

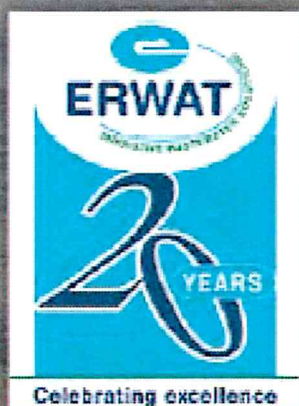


# Government Digest

*Umsebenzi*  
Keeping you informed

**Metrobuild**  
Promoting Infrastructure and Development

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## Mass appraisal standards to remedy undervaluations

By: Janet Channing

**T**here's a growing tendency by municipal valuers to undervalue properties for the purposes of municipal rating – sometimes by as much as 70%. Why does this happen and what can be done about it?

Municipalities and their appointed valuation service providers have a responsibility to deliver accurate market values within their valuation rolls. Ben Espach of Rates Watch indicated that a study into residential values for the City of Johannesburg revealed undervaluations/inconsistencies in certain areas of as much as 70%. Why are some municipalities' valuations so far off?

One reason is late project start dates. General valuation projects are big undertakings, so delayed project starts can lead to timing

bottlenecks and possible compromises in the quality of the valuations.

Another is sales research and market reports – which are critical to support the municipality's own internal review of the values determined by the valuer – being delivered as part of the project close-out, or sometimes even being completely overlooked.

A third is poor value review, with draft valuation rolls being submitted too late for consultative review.

Finally, there's the issue of municipal capacity to support the implementation and maintenance of the Municipal Property Rates Act.

Importantly, municipalities can't attempt to counter a substandard valuation roll by simply

applying punitive discriminatory rate tariffs to certain categories of properties – the entire valuation roll must be accurate from the start.

To enable this, municipalities must plan well and take care to accommodate the lengthy procurement processes. The market research and sales review should be conducted at the start of the project and consolidated throughout the roll preparation period. Municipalities should call for early submission of draft valuation rolls, so that a consultative valuation review can be done by the appointed roll review panel including local property practitioners. Municipalities must ensure that structured skills transfer to municipal officials is included within the appointed valuer's scope of work in order to reduce the future dependency of the municipalities on external service providers.



Janet Channing

## KwaZulu-Natal on course to achieve clean audits

**C**ooperative Governance and Traditional Affairs MEC, Nomusa Dube, has heaped praise on the leadership of uMtshezi Municipality (Estcourt) following their achievement of a clean audit outcome for two years in a row.

In terms of the Auditor-General's audit report for the year 2011/2012, which was handed to the province's municipalities today, uMtshezi has achieved a clean audit.

This municipality was among the five municipalities that were given a clean bill of health by the A-G in respect of the 2010/2011 audit report.

MEC Dube has also noted that the Indaka Municipality, which has been repeatedly

receiving a qualified audit, has now improved to an unqualified audit outcome.

However, MEC Dube has expressed disappointment at the poor performance of other municipalities, but has, in the same breath, said the negative audit performance by other municipalities has given the government an opportunity to draw lessons that ensure that in the future all municipalities can perform positively.

In an attempt to immediately address the weaknesses that have led to the poor audit outcomes, MEC Dube is convening an urgent meeting with all the province's mayors, municipal managers and CFOs, details of which will be announced this week.

The AG's report indicates that for the 2011/2012 financial year:

- 45 municipalities have received unqualified audit reports compared to 47 last year;
- Eight municipalities received qualified;
- Seven municipalities have received disclaimers;

The poor performance by municipalities can be attributed to the following factors in our view:

- The year in questions was characterised by the change of guard in the leadership of municipalities since the 2011 local government elections;
- This period also coincided with the expiring of contracts of Municipal Managers and some Chief Financial Officers, which created a vacuum and compromised proper decision-making;
- The province is generally still faced with the shortage of the senior financial management skill, which is a key essential if municipalities are to achieve clean audits;

"Noting the above factors as having contributed to the poor performance, we will, however, draw lessons. Now that we have realised that we encounter weaknesses each time there is a change of leadership due to local government elections, we will now come up with measures to avert such a situation. We are to enhance our efforts to beef up financial prudence in municipalities," says MEC Dube.



Cooperative Governance and Traditional Affairs MEC, Nomusa Dube