

Clean audits are a cornerstone in municipal service delivery

Speech by **Wendy Alexander MP, DA Additional Member on the Standing Committee on Finance**

Municipalities are accountable for all expenditures and all the revisions available to them under the fiscal framework.

More and more municipalities must be resourceful in generating their own revenue, particularly, due to the constrained fiscal environment in this stagnating economy.

The constitutional mandate for local governments calls upon them to ensure that municipalities embody the principles of democracy and accountability while guaranteeing sustainable service delivery to communities. Moreover, local government should play a vital role in fostering economic growth and societal development, creating a safe and healthy environment for all.

At the same time, it is imperative to encourage active community involvement in matters that impact local government, fostering a collaborative approach to governance.

In South Africa, only 16% of the 257 municipalities have been given a clean audit by the auditor general for the 2021-22 financial year, highlighting a concerning regression in the overall standard of financial management within the country over the past five years.

The importance of clean audits cannot be overstated; they serve as the cornerstone to the municipalities towards deliver much-needed services to communities and spend scarce public resources prudently which is seen to improve citizens' lived experiences.

As the saying goes, the proof of the pudding is in the eating, and according to the Auditor-General, 73% of municipalities in the DA-run Western Cape received clean audits that is 22 out of 30, compared to 19% within the eight ANC-run provinces. That is not even a pass rate in South African basic education terms.

And the shining star in Gauteng is the DA-run Midvaal received its eighth consecutive clean audit. The result of a clean audit is that public money is spent on the public, so things work, people feel confident to invest in the future, and jobs are created.

Which we saw just the other day, that when it came to job creation the DA-run Western Cape, created 167 000 new jobs this is in contrast to the rest of the country who only managed to create a meagre 2 000 new jobs.

There are a number of revenue growth suggestions for local government which includes, improved revenue collection, public education, improved accountability, recruitment of qualified personnel, reducing corruption just to name a few.

Now the list I just provided is all in vain if municipalities are trading recklessly and sadly many entities within municipalities are trading recklessly in terms of section 22 of the Companies Act.

act. This act prohibits reckless trading and touches on the criminality of companies trading in such a manner.

Section 22 further goes on to state that a company cannot carry on its business recklessly, with gross negligence, with the intent to defraud any person.

But year in and year out we see similar reports from the auditor general on the financial health of local municipalities.

Gross dereliction of duties has finally caught up with some private companies that have not taken their fiduciary duties seriously.

Likewise, municipal entities need to take their duties seriously or they too should face the prospect of being declared delinquent.

Often, becoming a director is not taken with the gravitas it deserves. Some people believe that sitting on a company board provides them with a chance to pick up a large remuneration without having to do too much work and more importantly without understanding the duties and responsibilities associated with that position.

The Zondo Commission has done tremendous work in uncovering the systemic corruption which has plagued South Africa's organs of state.

We need to seriously reflect on the proposals for municipal revenue growth balanced alongside equipping our local governments with capable directors, government officials, and politicians.

Since 2007/08, government debt has risen from R577 billion to R4 trillion. Due to volatile financial markets, which have pushed interest costs higher, the cost of repaying this debt will be almost R6 billion higher than expected in February 2022.

Service delivery at the local level is currently being impacted by the cost of repaying debts, which detracts from the government's primary responsibility to provide essential services to its citizens. Instead of accumulating further debt and increasing servicing costs, the focus should be on addressing these obligations and ensuring the efficient delivery of public services.

