

THE EQUALITY COLLECTIVE EXPLAINS THE AUDITOR-GENERAL REPORT ON THE AMATHOLE DISTRICT MUNICIPALITY.

What is the Auditor-General of South Africa?

The Auditor-General of South Africa is a “chapter 9” institution mandated by law to audit and report annually on whether the South African government is using taxpayers’ money for the purposes intended. The institution is run by an Auditor-General (AG) who is appointed by Parliament for a fixed term of five to ten years.

What is the Auditor's MFMA 2020/2021 report?

Every year the AG audits all government departments, public entities, municipalities and public institutions and publishes reports based on the quality of financial statements, quality of performance reports and compliance with key legislation.

These reports also analyse the root causes that need to be addressed to improve audit outcomes.

The MFMA 2020/21 Consolidated General Report On Local Government Audit Outcomes is the latest report published by the AG.



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What do the audit outcome categories mean?

Financially unqualified opinion with NO findings (“clean audit”):

The financial statements and performance report provide transparent and credible information of the finances and performance of a municipality.

Financially unqualified opinion with findings:

The municipality has produced quality financial statements but not quality performance reports and/or did not comply with all key legislation.

Financially qualified opinion with findings:

The municipality has not produced quality financial statements and has not produced quality performance reports and/or did not comply with all key legislation.

Adverse audit with findings:

The financial statements produced by the municipality contain lots of problems and nothing has been done according to correct rules and procedures.

Disclaimed opinion with findings:

Means things were so bad, the municipality could not produce reliable evidence to support the financial statements, and the AG could therefore not even conclude or express an opinion on the credibility of the financial statements.

What was the 2020/21 audit outcome for ADM compared to previous years?

- 2020/21: **An adverse audit with findings**
- 2019/20: **An adverse audit with findings**
- 2018/19: **Disclaimed opinion with findings**
- 2017/18: **Financially qualified opinion with findings**
- 2016/17: **Financially qualified opinion with findings**



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What are the five key findings in ADM?

- 1** ADM's adverse audit in 2020/21 means the municipality's financial statements included a lot of incorrect information that the AG could not rely on which led to the AG disagreeing with virtually all the amounts and disclosures in the financial statements
- 2** ADM has been under administration since January 2021. This means it had become so dysfunctional that the provincial government had to step in to restore governance, financial management and service delivery
- 3** Irregular expenditure is not necessarily wasted money or fraudulent, but refers to expenditure not incurred in the manner prescribed by legislation. ADM irregular expenditure amounted to R39.2 million in 2020/21, **an improvement from 2019/20**
- 4** Fruitless and wasteful expenditure refers to expenditure that could have been avoided had reasonable care been taken. This amounted to R7 million in ADM in 2020/21, **worse than the previous period**
- 5** Unauthorised expenditure is expenditure incurred without provision having been made for it in the approved budget. ADM had no unauthorised expenditure in 2020/21, **an improvement from the previous period.**



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