

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2986 [NW3491E]
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2986. Mr M Waters (DA) to ask the Minister of Finance:

With reference to his reply to question 2470 on 28 July 2015, what is his position on the (a) quality and (b) reliability of the Auditor-General's audit, given that he missed (i) R819million in irregular expenditure that was reported to the National Treasury and (ii) R7,2billion in irregular expenditure that was concealed from the Ekurhuleni Metropolitan Municipal Council?

NW3491E

REPLY:

Section 3 of the Public Audit Act (hereinafter referred to as "PAA") provides that the Auditor-General (hereinafter referred to as "AG"):

- Is the supreme audit institution in the Republic;
- Has full legal capacity, is independent and is subject only to the Constitution and the law, including the PAA;
- Must be impartial and must exercise the powers and perform the functions of the office without fear, favour or prejudice; and
- Is accountable to the National Assembly.

From the above, it is abundantly clear that the AG is an independent institution which performs its functions in terms of the PAA and is accountable to the National Assembly. It would therefore be appropriate for this question to be addressed to the National Assembly or the AG directly.

The Municipal Finance Management Act (hereinafter referred to as the "MFMA") places the responsibility on a municipality to disclose information correctly and to ensure that there is transparency when it comes to the financial affairs of the municipality. Specifically, section 61(1)(a) of the MFMA places a fiduciary responsibility on the accounting officer to act with fidelity, honesty, integrity and in the best interest of the municipality in managing its financial affairs. Section 122(1) of the MFMA also provides that every municipality and every municipal entity must prepare annual financial statements (AFS) for each financial year which amongst others, disclose the information required in terms of sections 123, 124 and 125 of the Act. Section 125 (2)(d) of the MFMA requires the municipality to disclose particulars in the notes to its AFS of "any material losses and any material irregular or fruitless and wasteful expenditures, including in the case of a municipality, any material unauthorised expenditure, that occurred during the financial year, and whether these are recoverable." From the legislation it is clear that the responsibility to make the necessary disclosure vests with the municipality and any non-disclosure of material amounts in the AFS should be explained by the municipality concerned.