	0	9
	Kgalagadi	0	2	2	0	0	4
	Namakwa	1	6	0	0	0	7
	Siyanda	0	6	1	0	0	7
North West	Bojanala Platinum	1	3	0	2	0	6
	Bophirima	0	3	0	2	0	5
	Ngaka Modiri	0	6	0	0	0	6
	Molema	0	6	0	0	0	6
	Southern	1	4	1	0	0	6
Western Cape	Metro	0	0	0	1	0	1
	Cape Winelands District	0	0	4	2	0	6
	Central Karoo District	0	0	0	4	0	4
	Eden District	0	2	6	0	0	8
	Overberg District	0	0	3	1	1	5
	West Coast District	0	0	4	2	0	6



A U D I T O R - G E N E R A L

ANNEXURE 4: SUMMARY OF OTHER AUDITS

4.1 Performance auditing

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 the **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 performance in relation to achievement of the policy objectives, operational goals and other intended effects of the audited entity.
- Table 7 below provides details as to the other audit outcomes of the municipalities.

Table 7: List of other audits performed at municipalities

No.	Province	Municipality	Focus area(s)	Expected period in which report is to be tabled
1.	Eastern Cape	No performance audit undertaken	N/a	N/a
2.	Free State	No performance audit undertaken	N/a	N/a
3.	Gauteng	No performance audit undertaken	N/a	N/a
4.	KwaZulu-Natal	No performance audit undertaken	N/a	N/a
5.	Limpopo	No performance audit undertaken	N/a	N/a
6.	Mpumalanga	No performance audit undertaken	N/a	N/a
7.	Northern Cape	No performance audit undertaken	N/a	N/a
8.	North West	No performance audit undertaken	N/a	N/a
9.	Western Cape	City of Cape Town	Performance audit of the infrastructure delivery process (phase 1)	Only management report to be issued.



A U D I T O R - G E N E R A L

4.2 Special investigations

"Investigation" as contemplated in section 5(1)(d) of the PAA is defined as an independent and objective process where procedures are performed in accordance with guidelines issued by the AG 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 section 4(3) of the PAA, and which may result in legal proceedings for adjudication. An investigation may be performed where the AG:

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

- Table 8 below provides details as to the other audit outcomes of the municipalities.

Table 8: List of other audits performed at municipalities

No.	Province	Municipality	Focus area(s)	Expected period in which report is to be tabled
1.	Eastern Cape	Mnquma Local Municipality	<ul style="list-style-type: none"> • Legal expenses • Land sale transactions • Appointment of officials and employment contracts • Tender/procurement and project payment processes • Income, sources of income and approved budget • Council resolutions adopted during the period under review, especially the resolutions taken on 28 February 2006 <p>The period under investigation was from 1 July 2005 to 30 June 2006</p>	Will be tabled as part of the regular audit report
		Lukanji Local Municipality (erstwhile Whittlesea Local Municipality)	Housing project situated at Extension 4, Whittlesea	Will be tabled as part of the regular audit report



A U D I T O R - G E N E R A L

Table 8: List of other audits performed at municipalities (continued)

No.	Province	Municipality	Focus area(s)	Expected period in which report is to be tabled
1.	Eastern Cape	Nkonkobe & Nxuba Local Municipality	Four housing projects	Will be tabled as part of the regular audit report
		King Sabata Dalindyebo Municipality	<ul style="list-style-type: none"> Payroll (report signed 30 June 2006) Electricity metering and revenue collection contract 	Will be tabled as part of the regular audit report
2.	Free State	Free State: Mohokare Local Municipality	Cash focus system	February 2009
3.	Gauteng	No performance audit undertaken	N/a	N/a
4.	KwaZulu-Natal	No performance audit undertaken	N/a	N/a
5.	Limpopo	No performance audit undertaken	N/a	N/a
6.	Mpumalanga	No performance audit undertaken	N/a	N/a
7.	Northern Cape	No performance audit undertaken	N/a	N/a
8.	North West	No performance audit undertaken	N/a	N/a
9.	Western Cape	No performance audit undertaken	N/a	N/a



AUDITOR - GENERAL

ANNEXURE 5: PROJECT CONSOLIDATE

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Participation by the municipality in the programmes (Y/N)
1	Alfred Nzo District Municipality	EC	Medium capacity	DM	Alfred Nzo District	No
2	Amahlati	EC	Low capacity	LM	Amatole District	No
3	Amatole District Municipality	EC	High capacity	DM	Amatole District	No
4	Baviaans	EC	Low capacity	LM	Cacadu District	No
5	Blue Crane Route	EC	Low capacity	LM	Cacadu District	No
6	Buffalo City	EC	High capacity	LM	Amatole District	Yes
7	Cacadu District Municipality	EC	Medium capacity	DM	Cacadu District	No
8	Camdeboo	EC	Low capacity	LM	Cacadu District	No
9	Chris Hani District	EC	Medium capacity	DM	Chris Hani District	No
10	Elundini	EC	Low capacity	LM	Ukhahlamba District	Yes
11	Emalahleni	EC	Low capacity	LM	Chris Hani District	Yes
12	Engcobo	EC	Medium capacity	LM	Chris Hani District	Yes
13	Gariep	EC	Low capacity	LM	Ukhahlamba District	No
14	Great Kei	EC	Low capacity	LM	Amatole District	No
15	Ikwezi	EC	Low capacity	LM	Cacadu District	No
16	Inkwanca	EC	Low capacity	LM	Chris Hani District	No
17	Intsika Yethu	EC	Low capacity	LM	Chris Hani District	Yes
18	Inxuba Yethemba	EC	Low capacity	LM	Chris Hani District	No
19	King Sabata Dalindyebo	EC	High capacity	LM	OR Tambo District	Yes
20	Kouga	EC	Medium capacity	LM	Cacadu District	No
21	Koukamma	EC	Medium capacity	LM	Cacadu District	No
22	Lukhanji	EC	Medium capacity	LM	Chris Hani District	Yes
23	Makana	EC	Low capacity	LM	Cacadu District	No
24	Maletswai	EC	Low capacity	LM	Ukhahlamba District	No
25	Matatiele	EC	Medium capacity	LM	Alfred Nzo District	No
26	Mbhashe	EC	Low capacity	LM	Amatole District	Yes
27	Mbizana	EC	Medium capacity	LM	OR Tambo District	Yes
28	Mhlontlo	EC	Low capacity	LM	OR Tambo District	Yes
29	Mnquma	EC	Medium capacity	LM	Amatole District	Yes
30	Ndlambe	EC	Low capacity	LM	Cacadu District	No
31	Nelson Mandela Metropolitan	EC	Metro municipalities	Metro	Metro	Yes
32	Ngqushwa	EC	Medium capacity	LM	Amatole District	No
33	Nkonkobe	EC	Low capacity	LM	Amatole District	No
34	Ntabankulu	EC	Low capacity	LM	OR Tambo District	Yes
35	Nxuba Municipality	EC	Low capacity	LM	Amatole District	No
36	Nyandeni Local Municipality	EC	Low capacity	LM	OR Tambo District	Yes
37	OR Tambo District Municipality	EC	High capacity	DM	OR Tambo District	No
38	Port St Johns	EC	Medium capacity	LM	OR Tambo District	Yes
39	Qaukeni	EC	Low capacity	LM	OR Tambo District	Yes
40	Sakhisizwe	EC	Low capacity	LM	Chris Hani District	Yes
41	Senqu	EC	Medium capacity	LM	Ukhahlamba District	No
42	Sundays River Valley	EC	Low capacity	LM	Cacadu District	No
43	Tsolwana	EC	Low capacity	LM	Chris Hani District	No
44	Ukhahlamba District Municipality	EC	High capacity	DM	Ukhahlamba District	No
45	Umzimvubu	EC	Medium capacity	LM	Alfred Nzo District	Yes
46	Dihlabeng	FS	Medium capacity	LM	Thabo Mofutsanyane District	No



A U D I T O R - G E N E R A L

ANNEXURE 5: PROJECT CONSOLIDATE (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Participation by the municipality in the programmes (Y/N)
47	Fezile Dabi District Municipality	FS	Low capacity	DM	Fezile Dabi District	No
48	Kopanong	FS	Medium capacity	LM	Xhariep District	Yes
49	Lejweleputswa District Municipality	FS	Low capacity	DM	Lejweleputswa District	No
50	Letsemeng	FS	Medium capacity	LM	Xhariep District	No
51	Mafube	FS	Medium capacity	LM	Fezile Dabi District	No
52	Maluti-A-Phofung	FS	High capacity	LM	Thabo Mofutsanyane District	Yes
53	Mangaung	FS	High capacity	LM	Motheo District	No
54	Mantsopa	FS	Medium capacity	LM	Motheo District	No
55	Masilanyana	FS	Low capacity	LM	Lejweleputswa District	No
56	Matjhabeng	FS	High capacity	LM	Lejweleputswa District	Yes
57	Metsimaholo	FS	High capacity	LM	Fezile Dabi District	No
58	Mohokare	FS	Low capacity	LM	Xhariep District	Yes
59	Moghaka	FS	High capacity	LM	Fezile Dabi District	Yes
60	Motheo District Municipality	FS	Low capacity	DM	Motheo District	No
61	Nala	FS	Medium capacity	LM	Lejweleputswa District	Yes
62	Naledi	FS	Low capacity	LM	Motheo District	Yes
63	Ngwathe	FS	Medium capacity	LM	Fezile Dabi District	No
64	Nketoana	FS	Medium capacity	LM	Thabo Mofutsanyane District	No
65	Phumelela	FS	Low capacity	LM	Thabo Mofutsanyane District	Yes
66	Setso	FS	Medium capacity	LM	Thabo Mofutsanyane District	Yes
67	Thabo Mofutsanyane District Municipality	FS	Low capacity	DM	Thabo Mofutsanyane District	No
68	Tokologo	FS	Low capacity	LM	Lejweleputswa District	Yes
69	Tswelopele	FS	Medium capacity	LM	Lejweleputswa District	Yes
70	Xhariep District Municipality	FS	Low capacity	DM	Xhariep District	Yes
71	City of Johannesburg	GP	Metro municipalities	Metro	Metro	Yes
72	City of Tshwane	GP	Metro municipalities	Metro	Metro	No
73	Ekurhuleni	GP	Metro municipalities	Metro	Metro	No
74	Emfuleni	GP	High capacity	LM	Sedibeng District	Yes
75	Kungwini	GP	High capacity	LM	Metsweding District	Yes
76	Lesedi	GP	High capacity	LM	Sedibeng District	No
77	Metsweding District Municipality	GP	Low capacity	DM	Metsweding District	No
78	Midvaal	GP	Medium capacity	LM	Sedibeng District	No
79	Mogale City	GP	High capacity	LM	West Rand District	Yes
80	Nokeng Tsa Taemane	GP	Medium capacity	LM	Metsweding District	No
81	Randfontein	GP	High capacity	LM	West Rand District	No
82	Sedibeng District Municipality	GP	Medium capacity	DM	Sedibeng District	No
83	West Rand District Municipality	GP	Medium capacity	DM	West Rand District	No
84	Westonaria	GP	Medium capacity	LM	West Rand District	No
85	Abaqulusi	KZN	Low capacity	LM	Zululand District	Yes
86	Amajuba District Municipality	KZN	Low capacity	DM	Amajuba District	No
87	Big Five	KZN	Low capacity	LM	Umkhanyakude District	Yes
88	Dannhauser	KZN	Low capacity	LM	Amajuba District	No
89	eDumbe	KZN	Low capacity	LM	Zululand District	No
90	Emnambithi	KZN	High capacity	LM	Uthukela District	No
91	Endondokasuka	KZN	Low capacity	LM	iLembe District	No
92	Endumeni	KZN	Medium capacity	LM	Umkhanyakude District	No



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ANNEXURE 5: PROJECT CONSOLIDATE (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Participation by the municipality in the programmes (Y/N)
93	Ethekwini	KZN	Metro	Metro	Ethekwini	No
94	Ezingolweni	KZN	Low capacity	LM	Ugu District	No
95	Greater Kokstad	KZN	Low capacity	LM	Sisonke District	Yes
96	Hibiscus Coast	KZN	High capacity	LM	Ugu District	No
97	Hlabisa	KZN	Low capacity	LM	Umkhanyakude District	Yes
98	iLembe District Municipality	KZN	Low capacity	DM	iLembe District	No
99	Imbabazane	KZN	Low capacity	LM	Uthukela District	No
100	Impendle	KZN	Low capacity	LM	Umgungundlovu District	No
101	Indaka	KZN	Low capacity	LM	Uthukela District	Yes
102	Ingwe	KZN	Medium capacity	LM	Sisonke District	Yes
103	Inkandla	KZN	Medium capacity	LM	Uthungulu District	Yes
104	Jozini	KZN	Low capacity	LM	Umkhanyakude District	Yes
105	Kwadukuza	KZN	High capacity	LM	iLembe District	No
106	KwaSani	KZN	Low capacity	LM	Sisonke District	Yes
107	Maphumulo	KZN	Medium capacity	LM	iLembe District	Yes
108	Mbonambi	KZN	Medium capacity	LM	Uthungulu District	Yes
109	Mkhambathini	KZN	Low capacity	LM	Umgungundlovu District	Yes
110	Mpofana	KZN	Low capacity	LM	Umgungundlovu District	No
111	Msinga	KZN	Low capacity	LM	Umkhanyakude District	Yes
112	Msunduzi	KZN	High capacity	LM	Umgungundlovu District	No
113	Mthonjaneni	KZN	Low capacity	LM	Uthungulu District	Yes
114	Mtubatuba	KZN	Low capacity	LM	Umkhanyakude District	No
115	Ndwedwe	KZN	Low capacity	LM	iLembe District	Yes
116	Newcastle	KZN	High capacity	LM	Amajuba District	No
117	Nongoma	KZN	Low capacity	LM	Zululand District	Yes
118	Nquthu	KZN	Low capacity	LM	Umkhanyakude District	Yes
119	Ntambanana	KZN	Low capacity	LM	Uthungulu District	Yes
120	Okhahlamba	KZN	Low capacity	LM	Uthukela District	Yes
121	Richmond	KZN	Low capacity	LM	Umgungundlovu District	Yes
122	Sisonke District Municipality	KZN	Low capacity	DM	Sisonke District	No
123	Ubuhlebezwe	KZN	Low capacity	LM	Sisonke District	Yes
124	Ugu District Municipality	KZN	High capacity	DM	Ugu District	No
125	Ulundi	KZN	Low capacity	LM	Zululand District	Yes
126	Umdoni	KZN	Medium capacity	LM	Ugu District	No
127	Umgeni	KZN	Medium capacity	LM	Umgungundlovu District	Yes
128	Umgungundlovu District Municipality	KZN	Medium capacity	DM	Umgungundlovu District	No
129	Umkhanyakude District Municipality	KZN	Medium capacity	LM	Umkhanyakude District	Yes
130	uMhlathuze	KZN	High capacity	LM	Uthungulu District	No
131	Umkhanyakude District Municipality	KZN	Medium capacity	DM	Umkhanyakude District	No
132	Umlalazi	KZN	Low capacity	LM	Uthungulu District	Yes
133	uMshwati	KZN	Low capacity	LM	Umgungundlovu District	Yes
134	Umtshezi	KZN	Medium capacity	LM	Uthukela District	No
135	Umuziabantu	KZN	Low capacity	LM	Ugu District	No
136	Umvoti	KZN	Medium capacity	LM	Umkhanyakude District	No
137	uMzimkhulu	KZN	Medium capacity	LM	Sisonke District	Yes
138	Umkhanyakude District Municipality	KZN	Low capacity	DM	Umkhanyakude District	No



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ANNEXURE 5: PROJECT CONSOLIDATE (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Participation by the municipality in the programmes (Y/N)
139	Umzumbe	KZN	Low capacity	LM	Ugu District	Yes
140	uPhongola	KZN	Low capacity	LM	Zululand District	No
141	Uthukela District Municipality	KZN	Medium capacity	DM	Uthukela District	No
142	Uthungulu District Municipality	KZN	High capacity	DM	Uthungulu District	No
143	Utrecht	KZN	Low capacity	LM	Amajuba District	Yes
144	Vulamehlo	KZN	Low capacity	LM	Ugu District	Yes
145	Zululand District Municipality	KZN	Medium capacity	DM	Zululand District	No
146	Aganang	LP	Low capacity	LM	Capricorn DM	Yes
147	Ba-Phalaborwa	LP	Medium capacity	LM	Mopani DM	No
148	Bela-Bela	LP	Medium capacity	LM	Waterberg DM	No
149	Blouberg	LP	Low capacity	LM	Capricorn DM	Yes
150	Capricorn District Municipality	LP	Medium capacity	DM	Capricorn DM	No
151	Elias Motoaledi (Greater Groblersdal)	LP	Medium capacity	LM	Greater Sekhukhune DM	Yes
152	Fetakgomo	LP	Low capacity	LM	Greater Sekhukhune DM	Yes
153	Greater Giyani	LP	Low capacity	LM	Mopani DM	Yes
154	Greater Letaba	LP	Low capacity	LM	Mopani DM	Yes
155	Greater Marble Hall	LP	Low capacity	LM	Greater Sekhukhune DM	Yes
156	Greater Sekhukhune District Municipality	LP	High capacity	DM	Greater Sekhukhune DM	No
157	Greater Tzaneen	LP	Low capacity	LM	Greater Sekhukhune DM	Yes
158	Greater Tzaneen	LP	High capacity	LM	Mopani DM	No
159	Lepelle - Nkumpi	LP	Low capacity	LM	Capricorn DM	Yes
160	Lephalale	LP	Medium capacity	LM	Waterberg DM	No
161	Makhado	LP	Medium capacity	LM	Vhembe DM	Yes
162	Makhudutamaga	LP	Low capacity	LM	Greater Sekhukhune DM	Yes
163	Maruleng	LP	Low capacity	LM	Mopani DM	Yes
164	Modimolle	LP	Low capacity	LM	Waterberg DM	No
165	Mogalakwena	LP	Low capacity	LM	Waterberg DM	No
166	Molemole	LP	Low capacity	LM	Capricorn DM	No
167	Mookgopong	LP	Medium capacity	LM	Waterberg DM	No
168	Mopani District Municipality	LP	Low capacity	DM	Mopani DM	No
169	Musina	LP	Low capacity	LM	Vhembe DM	No
170	Mutale	LP	Low capacity	LM	Vhembe DM	Yes
171	Polokwane	LP	High capacity	LM	Capricorn DM	No
172	Thabazimbi	LP	Low capacity	LM	Waterberg DM	Yes
173	Thulamela	LP	Medium capacity	LM	Vhembe DM	Yes
174	Vhembe District Municipality	LP	Low capacity	DM	Vhembe DM	No
175	Waterberg District Municipality	LP	Low capacity	DM	Waterberg DM	No
176	Albert Luthuli	MP	Medium capacity	LM	Gert Sibande District	No
177	Bushbuckridge	MP	Low capacity	LM	Ehlanzeni District	Yes
178	Delmas	MP	Medium capacity	LM	Nkangala District	Yes
179	Dipaliseng	MP	Low capacity	LM	Gert Sibande District	Yes
180	Dr JS Moroka	MP	Low capacity	LM	Nkangala District	Yes
181	Ehlanzeni District Municipality	MP	High capacity	DM	Ehlanzeni District	Yes
182	Emakhazeni	MP	Low capacity	LM	Nkangala District	No
183	Emalahleni	MP	High capacity	LM	Nkangala District	Yes
184	Gert Sibande District Municipality	MP	Medium capacity	DM	Gert Sibande District	No



A U D I T O R - G E N E R A L

ANNEXURE 5: PROJECT CONSOLIDATE (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Participation by the municipality in the programmes (Y/N)
185	Govan Mbeki	MP	High capacity	LM	Gert Sibande District	Yes
186	Lekwa	MP	Low capacity	LM	Gert Sibande District	No
187	Mbombela	MP	High capacity	LM	Ehlanzeni District	Yes
188	Mkhondo	MP	Low capacity	LM	Gert Sibande District	Yes
189	Msukaligwa	MP	Low capacity	LM	Gert Sibande District	Yes
190	Nkangala District Municipality	MP	High capacity	DM	Nkangala District	No
191	Nkomazi	MP	Medium capacity	LM	Ehlanzeni District	Yes
192	Pixley Ka Seme (Volksrust)	MP	Medium capacity	LM	Gert Sibande District	Yes
193	Steve Tswete	MP	High capacity	LM	Nkangala District	Yes
194	Thaba Chweu	MP	Low capacity	LM	Ehlanzeni District	No
195	Thembisile	MP	Low capacity	LM	Nkangala District	Yes
196	Umjindi	MP	Medium capacity	LM	Ehlanzeni District	Yes
197	!Kheis	NC	Low capacity	LM	Siyanda District	No
198	Dikgatlong	NC	Low capacity	LM	Frances Baard District	Yes
199	Emthanjeni	NC	Medium capacity	LM	Pixley ka Seme District	No
200	Frances Baard District Municipality	NC	Medium capacity	DM	Frances Baard District	No
201	Gamagara	NC	Medium capacity	LM	Kgalagadi District	No
202	Ga-Segonyane	NC	Medium capacity	LM	Kgalagadi District	No
203	Hantam	NC	Low capacity	LM	Namakwa District	No
204	Kai!Garib	NC	Low capacity	LM	Siyanda District	No
205	Kamiesberg	NC	Low capacity	LM	Namakwa District	No
206	Kareeberg	NC	Medium capacity	LM	Pixley ka Seme District	Yes
207	Karoo Hoogland	NC	Medium capacity	LM	Namakwa District	No
208	Kgalagadi District	NC	Medium capacity	DM	Kgalagadi District	Yes
209	Kgatelopele	NC	Low capacity	LM	Siyanda District	Yes
210	Khai-Ma	NC	Low capacity	LM	Namakwa District	No
211	Khara Hais	NC	Medium capacity	LM	Siyanda District	No
212	Magareng	NC	Low capacity	LM	Frances Baard District	Yes
213	Mier	NC	Low capacity	LM	Siyanda District	No
214	Moshaweng	NC	Low capacity	LM	Kgalagadi District	No
215	Nama Khoi	NC	Medium capacity	LM	Namakwa District	Yes
216	Namakwa District Municipality	NC	Medium capacity	DM	Namakwa District	Yes
217	Phokwane	NC	Medium capacity	LM	Frances Baard District	No
218	Pixley Ka Seme District Municipality	NC	Medium capacity	DM	Pixley ka Seme District	No
219	Renosterberg	NC	Medium capacity	LM	Pixley ka Seme District	No
220	Richtersveld	NC	Medium capacity	LM	Namakwa District	No
221	Siyancuma	NC	Medium capacity	LM	Pixley ka Seme District	No
222	Siyanda District Municipality	NC	Medium capacity	DM	Siyanda District	No
223	Siyathemba	NC	Medium capacity	LM	Pixley ka Seme District	Yes
224	Sol Plaatje	NC	High capacity	LM	Frances Baard District	Yes
225	Thembelihle	NC	Low capacity	LM	Pixley ka Seme District	No
226	Tsantsabane	NC	Low capacity	LM	Siyanda District	No
227	Ubuntu	NC	Medium capacity	LM	Pixley ka Seme District	Yes
228	Umsobomvu	NC	Low capacity	LM	Pixley ka Seme District	Yes
229	Bojanala Platinum District Municipality	NW	High capacity	DM	Bojanala Platinum District	No
230	Bophirima District Municipality	NW	Medium capacity	DM	Bophirima District	No



A U D I T O R - G E N E R A L

ANNEXURE 5: PROJECT CONSOLIDATE (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Participation by the municipality in the programmes (Y/N)
231	Central District Municipality (Ngaka Modiri Molema)	NW	Low capacity	DM	Ngaka Modiri Molema District	No
232	City of Matlosana	NW	High capacity	LM	Southern District	Yes
233	Ditsobotla Local	NW	Low capacity	LM	Ngaka Modiri Molema District	Yes
234	Greater Taung	NW	Medium capacity	LM	Bophirima District	Yes
235	Kagisano Local	NW	Medium capacity	LM	Bophirima District	Yes
236	Kgetlengrivier Local	NW	Low capacity	LM	Bojanala Platinum District	Yes
237	Lekwa-Teemane Local	NW	Low capacity	LM	Bophirima District	Yes
238	Madibeng Local	NW	High capacity	LM	Bojanala Platinum District	No
239	Mafikeng Local	NW	Low capacity	LM	Ngaka Modiri Molema District	Yes
240	Mamusa Local	NW	Medium capacity	LM	Bophirima District	Yes
241	Maquassi Hills	NW	Medium capacity	LM	Southern District	Yes
242	Merafong City	NW	High capacity	LM	Southern District	No
243	Molopo	NW	Low capacity	LM	Bophirima District	Yes
244	Moretele	NW	Low capacity	LM	Bojanala Platinum District	Yes
245	Moses Kotane	NW	Medium capacity	LM	Bojanala Platinum District	Yes
246	Naledi	NW	Low capacity	LM	Bophirima District	Yes
247	Ramotshere Moiloa	NW	Low capacity	LM	Ngaka Modiri Molema District	Yes
248	Ratlou	NW	Low capacity	LM	Ngaka Modiri Molema District	Yes
249	Rustenburg	NW	High capacity	LM	Bojanala Platinum District	No
250	Southern District Municipality	NW	Medium capacity	DM	Southern District	No
251	Tlokwe (Potchefstroom)	NW	High capacity	LM	Southern District	No
252	Tswaing	NW	Low capacity	LM	Ngaka Modiri Molema District	Yes
253	Ventersdorp	NW	Medium capacity	LM	Southern District	Yes
254	Beaufort West	WC	Medium capacity	LM	Central Karoo District	Yes
255	Bergriver	WC	Medium capacity	LM	West Coast District	Yes
256	Bitou	WC	Medium capacity	LM	Eden District	No
257	Breede Valley	WC	High capacity	LM	Cape Winelands District	No
258	Breederiver Winelands	WC	Medium capacity	LM	Cape Winelands District	No
259	Cape Agulhas	WC	Low capacity	LM	Overberg District	No
260	Cape Winelands District Municipality	WC	Medium capacity	DM	Cape Winelands District	No
261	Cederberg	WC	Low capacity	LM	West Coast District	Yes
262	Central Karoo District Municipality	WC	Medium capacity	DM	Central Karoo District	Yes
263	City of Cape Town	WC	Metro municipalities	Metro	Metro	Yes
264	Drakenstein	WC	High capacity	LM	Cape Winelands District	No
265	Eden District Municipality	WC	Medium capacity	DM	Eden District	No
266	George	WC	High capacity	LM	Eden District	No
267	Hessequa	WC	Medium capacity	LM	Eden District	Yes
268	Kannaland	WC	Medium capacity	LM	Eden District	Yes
269	Knysna	WC	Medium capacity	LM	Eden District	No
270	Laingsburg	WC	Medium capacity	LM	Central Karoo District	Yes
271	Matzikama	WC	Medium capacity	LM	West Coast District	Yes
272	Mossel Bay	WC	High capacity	LM	Eden District	No
273	Oudtshoorn	WC	Medium capacity	LM	Eden District	No
274	Overberg District Municipality	WC	Medium capacity	DM	Overberg District	No
275	Overstrand	WC	High capacity	LM	Overberg District	No



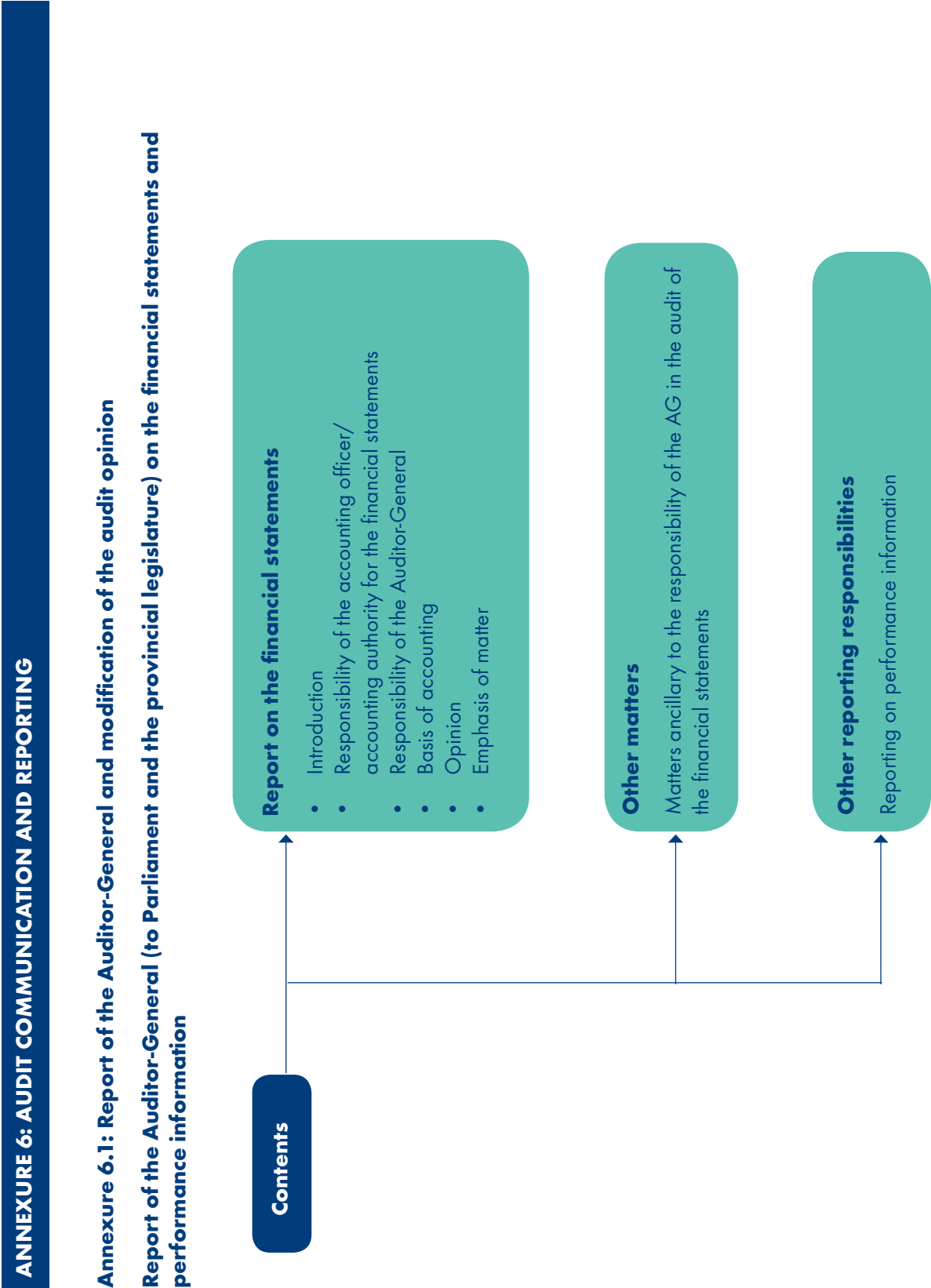
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ANNEXURE 5: PROJECT CONSOLIDATE (continued)

No.	Municipality	Province	Capacity	Category (M, DM, LM)	District municipality under which municipality falls	Participation by the municipality in the programmes (Y/N)
276	Prins Albert	WC	Medium capacity	LM	Central Karoo District	Yes
277	Saldanhabay	WC	High capacity	LM	West Coast District	No
278	Stellenbosch	WC	High capacity	LM	Cape Winelands District	No
279	Swartland	WC	Medium capacity	LM	West Coast District	No
280	Swellendam	WC	Low capacity	LM	Overberg District	No
281	Theewaterskloof	WC	Medium capacity	LM	Overberg District	Yes
282	West Coast District Municipality	WC	Medium capacity	DM	West Coast District	Yes
283	Witzenberg	WC	Low capacity	LM	Cape Winelands District	Yes



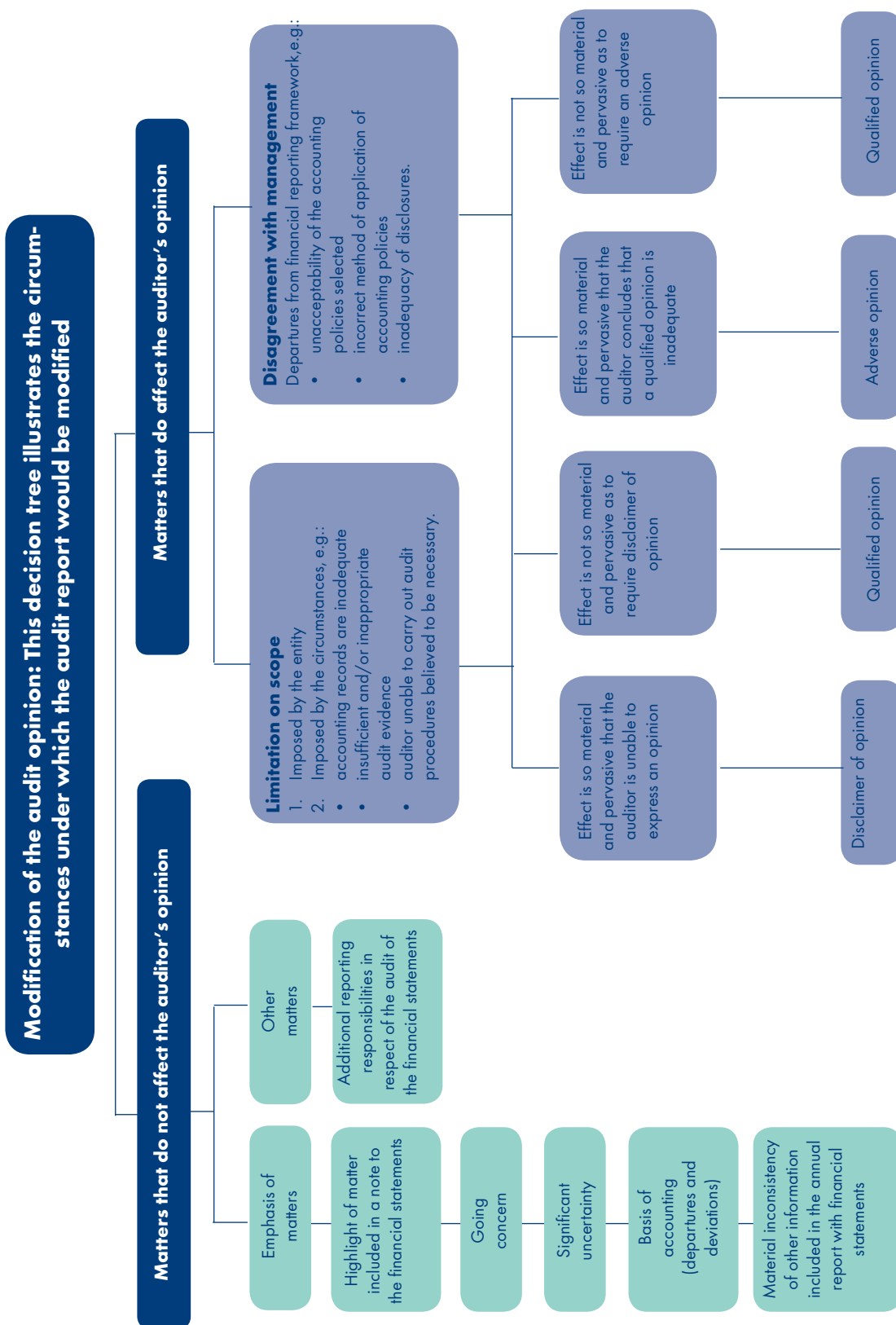
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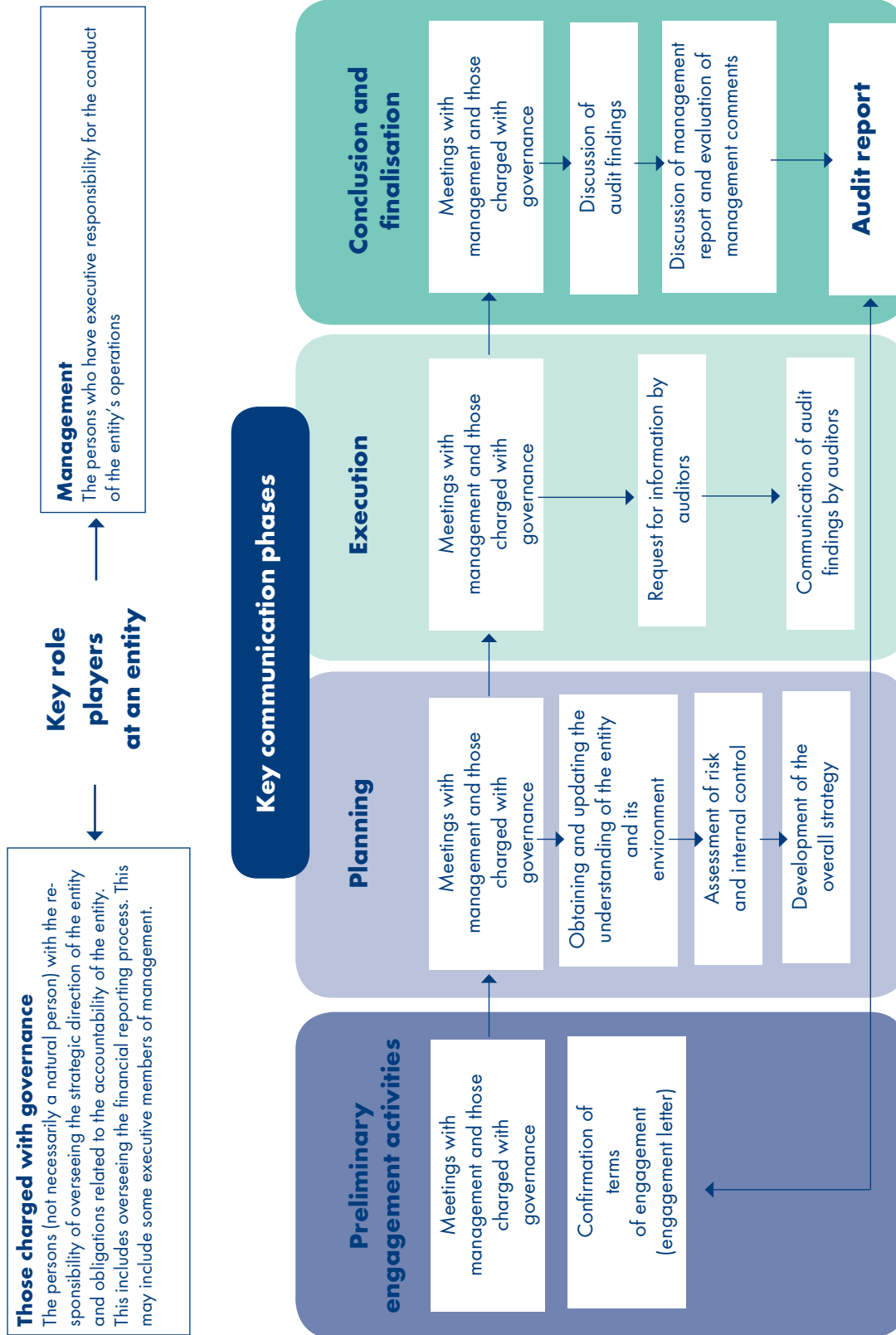
Annexure 6.1: continued - Modification of the audit opinion





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Annexure 6.2: Communication in the audit process





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ANNEXURE 7: PHASING-IN APPROACH FOR THE AUDITING OF PERFORMANCE INFORMATION

Phasing-in approach to the auditing of performance information

The AG has adopted a phasing-in approach for compliance with the relevant sections of the PAA until such time as a performance management and reporting framework has been legislated¹ and the audited environment has reached a level of maturity so as to provide reasonable audit assurance in the form of an audit opinion or conclusion. It is anticipated that this maturity level will only be reached during the April 2009 – March 2010 financial year.

The phasing-in approach has the following advantages:

- The National Treasury has the time and opportunity to provide structure and discipline to the processes used by the management of public sector institutions to measure and report on performance information and to facilitate the implementation of the necessary systems.
- It will provide an appropriate level of assurance on the quality of reported performance information in each phase of the implementation.
- Seeing that the AG is committed to playing a constructive and, where appropriate, supportive role in order to assist the South African public service, it will provide ongoing advice and encouragement for continuous improvement in the quality, value and use of the information.
- The audit report will not be qualified in respect of performance information during the phasing-in approach (until the 2008-09 financial year) to provide management of the auditees with the opportunity to set up the necessary internal policies, structures, systems and processes to manage and report on performance information.

The details of the phasing-in approach are as follows:

1. The audit procedures for auditing the performance information of the **April 2005 to March 2006** financial year were indicated in *General Notice 544 of 2006*, issued per *Government Gazette 28723 of 10 April 2006* and *General Notice 808 of 2006*, issued per *Government Gazette 28954 of 23 June 2006*. The procedures included the following:
 - Obtain an understanding of the entity and its environment, including its internal control related to performance information.
 - Determine the level of performance reporting by **evaluating** the following aspects:
 - o The existence of, and reporting against, predetermined objectives
 - o The existence of specific, measurable and time bound objectives
 - o The consistency of reporting on predetermined objectives
 - o The format and presentation of the performance information in the annual report.

¹Although the National Treasury issued the *Framework for managing programme performance information* during May 2007, the legal status (i.e. compulsory/legally binding or only a guideline) has not been officially indicated by the NT.



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No separate opinion on performance against predetermined objectives was included in the audit reports. Conclusions on performance reporting were reached as part of the financial audit process and material shortcomings in the process of reporting against predetermined objectives which came to the attention of the auditor during the audits were reported in the *Emphasis of matter* section of the audit reports.

2. The audit procedures for auditing the performance information of the **April 2006 to March 2007** financial year were indicated in *General Notice 646 of 2007*, issued per *Government Gazette 29919 of 25 May 2007*. The procedures included the following:
 - Obtaining an understanding of the internal controls relating to performance information.
 - Documenting system descriptions for the systems relevant to reporting on performance information. The system descriptions should be verified by means of walkthrough tests.
 - Determining the stage of performance reporting by evaluating the following:
 - o The existence of, and reporting against, predetermined objectives
 - o The existence of specific, measurable and time bound objectives
 - o The consistency of the predetermined objectives recorded in the strategic plan, budget, quarterly reports and annual report
 - o The format and presentation of the performance information in the annual report.
 - Comparing reported achievement of performance against objectives to the information sources and conducting limited substantive procedures on the information.

No separate opinion on performance against predetermined objectives was included in the audit reports. Reporting in this regard formed part of the regularity audit process. Reporting related to material shortcomings in the process, systems and procedures of reporting against predetermined objectives that came to the attention of the auditor during the audit and that might impact on the public interest. This reporting was contained in the *Other reporting responsibilities* section of the audit report.

3. The audit procedures for auditing the performance information of the April 2007 to March 2008 financial year are indicated in *General Notice 616 of 2008*, issued per *Government Gazette 31057 of 2008*. The procedures include the following:
 - Obtaining an understanding of the internal policies, structures and processes relating to the management of, and reporting on, performance information.
 - Obtaining an understanding of the relevant systems and internal controls to collect, monitor and report performance information.
 - Evaluating the existence, consistency, format and quality of performance information.
 - Comparing reported performance information to relevant source documentation and conducting limited substantive procedures to ensure valid, accurate and complete performance reporting.

No separate opinion on performance against predetermined objectives will be included in the audit reports. Reporting in this regard forms part of the regularity audit process. Reporting will be in relation to material shortcomings in the process, systems and procedures of reporting against predetermined objectives that come to the attention of the auditor during the audit and that may impact on the public interest. This reporting will be contained in the *Other reporting responsibilities* section of the audit report.



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4. The audit procedures for auditing the performance information of the **April 2008 to March 2009 financial year** will include all the details referred to above for the 2007-08 financial year with additional procedures focusing on the validity, accuracy and completeness of reported performance information.
5. As from the **April 2009 to March 2010 financial year** auditors should obtain sufficient appropriate audit evidence as part of a systematic audit process that includes substantive procedures and testing the operational effectiveness of controls to a level of reasonable assurance.



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ANNEXURE 8: FRAMEWORK FOR MANAGING PROGRAMME PERFORMANCE INFORMATION

The following information is an extract from the National Treasury's *Framework for managing programme performance information* that was issued during May 2007. The framework is applicable to all entities in the national, provincial and local spheres of government.

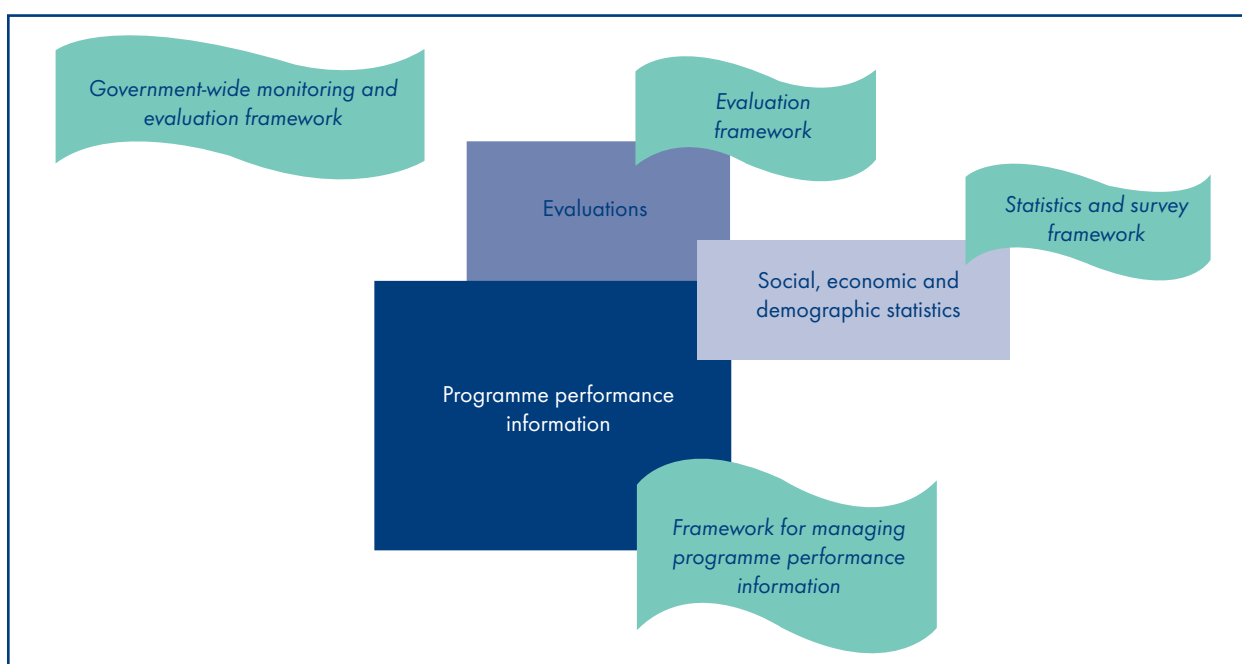
The government-wide monitoring and evaluation system

In 2004 the Cabinet initiated plans for a monitoring and evaluation system for government, and the Presidency subsequently developed the government-wide monitoring and evaluation framework. Although there are various existing systems gathering valuable information within government, there are also a number of gaps in the information needed for planning the delivery of services and for reviewing and analysing the success of policies. The government-wide monitoring and evaluation system seeks to enhance these systems by describing them and explaining how they relate to each other. The system has three components:

- Programme performance information
- Social, economic and demographic statistics
- Evaluations

The following figure illustrates the relationship between these components. It highlights that there will be frameworks dealing with each component. The *Framework for managing programme performance information* deals with the management of the programme performance information component.

Figure 1: Components of the government-wide monitoring and evaluation system





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ANNEXURE 9: FINANCIAL MANAGEMENT CAPABILITY MATURITY MODEL

The financial management capability maturity model (FMCMM) was initially used to assess the financial management maturity of the auditees as part of the audit planning phase. The AG, however, decided to use the same measurement framework in order to ascertain the maturity levels of its own business processes and risks, thus extending the FMCMM to be an integrated capability maturity model (CMM) that not only covers financial management, but looks at the AG processes holistically.

A capability model can be defined as: "A yardstick against which it is possible to judge, in a repeatable way, the maturity of an organisation's processes and compare it to the state of practice in the industry".

It is a tool to measure the current status of an organisation, determine process areas of improvement and plan, prioritise and evaluate the implementation of the areas of improvement.

Maturity models therefore provide best practices, measurement standards and improvement paths.

The term "maturity" refers to the effectiveness of an organisation's development processes. If an organisation uses no processes at all, it is considered immature and thus operates in an environment where risk is high and predictability is low. If the organisation uses refined processes it is considered mature and thus operates in an environment where predictability is high and risk is low.

The levels of maturity are the following:

Level 1: Start-up level where no proper control framework exists	There is evidence that the organisation has recognised that the issues exist and need to be addressed. There are, however, no standardised processes. The organisation as a whole is not process orientated. Instead there are ad hoc processes that tend to be applied on an individual or case-by-case basis. The overall approach to management is disorganised. The success or failure of these organisations depends on the talents of staff, good luck or good fortune. The key focus for improvement at this level would be disciplined processes
Level 2: Development level where a proper internal framework is developed	Processes have developed to the stage where similar processes are followed by different people undertaking the same task. There is no formal training or communication of standard procedures and responsibility is left to the same individual. There is a high degree of reliance on the knowledge of individuals and therefore errors are likely. Here the key focus for improvement would be standard consistent processes.
Level 3: Control level which focuses on the compliance and control	Procedures have been standardised and documented and communicated through training. Projects are managed using repeatable processes and the organisation has the infrastructure to support a process-driven environment. It is, however, left to the individual to follow these processes and it is unlikely that deviations will be detected. The procedures themselves are not sophisticated but are the formalisation of existing practices. The key focus for improvement would be predictable processes.



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Level 4: Information level that measures the utilisation of resources with effective results	The economic, efficient and effective utilisation of resources is managed, measured and reflected in reliable financial information.
Level 5: Management level that will determine the utilisation of resources with effective results	It is possible to monitor and measure compliance with procedures and take action where processes appear not to be working effectively. Processes are under constant improvement and provide good practice. Automation and tools are used in a limited or fragmented way. At this level we are looking at continuously improving processes.
Level 6: Optimisation level which enables continuous improvement and learning	This is the highest level of maturity. Processes have been refined to a level of best practice, based on the results of continuous improvement and maturity modelling with other organisations. Information technology is used in an integrated way to automate the workflow, providing tools to improve quality and effectiveness, making the enterprise quick and adaptable.



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GLOSSARY OF TERMS

A

Adverse opinion – An adverse opinion is expressed when the effect of a disagreement with management regarding departures from the financial reporting framework is so material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Audit evidence – All the information used by the auditor in arriving at the conclusions on which the audit opinion is based. Audit evidence includes the information contained in the accounting records underlying the financial statements and other information.

Audit matters of governance interest – Those matters that arise from the audit of financial statements and, in the opinion of the auditor, are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. Audit matters of governance interest include only those matters that have come to the attention of the auditor as a result of the performance of the audit.

Audit of financial statements – The objective of an audit of financial statements is to enable the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.

C

Comprehensive basis of accounting – A comprehensive basis of accounting comprises a set of criteria used in preparing financial statements which applies to all material items and which has substantial support.

Control activities – Those policies and procedures that help ensure that management directives are

carried out. Control activities are a component of internal control. (See Internal control)

Control environment – Includes the governance and management functions and the attitudes, awareness and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment is a component of internal control. (See Internal control)

D

Disclaimer of opinion – A disclaimer of opinion is expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence to form an opinion and, accordingly, is unable to express an opinion on the financial statements.

Documentation – The material (working papers) prepared by and for, or obtained and retained by, the auditor in connection with the performance of the audit. Working papers may be in the form of data stored on paper, film, electronic media or other media.

E

Emphasis of matter paragraph(s) – An auditor's report may be modified by adding an emphasis of matter paragraph(s) to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such an emphasis of matter paragraph(s) does not affect the auditor's opinion on whether the financial statements are fairly presented. The auditor may also modify the auditor's report by using an emphasis of matter paragraph(s) to report matters other than those affecting the financial statements, such as material inconsistency of other information included in the annual report.



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G

Governance – Describes the role of persons entrusted with the supervision, control and direction of an entity. Those charged with governance ordinarily are accountable for ensuring that the entity achieves its objectives, financial reporting and reporting to interested parties. Those charged with governance include management only when it performs such functions.

I

Information system relevant to financial reporting:

A component of internal control that includes the financial reporting system, and consists of the procedures and records established to initiate, record, process and report entity transactions (as well as events and conditions) and to maintain accountability for the related assets, liabilities and equity.

Internal control: The internal control system is the whole system of financial and other controls, including the organisational structure, methods, procedures and internal audit, established by those charged with governance, management and other personnel to:

- assist in conducting the business of the audited entity in a regular economic, efficient and effective manner
- ensure adherence to management policies
- ensure compliance with applicable laws and regulations
- safeguard assets and resources
- secure the accuracy and completeness of accounting records
- produce timely and reliable financial and management information.

It provides a framework for considering how different aspects of an entity's internal control may affect the audit. The auditor's primary consideration is whether, and how, a specific control prevents or detects and corrects material

misstatements in classes of transactions, account balances, or disclosures, and their related assertions.

Internal control consists of the following components:

- (a) *The control environment:* The control environment includes the governance and management functions and the attitudes, awareness, and actions of those charged with governance and management concerning the entity's internal control and its importance in the entity. The control environment sets the tone of an organisation, influencing the control consciousness of its staff. It is the foundation for all other components of internal control, providing discipline and structure.

Elements of the control environment are:

- communication and enforcement of integrity and ethical values through policy statements, codes of conduct and by example
- commitment to competence
- the "tone at the top", i.e. management's philosophy and operating style
- organisational structure
- human resource policies and practices
- assignment of authority and responsibility
- participation by those charged with governance.

- (b) *Risk assessment process:* Risk assessment is the process of identifying and analysing relevant risks from internal and external sources to the achievement of the entity's objectives, as identified in the strategic plan, and determining how the risks should be managed.

Risk assessment implies:

- risk identification
- risk evaluation
- assessment of the risk appetite of the organisation
- development of responses to the risk profile.



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(c) *The information system*, including the related business processes, relevant to financial reporting and communication: Relevant and reliable information, both financial and non-financial, and the communication of this information are essential to realising all internal control objectives. In order to help ensure the quality of information and reporting, carry out the internal control activities and responsibilities, and make monitoring more effective and efficient, the internal control system should be fully and clearly documented and should be available for examination.

(d) *Control activities*: Control activities are the policies, procedures, techniques and mechanisms established to address/mitigate risks and to achieve the entity's objectives. They are an integral part of the entity's planning, implementing, reviewing and accountability for stewardship of government resources and achieving effective results.

Control activities include a range of detective and preventive control activities as diverse as, for example:

- authorisation and approval procedures
- segregation of duties
- access restrictions to, and accountability for, resources and records
- verifications
- reconciliations
- reviews by management of performance
- controls over information processing (application controls)
- general IT controls
- proper execution of transactions and events
- accurate and timely recording of transactions and events
- appropriate documentation of transactions and internal control
- reviews of operations and processes
- establishment and review of performance measures and indicators

- supervision
- human capital management.

(e) *Monitoring of controls*: Internal control systems should be monitored to assess the quality of the systems' performance over time. Monitoring is accomplished through routine activities, separate evaluations, or a combination of both. It involves assessment by appropriate personnel of the design and operation of controls on a suitable, timely basis and the taking of necessary actions. It includes regular management and supervisory comparisons, reconciliations and actions.

Ongoing monitoring

- Ongoing monitoring of internal control should be built into the normal, recurring operating activities of an entity. It includes regular management and supervisory activities, and other actions personnel take in performing their duties.
- Ongoing monitoring activities cover each of the internal control components and involve action against irregular, unethical, uneconomical, inefficient and ineffective internal control systems.

Separate evaluations.

- The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures.
- Separate evaluations may take the form of self-assessments as well as reviews by internal and external auditors of control design and the direct testing of internal control.

L

Limitation on scope – A limitation on the scope of the auditor's work may sometimes be imposed by the entity (for example, when the terms of the engagement specify that the auditor will not carry



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out an audit procedure that the auditor believes is necessary). A scope limitation may be imposed by circumstances (for example, when the timing of the auditor's appointment is such that the auditor is unable to observe the counting of physical inventories). It may also arise when, in the opinion of the auditor, the entity's accounting records are inadequate or when the auditor is unable to carry out an audit procedure believed desirable.

M

Management fraud – Fraud involving one or more members of management or those charged with governance.

Material inconsistency – Exists when other information contradicts information contained in the audited financial statements. A material inconsistency may raise doubt about the audit conclusions drawn from audit evidence previously obtained and, possibly, about the basis for the auditor's opinion on the financial statements.

Material misstatement of fact – Exists in other information when such information, not related to matters appearing in the audited financial statements, is incorrectly stated or presented.

Material weakness – A weakness in internal control that could have a material effect on the financial statements.

Materiality – Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality rather provides a threshold or cut-off point.

Misstatement – A misstatement of the financial statements that can arise from fraud or error (also see fraud).

Modified auditor's report – An auditor's report is

considered to be modified if either an emphasis of matter paragraph(s) is added to the report or if the opinion is other than unqualified.

N

Non-compliance – Refers to acts of omission or commission by the entity being audited, either intentional or unintentional, that are contrary to the prevailing laws or regulations.

O

Opinion – The auditor's report contains a clear written expression of opinion on the financial statements as a whole. An unqualified opinion is expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all material respects) in accordance with the applicable financial reporting framework (also see modified auditor's report).

Other information/Other matters – Financial or non-financial information (other than the financial statements or the auditor's report thereon) included – either by law or custom – in the annual report.

P

Planning – Involves establishing the overall audit strategy for the engagement and developing an audit plan, in order to reduce audit risk to an acceptably low level.

Q

Qualified opinion – A qualified opinion is expressed when the auditor concludes that an unqualified opinion cannot be expressed due to the effect of any disagreement with management regarding departures from the applicable financial reporting framework/basis of accounting which result in material misstatement of the financial statements or due to the limitation on scope being not so material and pervasive as to require an adverse opinion or a disclaimer of opinion.



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R

Rights and obligations (R&O) assertion – The entity holds or controls the rights to assets, and liabilities are the obligations of the entity.

Risk assessment procedures – The audit procedures performed to obtain an understanding of the entity and its environment, including its internal control, and to assess the risks of material misstatement of the financial statement and assertion levels.

S

Significance – The relative importance of a matter, taken in context. The significance of a matter is judged by the practitioner in the context in which it is being considered. This might include, for example, the reasonable prospect of its changing or influencing the decisions of intended users of the practitioner's report; or, as another example, where the context is a judgement about whether to report a matter to those charged with governance, whether the matter would be regarded as important by them in relation to their duties. Significance can be considered in the context of quantitative and qualitative factors, such as relative magnitude, the nature and effect on the subject matter and the expressed interests of intended users or recipients.

Significant risk – A risk that requires special audit consideration.

Subsequent events – These are two types of events occurring after period-end:

- (a) Those that provide further evidence of conditions that existed at period-end; and
- (b) Those that are indicative of conditions that arose subsequent to period-end.

These conditions can be either favourable or unfavourable.

Substantive procedures – Audit procedures

performed to detect material misstatements at the assertion level; they include:

- (a) Tests of details of classes of transactions, account balances and disclosure; and
- (b) Substantive analytical procedures.

Sufficiency – Sufficiency is the measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the risk of misstatement and also by the quality of such audit evidence.

T

Tests of control – audit procedures performed to obtain audit evidence about the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level.

U

Uncertainty – A matter outcome depends on future actions or events not under the direct control of the entity but that may affect the financial statements.

Understanding of the entity and its environment – The auditor's understanding of the entity and its environment consists of the following aspects:

- (a) Industry, regulatory, and other external factors, including the applicable financial reporting framework.
- (b) Nature of the entity, including the entity's selection and application of accounting policies.
- (c) Objectives and strategies and the related business risks that may result in a material misstatement of the financial statements.
- (d) Measurement and review of the entity's financial performance.
- (e) Internal control.



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V

Valuation and allocation (Va) assertion – Assets, liabilities and equity interests are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Value-for-money (VM) assertion – A transaction, event, programme, project, part of a project, process, etc. promotes the economical acquisition and efficient and effective use of resources.



Accountability

Integrity

Independence

Impartiality