

Audit outcomes of local government

Financial year ended 30 June 2011

Western Cape

28 February 2012

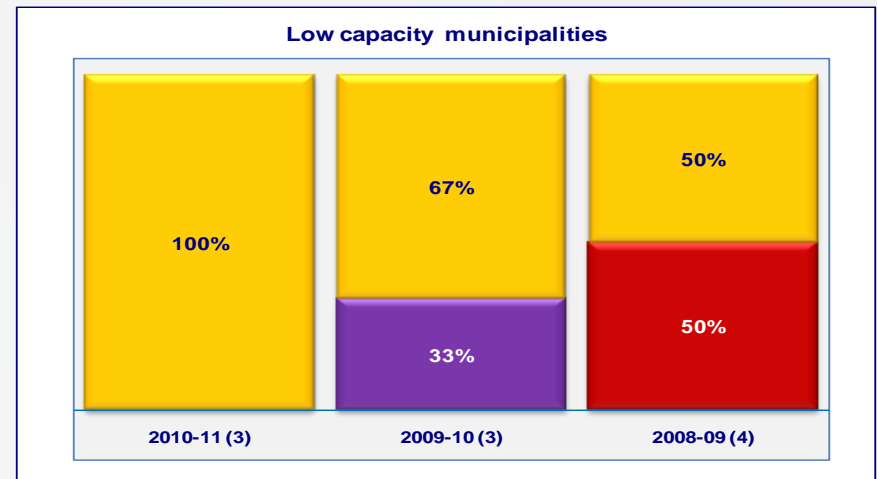
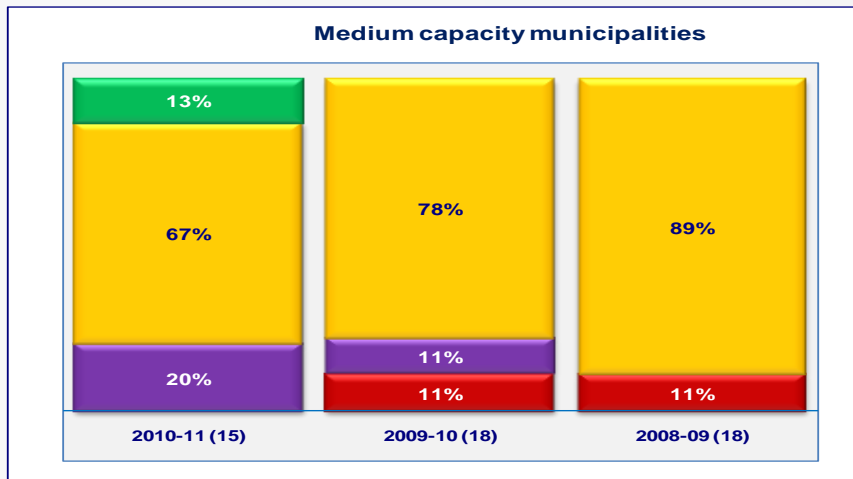
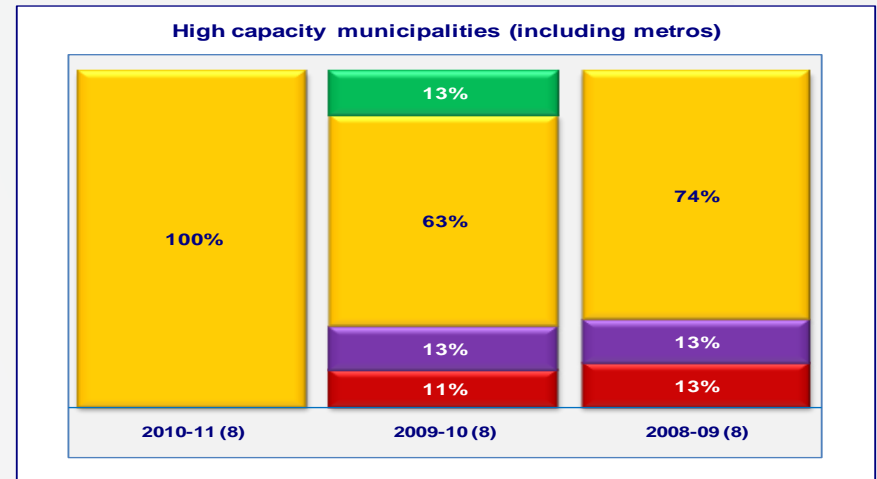
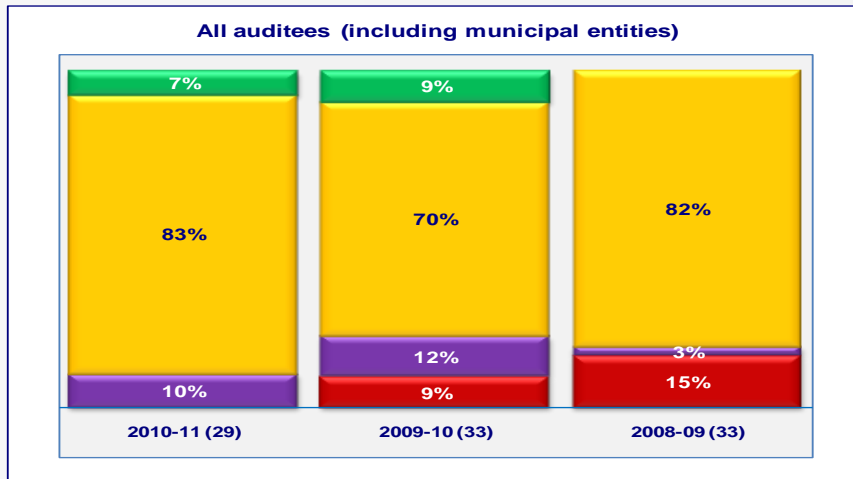
MFMA audit outcomes 2010-11

Audit outcomes	Municipalities*		Municipal entities	
	2010-11	2009-10	2010-11	2009-10
Financially unqualified with no findings on predetermined objectives or compliance with laws and regulations	2	1	0	2
Financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations	21	21	3	2
Financially unqualified financial statements	88%	76%	100%	100%
Qualified opinion	3	4	0	0
Adverse opinion	0	2	0	0
Disclaimer of opinion	0	1	0	0
Financially qualified financial statements**	12%	24%	0%	0%
Total number of audits reported on	26	29	3	4
Number of audit reports not issued by 15 February 2012	4	1	0	0
Total number of audits	30	30	3	4

*Municipalities include consolidated municipalities where applicable.

** Also include auditees with findings on predetermined objectives and/ or compliance with laws and regulations.



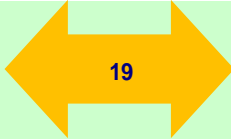


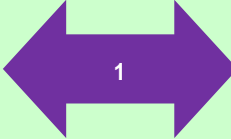
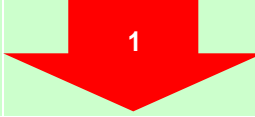
Three-year progress towards clean administration – per capacity



Financially unqualified with no findings
 Financially unqualified with findings
 Qualified
 Adverse/ Disclaimed



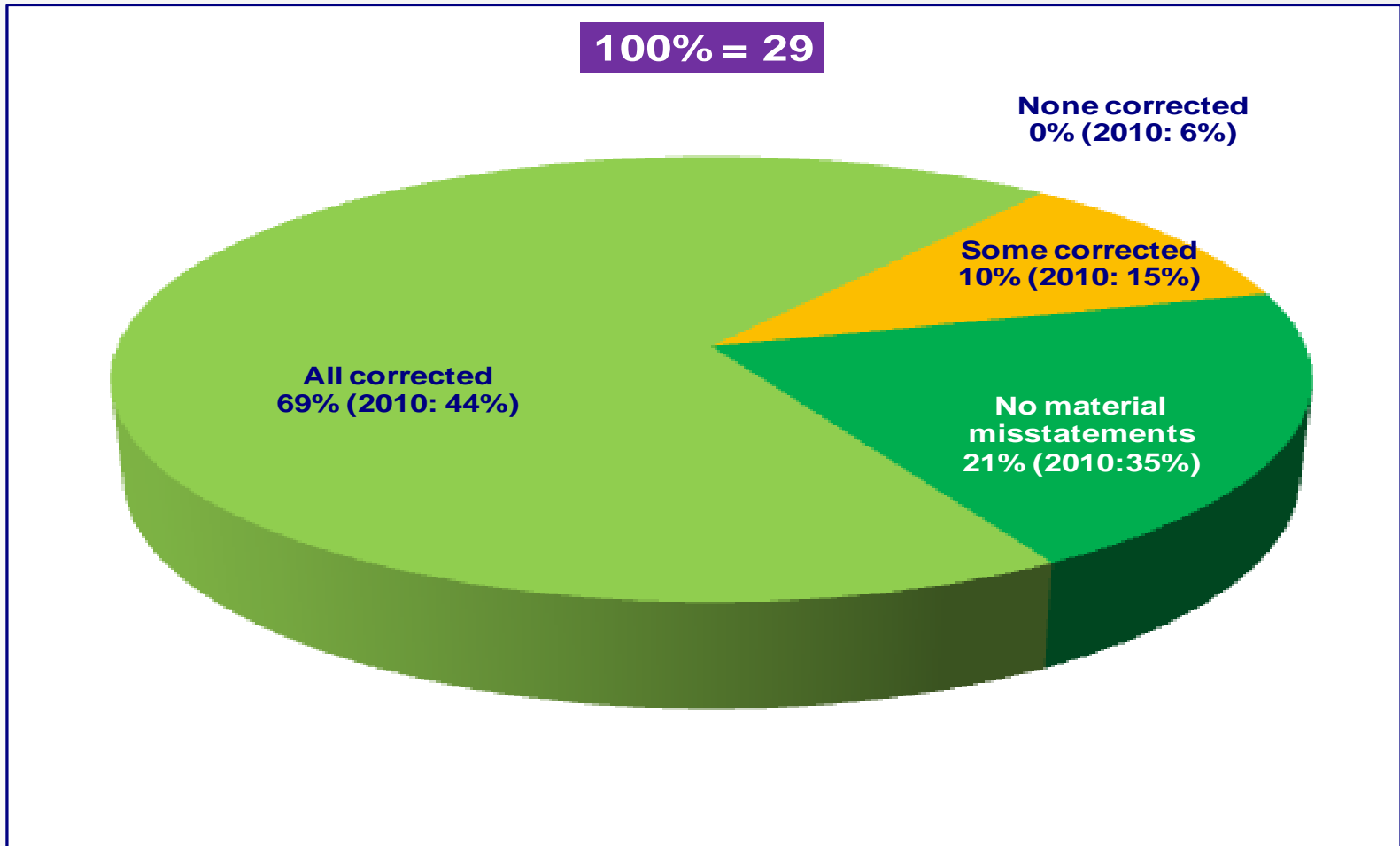
Movement in audit outcomes from 2009-10

Movement in audit outcome over 2009-10 financial year						
Audit opinion	Improvement	Unchanged	Regressed	New municipalities/ municipal entities	Total reported on	Prior year opinion on audits outstanding 2010-11
Financially unqualified with no findings	 2				2	0
Financially unqualified with findings*	 3	 19	 2		24	1
Qualified*	 1	 1	 1		3	1
Adverse/ Disclaimed*					0	1
Total	6	20	3	0	29	3

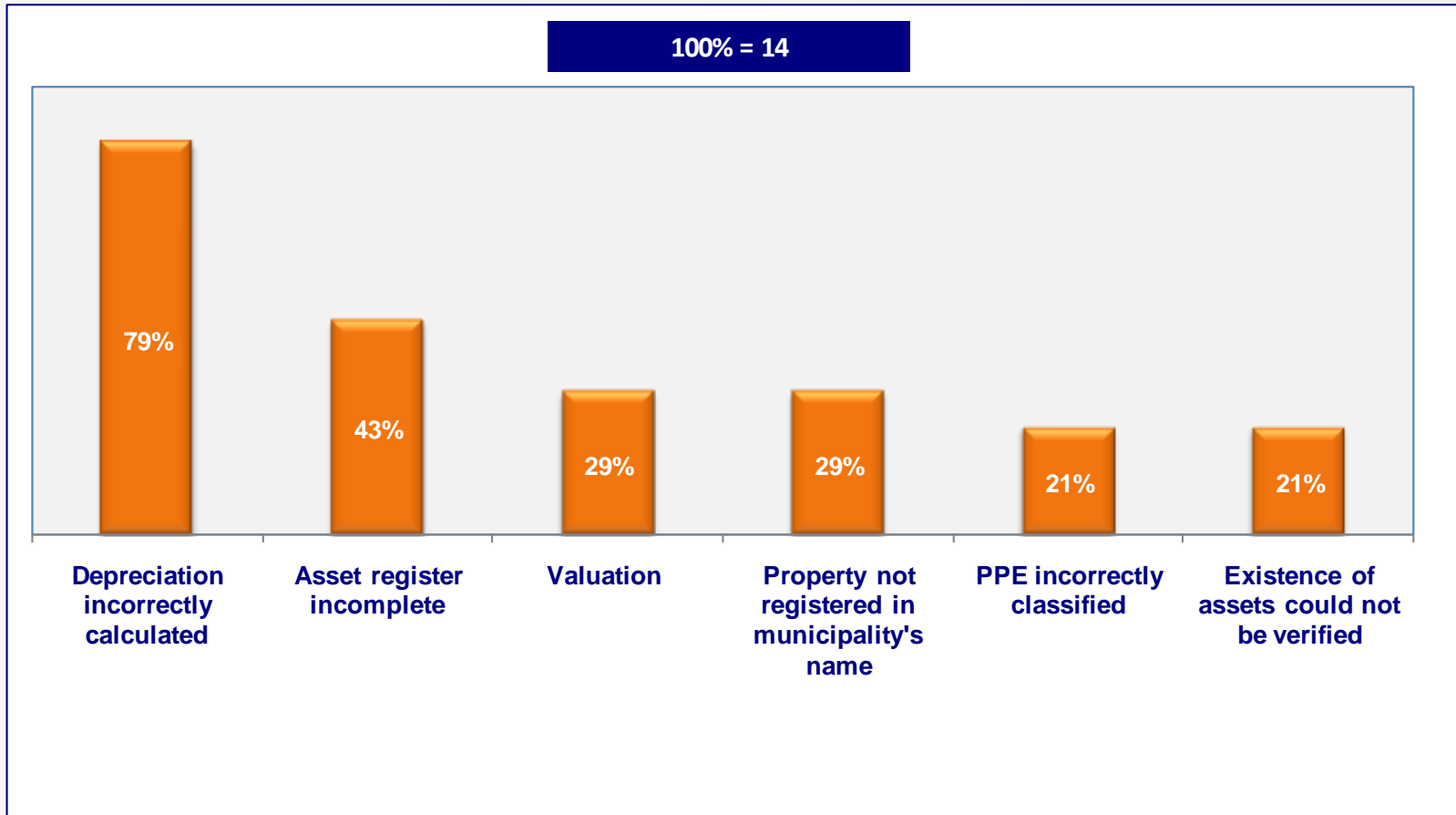
*Also include findings on predetermined objectives and/ or compliance with laws and regulations.

Both audit years(2010-11 and 2009-10) have not been completed for Swellendam municipality
Overstrand Local Economic Development Agency was discontinued.

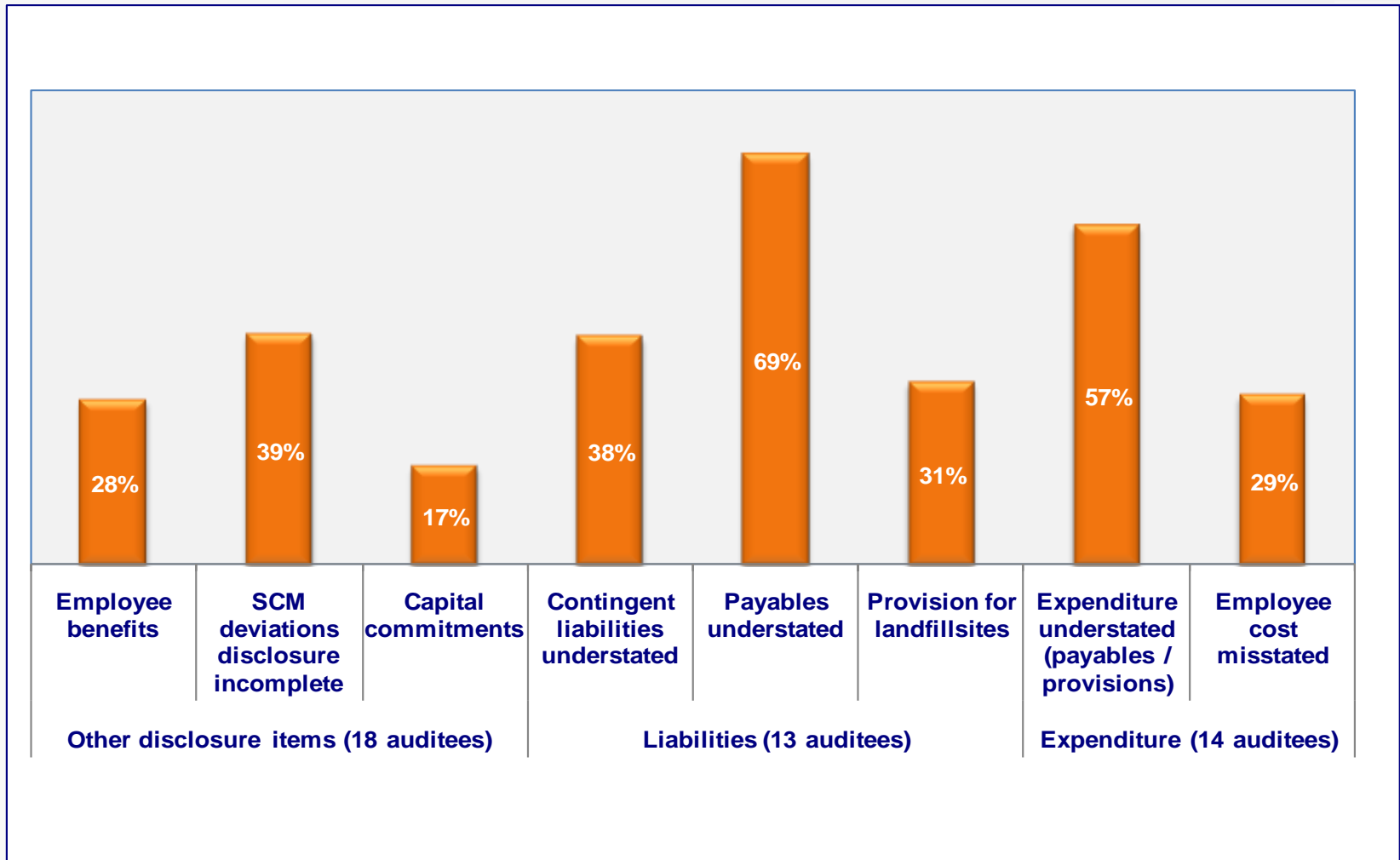
Correction of material misstatements identified by auditors



Property, plant and equipment (GRAP 17)



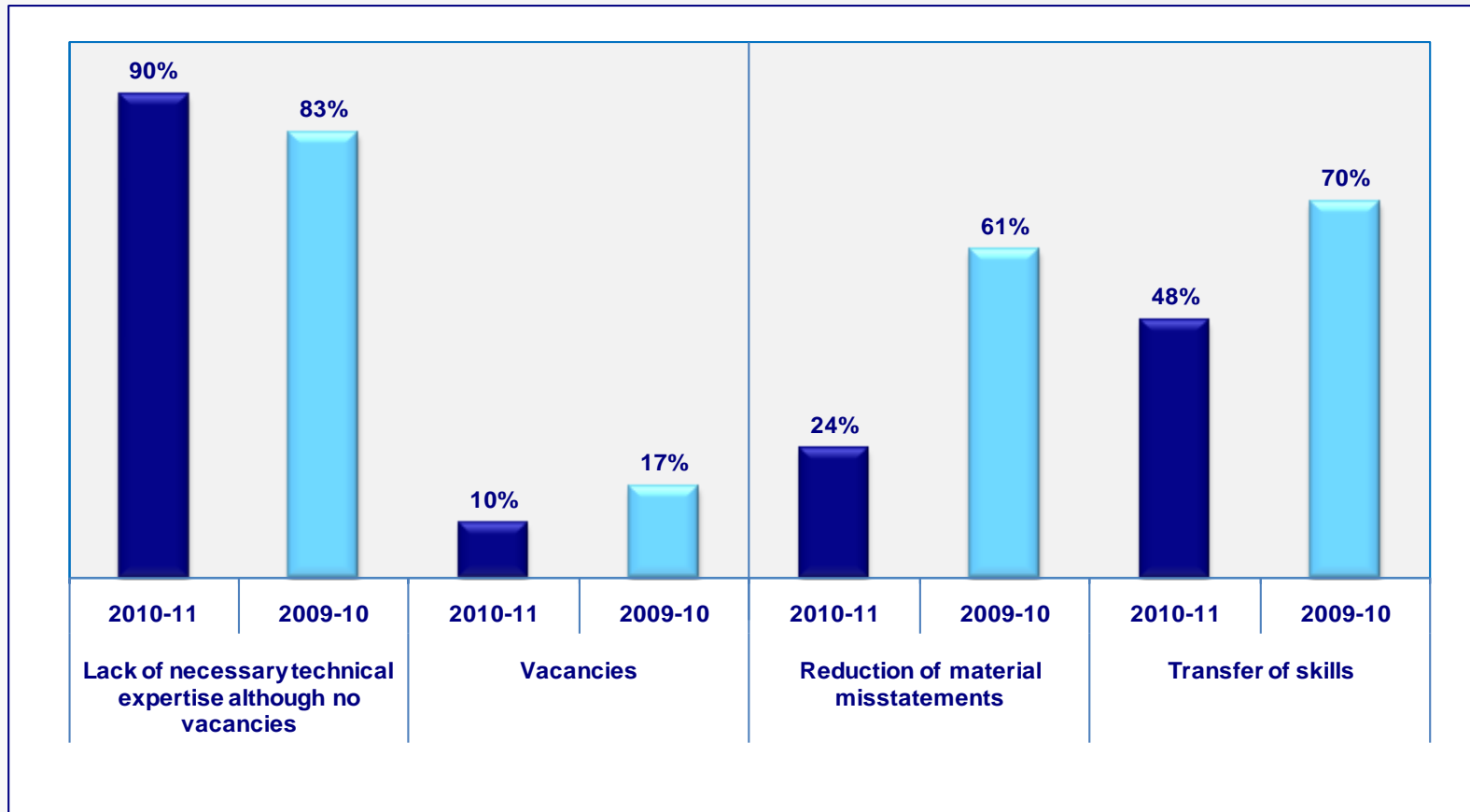
Correction of material misstatements – three highest areas excluding GRAP 17



Assistance by consultants – reason and impact

Reasons for using consultants

Impact of assistance provided by consultants



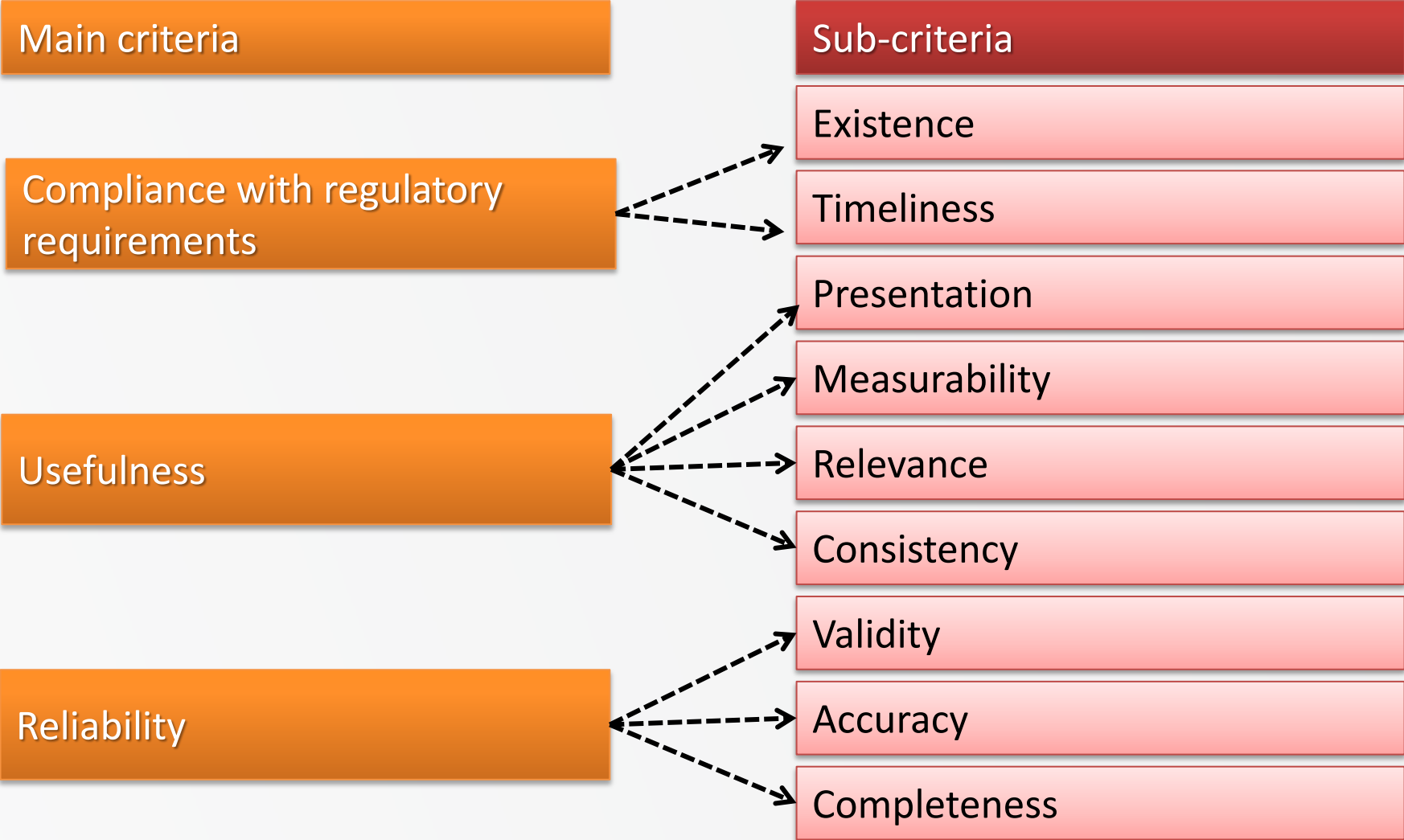
2010-11: 100% = 21 (2009-10: 100% = 23)

Auditees with findings on predetermined objectives and related non-compliance

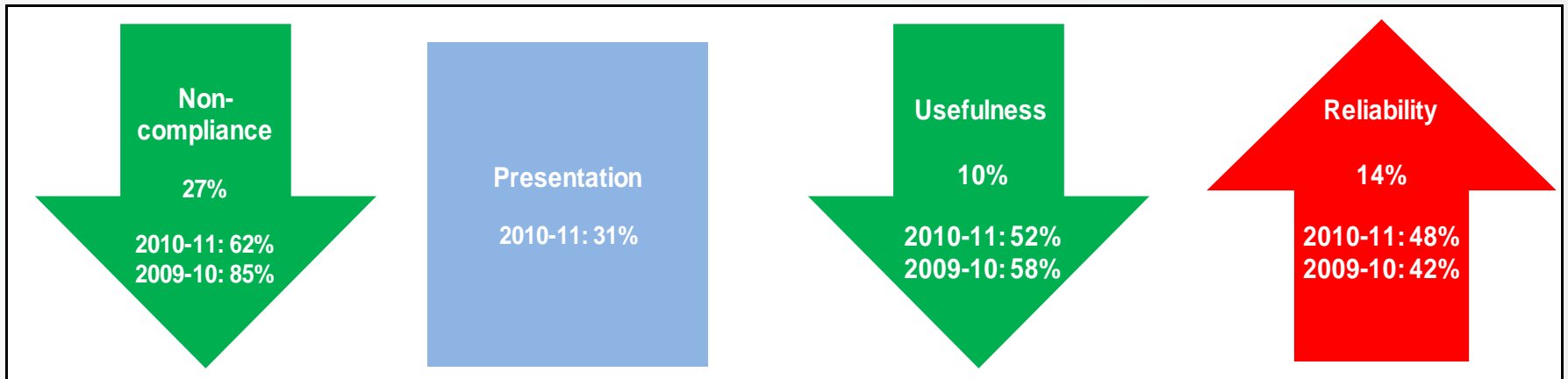
	Municipalities		Municipal entities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Auditees with no PDO findings	6 23%	1 3%	1 33%	3 75%	7 24%	4 12%
Auditees with PDO findings	20 77%	28 97%	2 67%	1 25%	22 76%	29 88%
Total number of auditees reported on	26	29	3	4	29	33
Auditees – no performance report (findings are included above)	0	2	1	0	1	2
Auditees – late submission for audit (findings are included above)	2	7	1	0	3	7



Audit criteria of Pre-determined objectives



Movement in categories of predetermined objectives findings

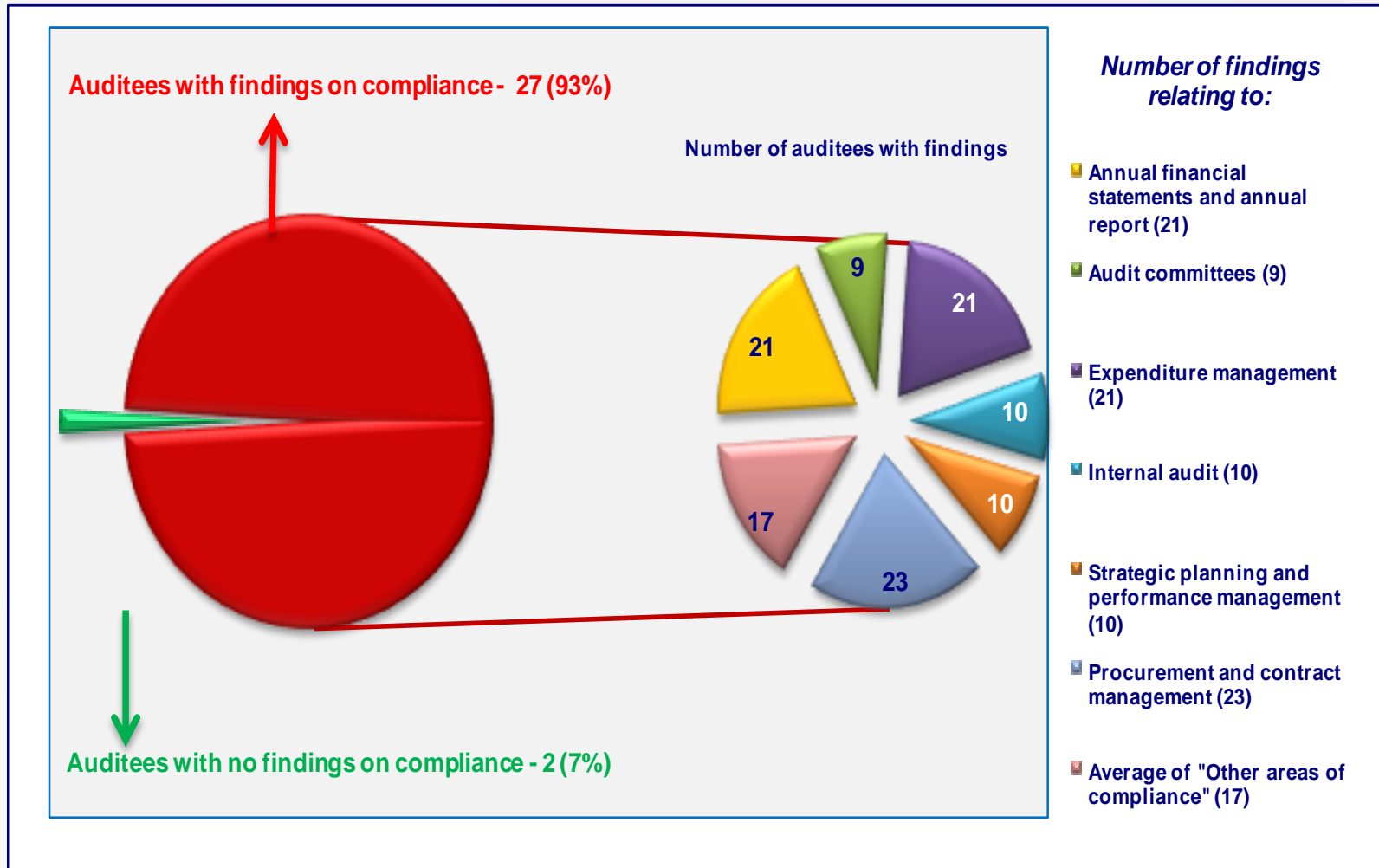


Improved

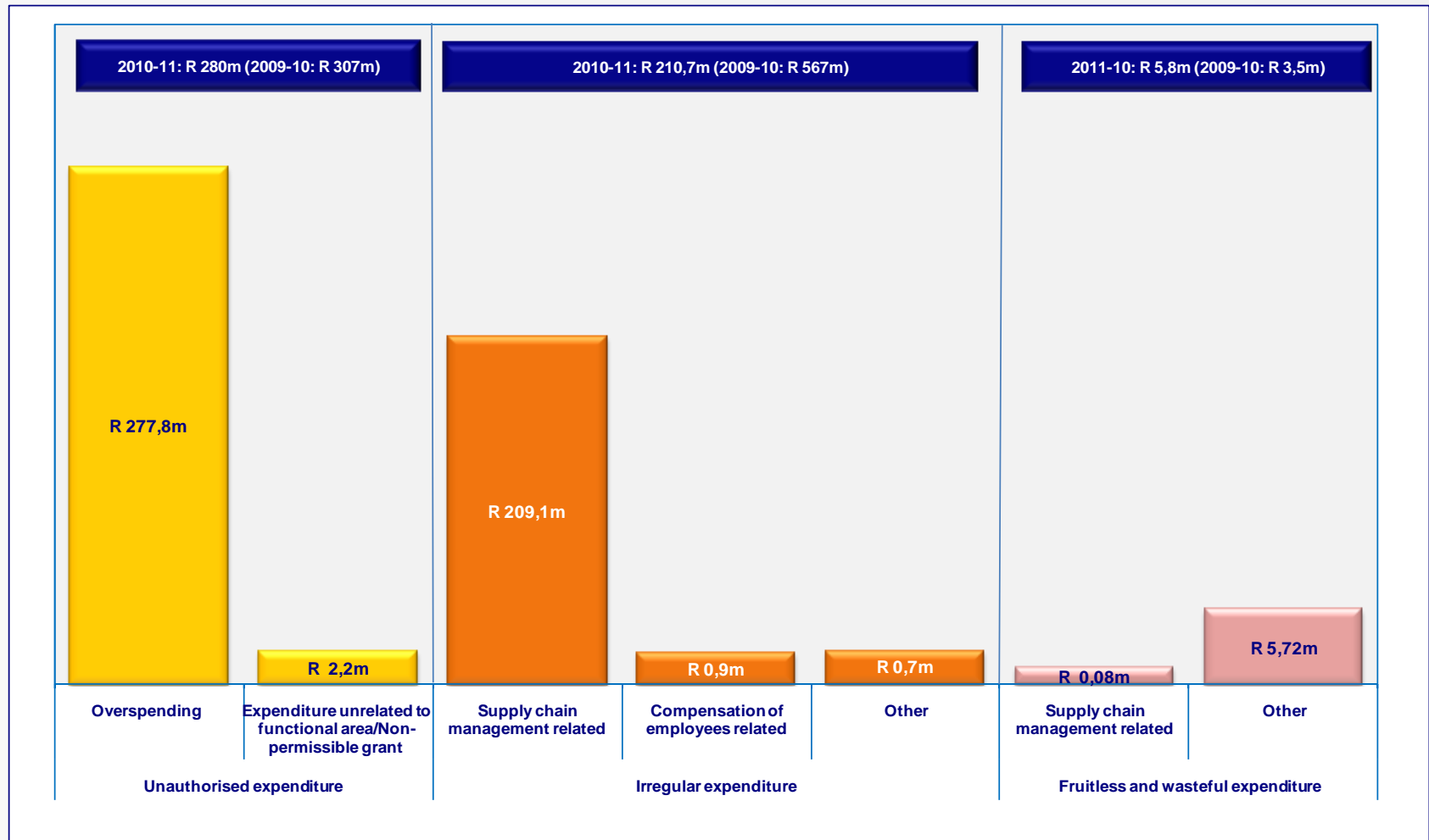
No comparison

Regressed

Categories of findings on compliance with laws and regulations



Unauthorised, irregular, and fruitless and wasteful expenditure – nature



Procurement/SCM

- Credible action plans
- Effective use of compliance checklists
- Effective risk management strategies
- Timely identification and reporting of non-compliance

Predetermined Objectives Reporting

- Formal policies and procedures consistent with the PMS
- Processes institutionalised through review and monitoring
- Implement proper record keeping
- Strengthen internal audit and performance audit committees

Regularity audit

- Implement and monitor key controls
- Credible action plans
- Preparation of regular GRAP AFS
- Effective internal audit and audit committees

HR Management

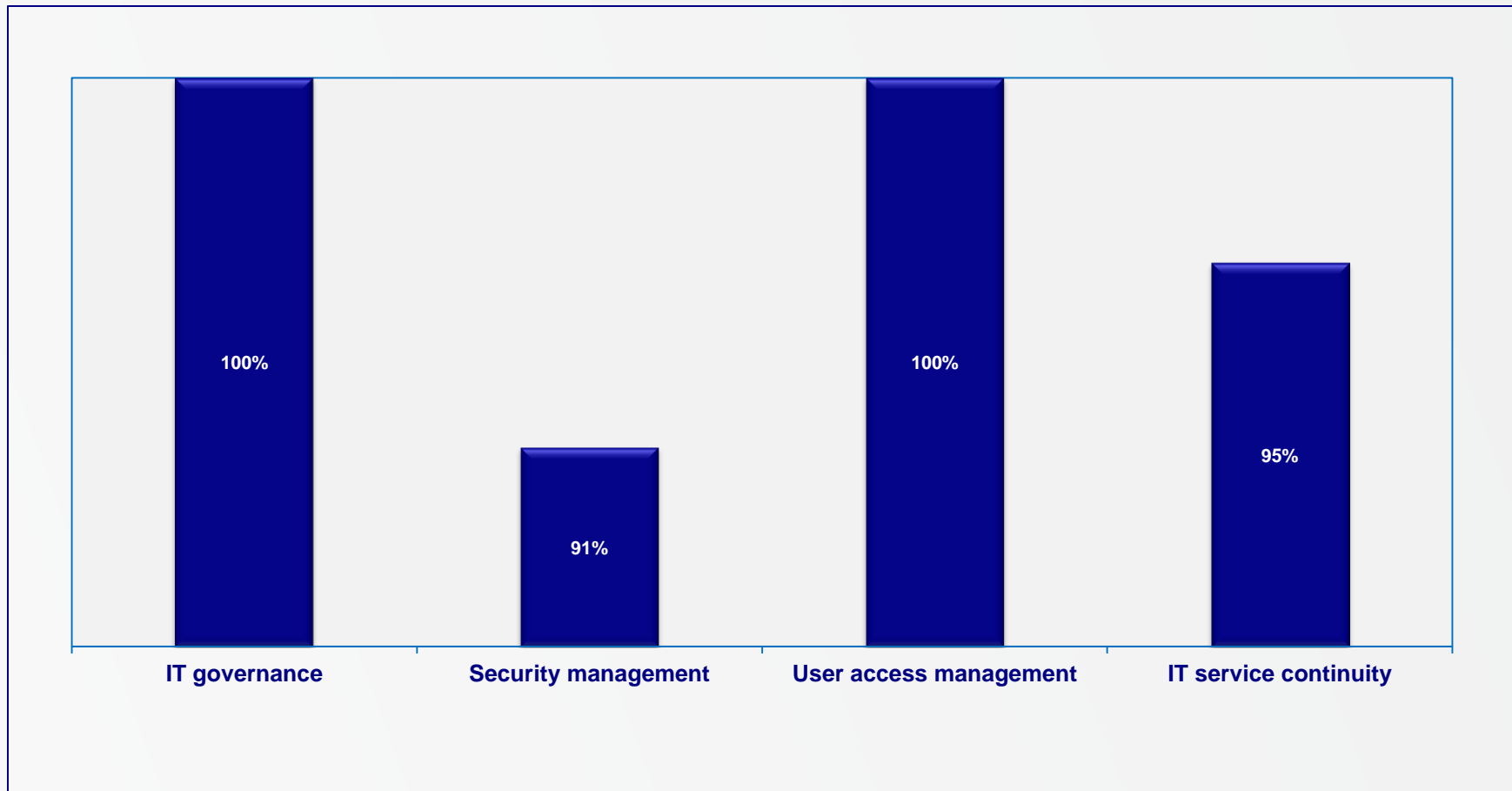
- Identify capacity and skills shortages
- Capacitate municipalities with skilled staff
- Performance management

Audit findings raised on common IT focus areas - Municipalities

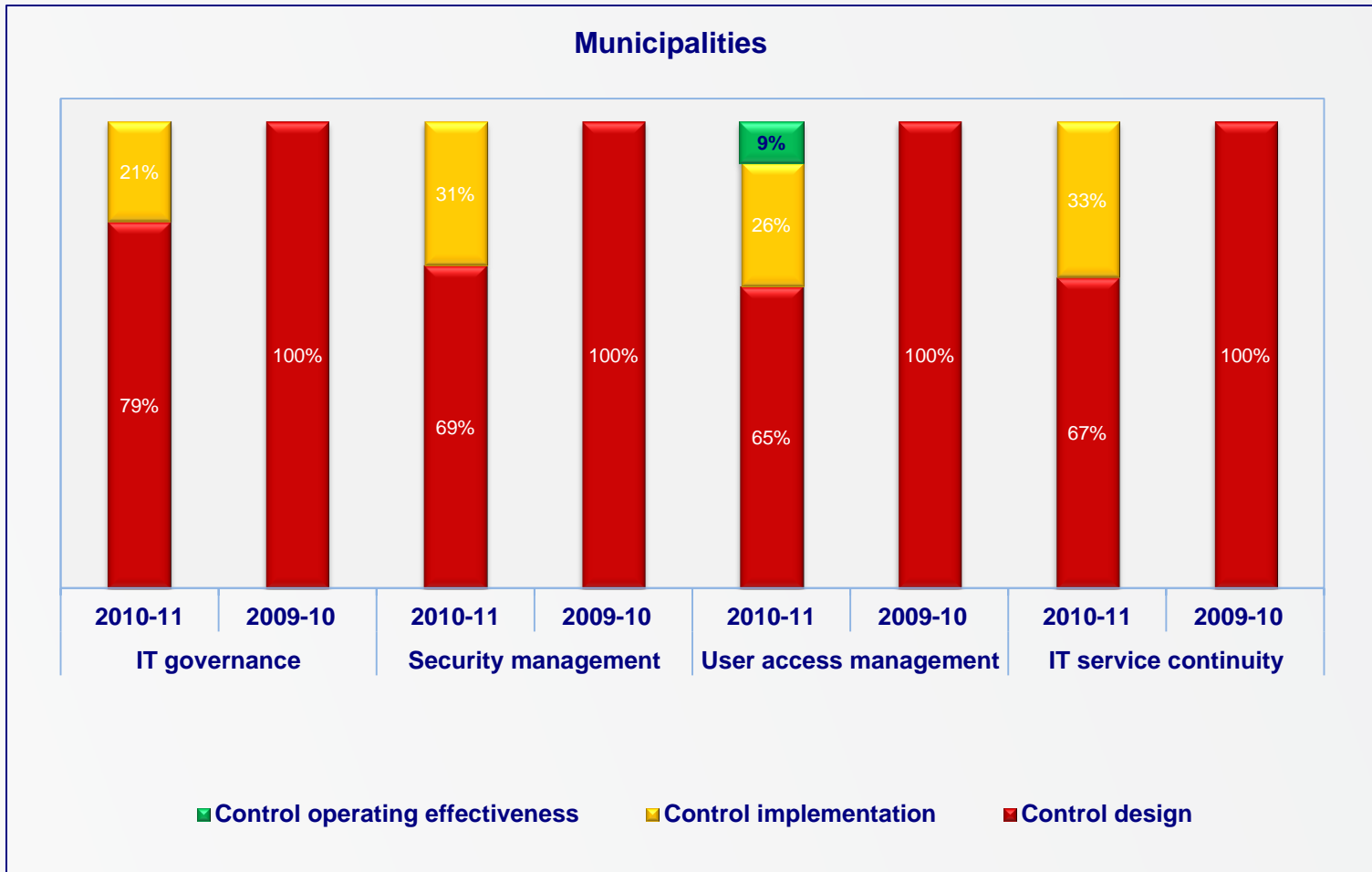
Focus area	Outline of aspects audited	Incidence of control weaknesses identified		
		Municipalities		
		Number audited	Number with weaknesses	Percentage
IT Governance	The structures, policies and process through which the auditee ensure that IT are in line with the business requirements. Key focus was on the management of service level agreements.	24	24	100%
Security management	Controls that prevent unauthorised access to the networks, operating systems and application systems that generates and prepares financial information.	24	22	91%
User access management	Procedures through which the auditees ensure that only valid, authorised users are allowed segregated access to initiate and approve transactions on the system.	24	24	100%
IT service continuity	Processes of managing the availability of hardware, system software, application software and data to enable auditee to recover/establish information system services in the event of a disaster. Key focus was on the application backup process.	24	23	95%



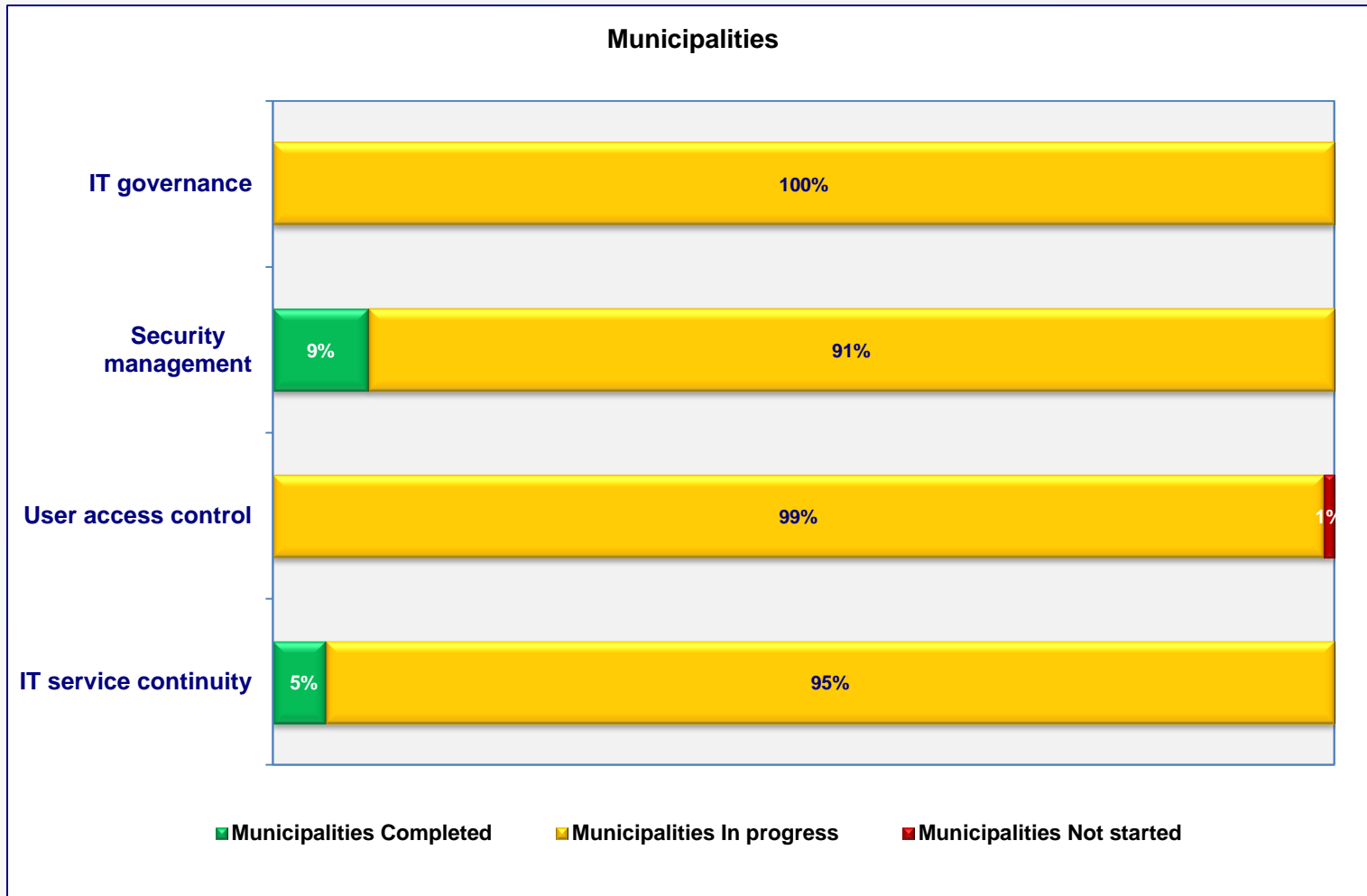
Audit findings raised on common IT focus areas - Municipalities



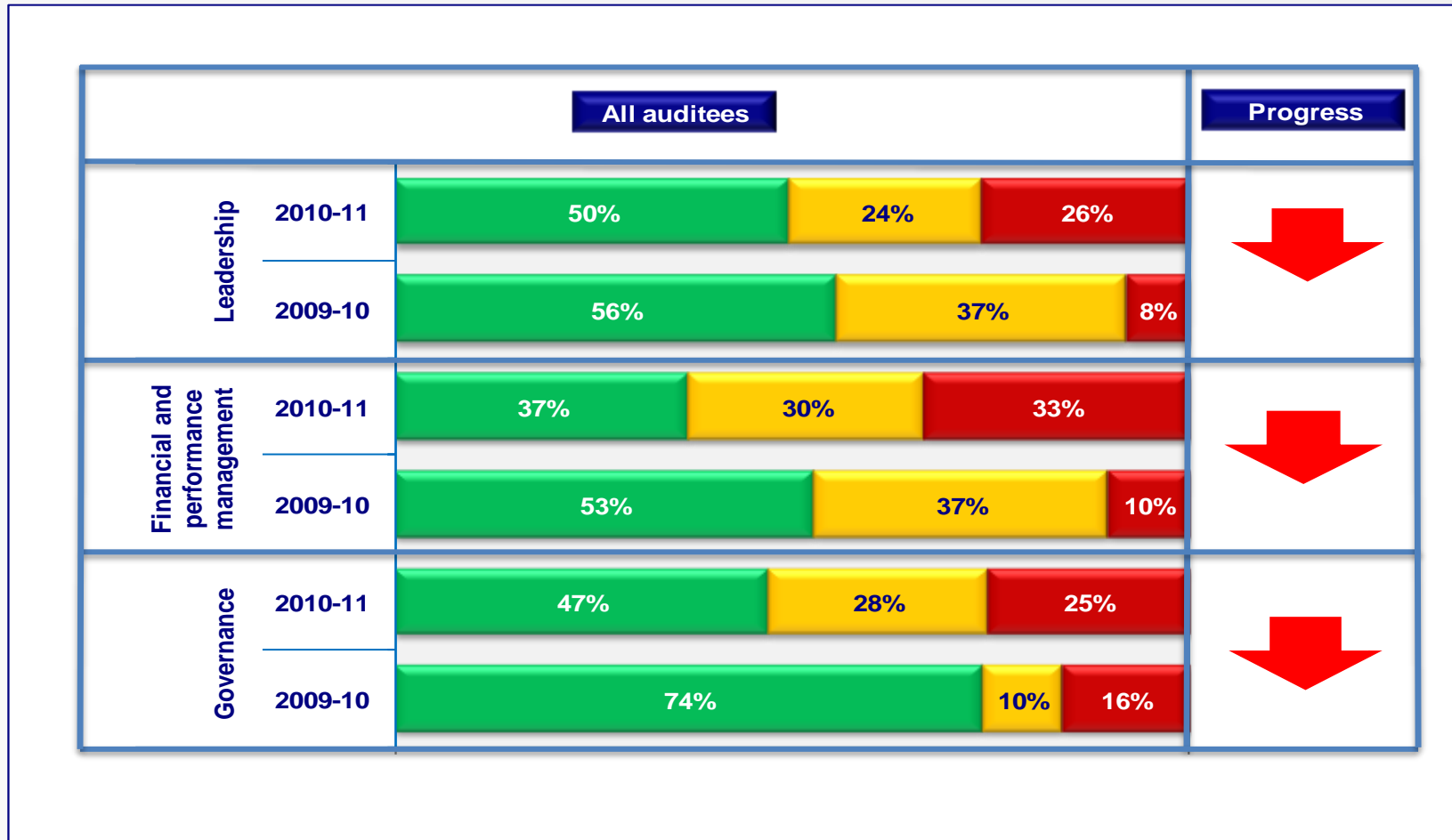
Drivers of IT control weaknesses



Progress in addressing previous year IT audit findings - Municipalities



Overall progress made in implementing key controls



Role of the audit committee in reporting

