

MFMA CFO Forum

*Presentation to CFO Forum
11 June 2012*



Reputation promise/mission

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



MFMA Audit Outcomes (2010-11)

Trends in focus areas and key controls

Audit Files

Emerging Risks and Way forward



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 31 January 2012	4	1	0	0
Total number of audits	30	30	3***	4

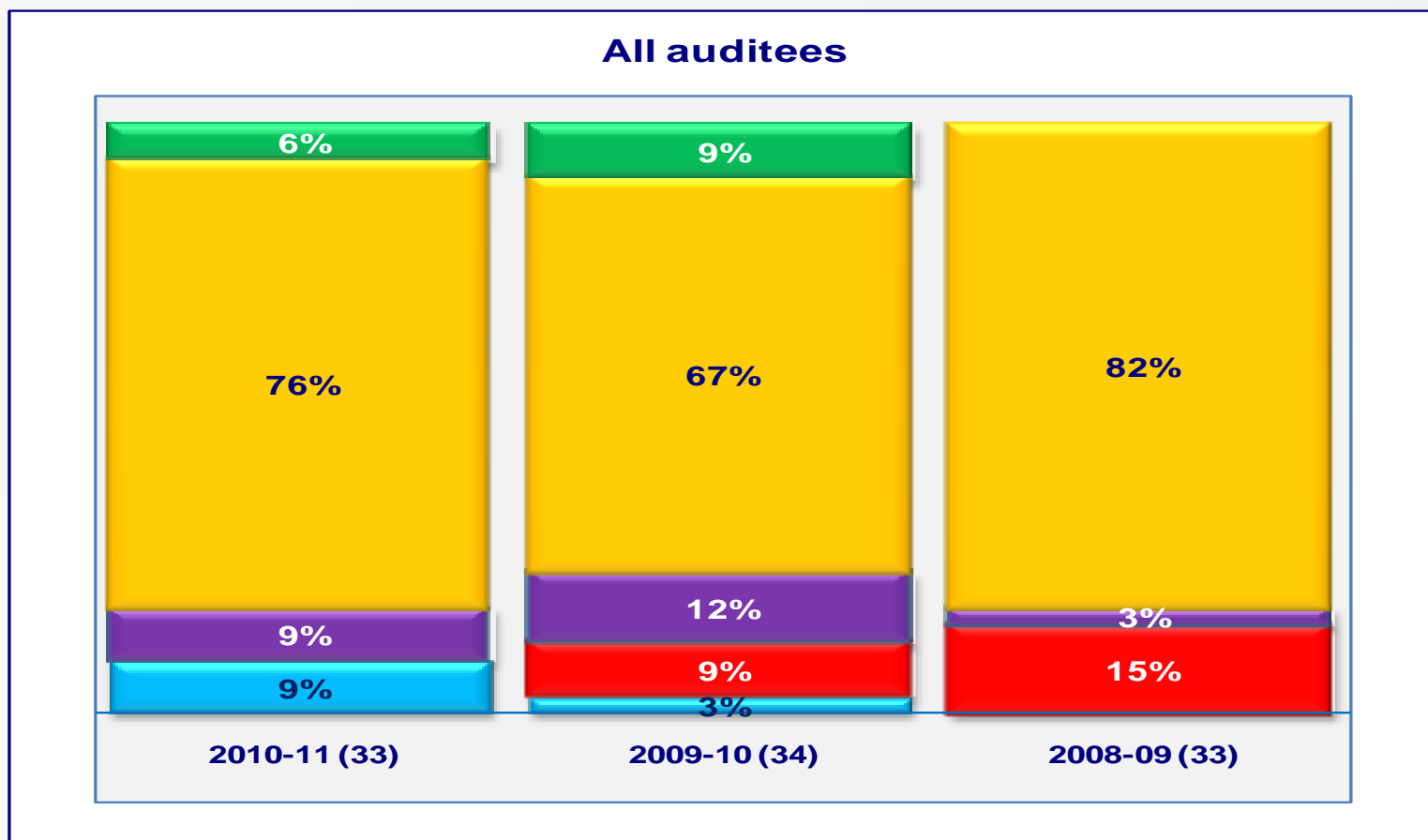
*Municipalities include consolidated municipalities where applicable.

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

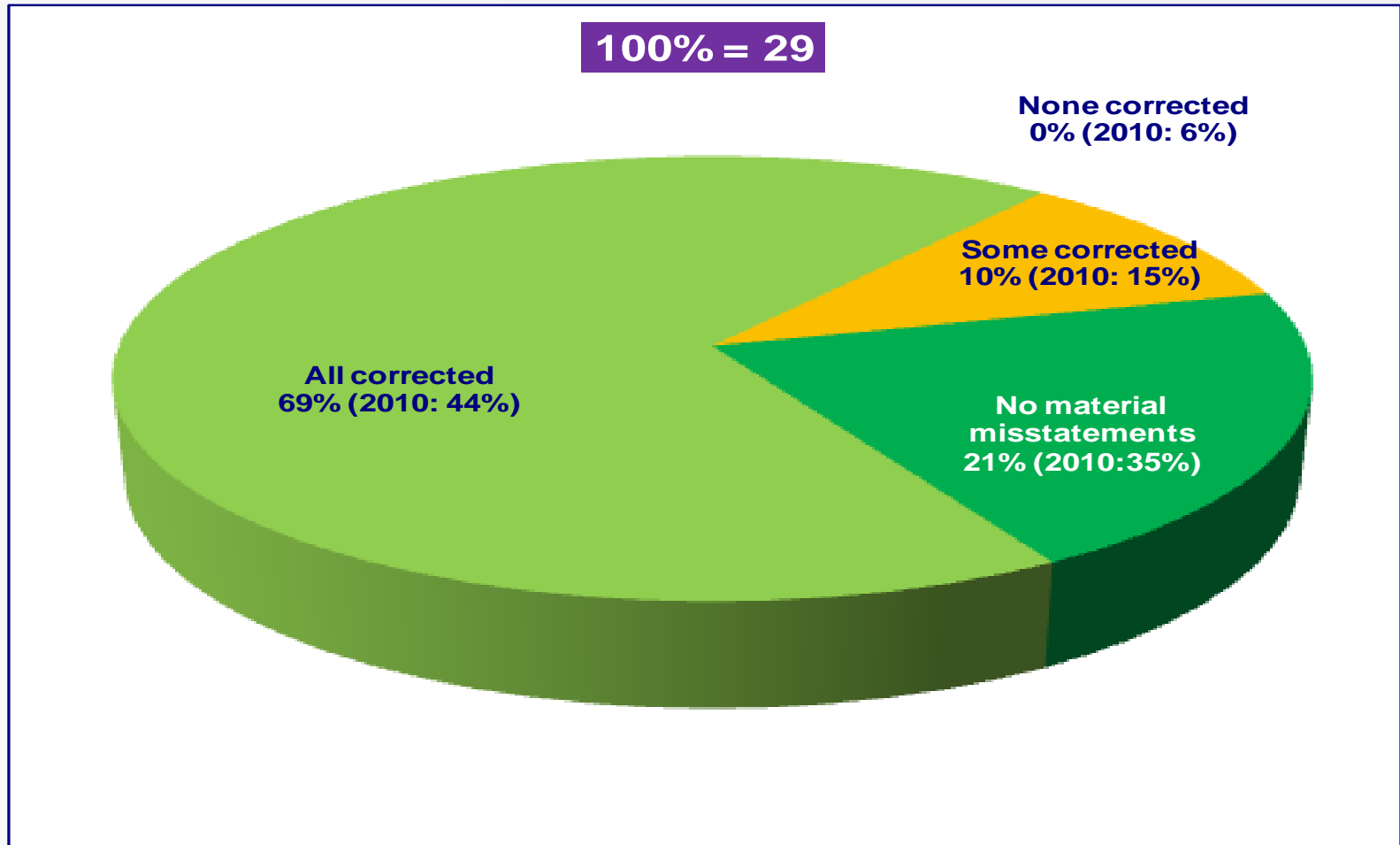
*** The Overstrand Local Economic Development Agency ceased to exist in 2009-10.



Audit outcomes MFMA – three year progress towards clean administration



Correction of material misstatements identified by auditors



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



Auditees with findings on compliance with laws and regulations

	Municipalities		Municipal entities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Auditees with no findings	2	4	0	2	2	6
	8%	14%	0%	50%	7%	18%
Auditees with findings	24	25	3	2	27	27
	92%	86%	100%	50%	93%	82%
Total number of auditees reported on	26	29	3	4	29	33



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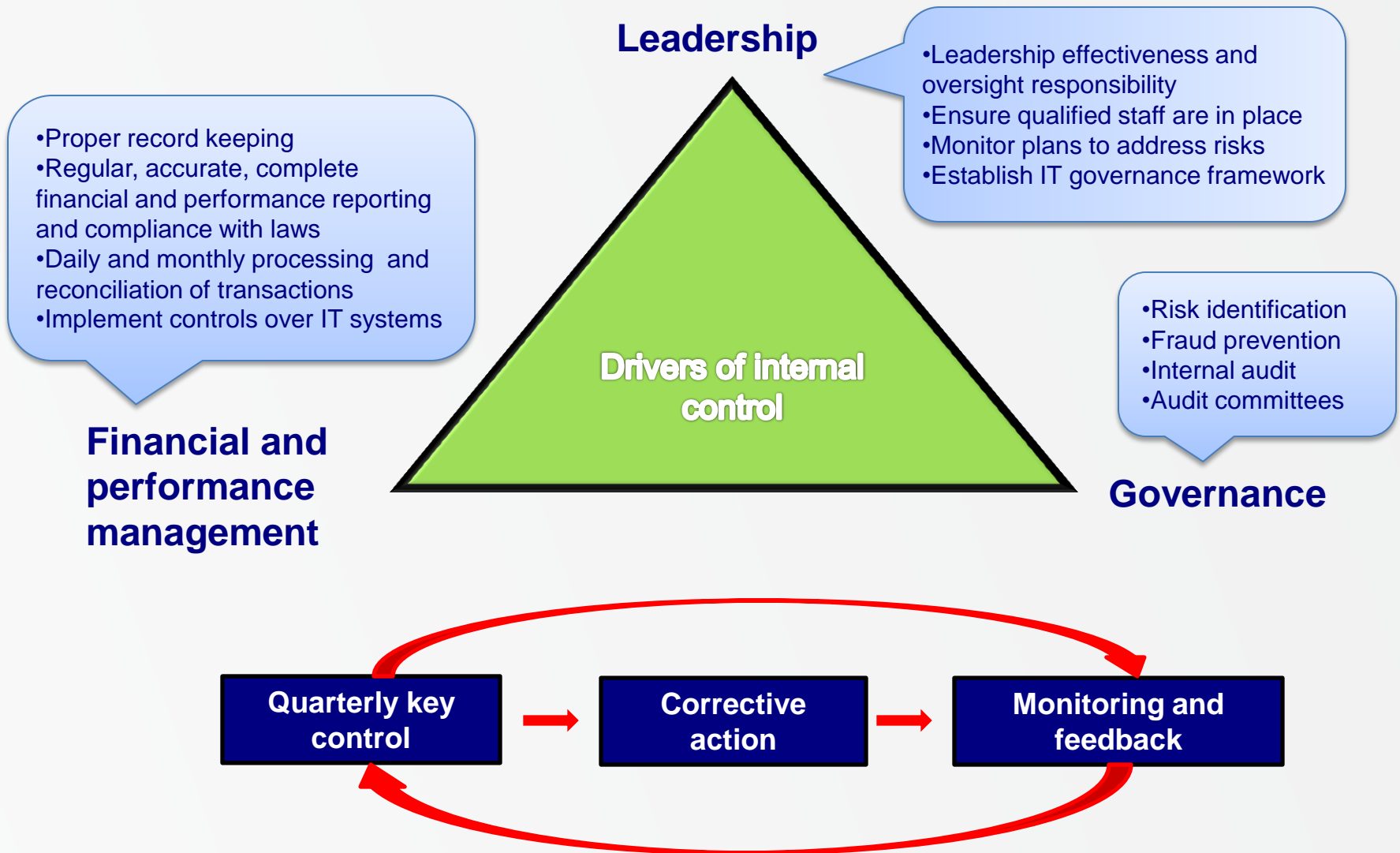


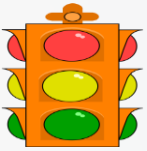
Benefits of effective internal control

- Early identification and mitigation of critical risks
- Agreement as to which priorities are to be managed
- Cost savings through efficiency gains
- Identify and discourage irregularities
- Safeguard of assets and resources
- Effective operations – accurate, valid and timely information

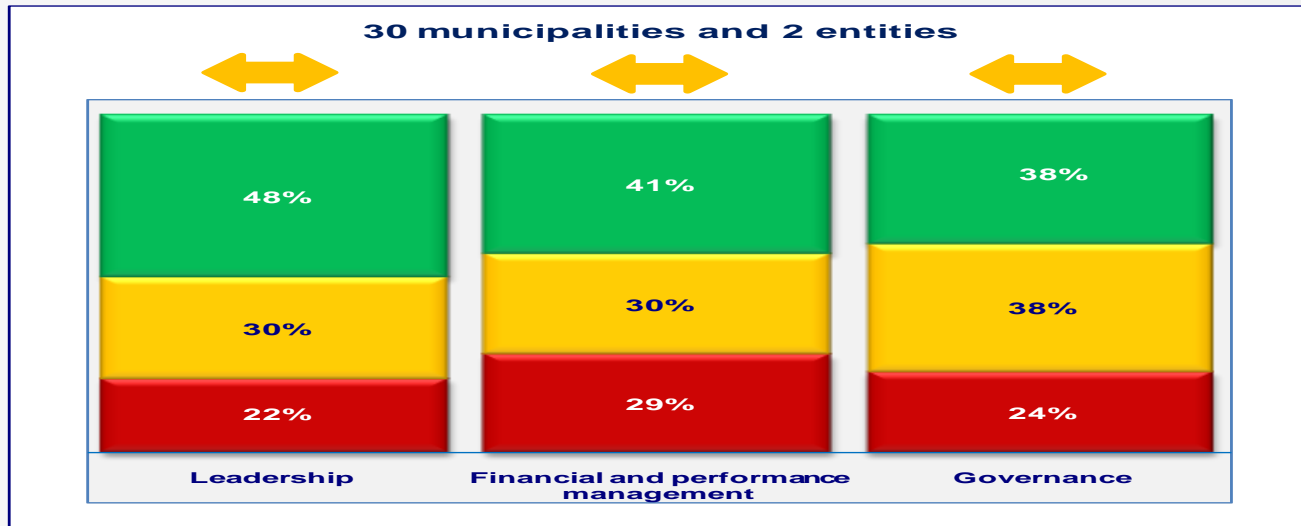
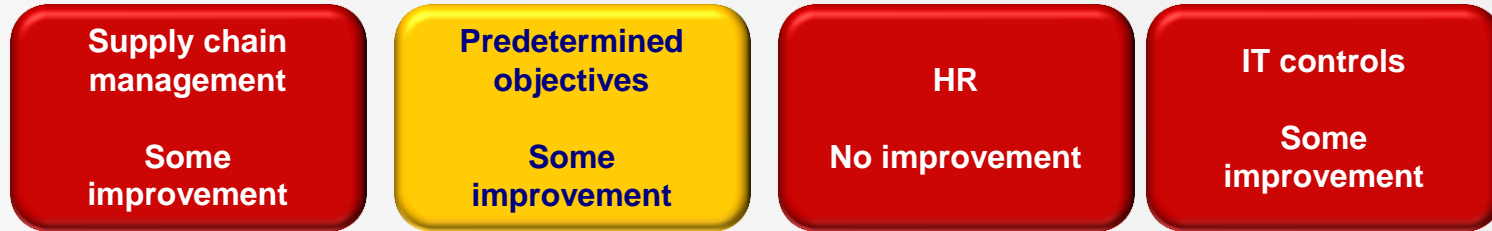


Overview key control process - Understanding drivers of internal control to influence clean administration





Highlights of MFMA concerns/ interventions



Mayors and Councillors need to take ownership of key controls

Lack of consequence for non-adherence/ lack of accountability
 Unqualified with findings audit opinions have become the norm

Instability at Municipal Manager/CFO levels impacted on implementation of action plans and reforms.
 Opportunity for implementation of reforms related to skills and minimum competencies.

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Preparation for 2012-2013 MFMA Audit

- **Preparation of the Municipal Audit File – refer National Treasury MFMA Circular No 50**
- **Annexure B of the Engagement Letter : Client Assistance Schedule – Documentation required for planning purposes**
- **Annexure C of the Engagement Letter : Audit File information to support financial statements**
- **AG Strategic plan and initial engagements**
- **Guidance from PT**



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Emerging Risks and Way forward



Emerging risks

- **GRAP Compliance**
- **Supply Chain Management**
- **Predetermined Objectives**



How can CFO's assist in moving the province from yellow to green

- Raising the importance of Clean Audit Outcomes as opposed to unqualified with findings
- Encourage the ownership of key controls assessment by management i.e. Self –assessment
- Support and encourage the creation of internal control units initiative by Provincial Treasury to assist the internal audit in providing credibility to the management self –assessment
- Encourage the provincial executive/mayors to regularly interact with audit committee to assess the credibility of the information provided by management including the management self assessment.
- Encourage provincial executive/majors to monitor the implementation of action plans arising from the management self assessment, internal audit reports and external audit report.



Financial sustainability areas to be considered

Operating results

- Categories of revenue, ability to fund operations
- Categories of expenditure, increases – how funded
- Operating deficits
- Unauthorised, irregular, fruitless and wasteful expenditure

Net worth

- Assets/liabilities
- Going concern
- Funding service delivery

Asset management

- Maintenance of infrastructure
- Impairment of assets
- Under spending of specific grants

Cash management

- Cash for unspent grants
- Cash to fund liabilities
- Creditor payment
- Debtor collection

