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Providing political leadership ... Premier Ace Magashule has promised to step up governments efforts to support struggling municipalities

The Free State premier Ace Magashule has stepped up efforts to ensure that municipalities improve their financial management and achieve clean audits

In the wake of a bleak report by the Auditor-General, Terrence Nombembe, regarding the state of financial management in the Free State municipalities, the provincial government has pulled out all stops to make sure all municipalities achieve clean audits by 2014.

Nombembe released a damning report last week, which painted a bad state of financial management in numerous South African municipalities. Only 155 out of 283 municipalities were able to achieve clean audits with no Free State's municipalities receiving a clean audit.

The Auditor-General found that there was non-adherence to procurement procedures and that poor management of documentation was rife in most municipalities in the province.

Other challenges include supply chain management, reporting on predetermined objectives, information technology controls and the quality of financial statements that are submitted for auditing.

However, Nombembe indicated that there have been vast improvements in five district municipalities, and the Nketoana Local Municipality received unqualified audit opinions. Maluti-a-Phofung Water has also improved its audit outcomes, from a disclaimer to a qualified audit opinion.

The provincial government, led by Premier Ace Magashule, is now stepping up its intervention efforts, and has called on Mayors to take political accountability on matters of financial management in their municipalities.

The Weekly

There are already several measures in place to deal with issues of financial management in the province.

The measures are jointly coordinated by Magashule's office, provincial treasury and the department of cooperative governance and traditional affairs (COGTA). They consist of a municipal improvement programme where financial experts have been deployed to struggling municipalities to assist with financial management issues.

At The New Age breakfast this week, Magashule said the provincial government will continue to recruit top experts to work in municipalities. He pointed out that the provincial government has already deployed senior and highly skilled people to work in the struggling municipalities.

"We have recruited chartered accountants from everywhere including the private sector and the auditor general's office to work in municipalities and the provincial government," said Magashule. He said the provincial government is going to strengthen political oversight over municipalities as far as financial management is concerned.

According to Magashule, the biggest problem facing many municipalities in the country is the lack of a sustainable revenue base making it difficult for them to survive.

Several experts and government officials including retired provincial Auditor-General, Ben van Niekerk, have consequently been deployed to Kopanong, Mohokare, Moqhaka, Metsimaholo, Maluti-a-Phofung, Nala, Naledi, Letsemeng, Phumelela, Tswelopele, Nketoane, Tokoloho, Setsoto and Ngwathe Local Municipalities.

Some have already been dispatched to Nala, Matjhabeng, Naledi, Mohokare, Setsoto and Phumelela Local Municipalities to provide general management support.

"We have a lot of municipalities which are not viable. Even if you can put me there, a minister or Director General (DG), there is not much we can do. There is no revenue base because the residents in these municipalities are too poor to pay rates and taxes. These municipalities cannot do anything.

They are not supported, that is how our province, our country was planned and developed. We have a situation where poor municipalities were clustered together during demarcation and this has created a major problem," said Magashule.

He made reference to the Xhariep District Municipality as one of the poorest districts that struggle to survive due to a low revenue base. The Executive Mayor of Kopanong Local Municipality, Xolile Matwa, agreed with Magashule's sentiments. Matwa told The Weekly that the challenge in his municipality is that most of its citizens are indigent and they depend on government social grants.

He said unemployment was rife and that the municipality cannot collect enough revenue to sustain itself. However, he further highlighted that the municipality is bolstering its capacity to deliver basic services to its people.

"We have appointed a new chief financial officer (CFO), Phakiso Mekhoe after our former CFO died in a fatal car accident. Mekhoe has extensive experience in financial management issues having worked at the office of the Auditor-General. We are confident that our financial reporting will improve and ultimately we will achieve a clean audit outcome," said Matwa. He said the municipality has been dogged by various financial management challenges.

"The lack of supporting documents during financial reporting and compliance control is amongst the challenges that contributed to the poor audit outcome in our municipality."

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Mekhoe said the lack of experienced financial staff and the shortage of qualified staff are the major contributors to the problem. He said there was also a challenge in the lack of adherence to the supply chain management policies, and that there was also a need for a GRAP system, which is a compliant asset register for effective asset management.

“There is a need to have our own qualified person who will handle our financial statements because employing an agency from outside hinders the correct and timely processes of reporting. I also feel that issues that rise should be addressed within that same financial year.”

Kopanong is already benefitting from Cogta and Treasury interventions that seek to help municipality to improve their financial reporting.

“We have already appointed a company that is going to help us with the GRAP compliant assets register. The department of treasury has opened a supply chain unit which advises us on many issues,” added Mekhoe.

COGTA is also working towards ensuring that municipalities eliminate material errors and do not omit any information in their annual financial statements. Recommendation have been made that the municipalities need to take into consideration the limitations set around accounting, budget, financial reforms and other laws and regulations. In addition, COGTA believes financial management compliance in municipalities is an on-going process.

“Municipalities need enough time to successfully adapt to these reforms and will in-time need to comply. The challenge is that while municipalities are catching up with one set of reforms, other reforms are introduced which places considerable stress on administrative and governance systems to comply with,” stated COGTA.



Committed to accountability ... The Executive Mayor of Kopanong Local Municipality, Xolile Matwa says his municipality is fixing its finances



Ready to assist ... Auditor General, Terrence Nombembe has offered to assist municipalities to improve their audit control processes