



## **ADDITIONAL MEDIA INFORMATION (Provincial highlights)**

### **Eastern Cape MFMA 2012-13 audit outcomes highlights**

- Eastern Cape has two metropolitan municipalities, six district municipalities, 37 local municipalities and 10 municipal entities. Fifty-two auditees (95%) submitted their financial statements (AFS) for the 2012-13 financial year for audit within the prescribed timelines, while Makana, Ngqushwa and Sundays River failed to do so. However, the financial statements submitted by most municipalities were again of poor quality, resulting in an unacceptable high level of material audit adjustments needed to produce credible financial statements.
- Only Elundini and Senqu municipalities, both located in the Joe Gqabi district, submitted financial statements that were free of material misstatements. Only 23% of auditees prepared and submitted reliable and useful performance information that was supported by an adequate audit trail.
- The overall total expenditure of the Eastern Cape municipalities amounted to R37,4 billion for the 2012-13 financial period. This amount is made up of R6,6 billion for payroll costs, including councillors, R26,1 billion for goods and services and R4,7 billion in capital expenditure. Two Eastern Cape metros accounted for 42% of total expenditure.
- As in past years, the Eastern Cape 2012-13 outcomes for municipalities reflect no unqualified audit opinion with no material findings on the quality of the annual performance report or compliance with legislation (also known as a “clean audit”). Overall, the Eastern Cape MFMA 2012-13 audit outcomes reflects nine (9) improvements. Chris Hani, Baviaans, Camdeboo, Inkwanca and Nxuba improved from adverse/ disclaimer to qualified, while Amahlati, Engcobo, Nyandeni and Tsolwana improved from qualified to unqualified with other matters. In contrast, Mnquma regressed from unqualified to qualified, while Gariep and Mhlontlo regressed from qualified to adverse and disclaimed, respectively.
- At district level, Joe Gqabi, Cacadu and Amathole are district municipalities that led by example with an unqualified opinion with limited findings on compliance, while OR Tambo and Alfred Nzo districts remain a serious concern, receiving disclaimers for the sixth year.
- Irregular expenditure reported on increased significantly from R2,2 billion in the previous year to R3,3 billion during the year under review. R3,2 billion of this amount constitutes irregular expenditure incurred due to non-compliance with supply chain management legislation and other applicable regulations. This includes awards made to suppliers in which officials of other state institutions, employees and councillors of the auditees had an interest. While in most cases (except for R717 million of the irregular expenditure which we could not audit due to lack of documentation) goods and services were delivered, it was impossible to confirm whether value for money was received. Irregular expenditure reported merely indicates that provisions of the legislation, which may include provisions aimed at ensuring that procurement processes are competitive and fair, were not adhered to.

- The province reflects a concerning picture on the drivers of the internal control environment, which is underpinned by a lack of commitment by political and administrative leadership to respond swiftly to our messages, a lack of policies, procedures and controls for document management, the absence of daily and monthly financial controls such as transactions and registers being processed, reviewed and reconciled, as well as poor monitoring of compliance with legislation.
  
- With regard to the financial health of municipalities, 12 (28%) had material going concern uncertainties that may have a significant impact on the financial sustainability of their day-to-day operations, while 84% of the municipalities in the province had difficulty in recovering their outstanding debt which could lead to difficulty in rendering services.

### List of auditees with clean audits.

Auditee	Province	District municipality	Movement
Mandela Bay Development Agency	EC	Nelson Mandela Bay Metro	Improved
Sedibeng District	GP	Sedibeng District	Improved
Johannesburg Fresh Produce Market	GP	City of Johannesburg Metro	Unchanged
Johannesburg Social Housing Company	GP	City of Johannesburg Metro	Unchanged
Durban Marine Theme Park (Pty) Ltd	KZN	eThekweni Metro	Unchanged
Msingwa	KZN	uMzinyathi District	Improved
Ntambanana	KZN	Uthungulu District	Improved
Okhahlamba	KZN	uThukela District	Improved
Ubuhlebezwe	KZN	Harry Gwala/ Sisonke District	Improved
uMhlathuze	KZN	Uthungulu District	Improved
uMzimkhulu	KZN	Harry Gwala/ Sisonke District	Improved
Uthungulu District	KZN	Uthungulu District	Improved
Ehlanzeni District	MP	Ehlanzeni District	Unchanged
Steve Tshwete	MP	Nkangala District	Unchanged
Swartland	WC	West Coast District	Unchanged
Theewaterskloof	WC	Overberg District	Improved
West Coast District	WC	West Coast District	Unchanged
Witzenberg	WC	Cape Winelands District	Improved
ZF Mgcawu District	NC	ZF Mgcawu District	Improved
Langeberg	WC	Cape Winelands District	Unchanged
Breede Valley	WC	Cape Winelands District	Improved
Cape Town International Convention Centre	WC	City of Cape Town Metro	Improved
City of Cape Town Metro	WC	City of Cape Town Metro	Improved
George	WC	Eden District	Unchanged
Knysna	WC	Eden District	Improved
Mossel Bay	WC	Eden District	Unchanged
Overstrand	WC	Overberg District	Improved
Safe City Pietermaritzburg	KZN	Umgungundlovu District	Unchanged
uThungulu House Development Trust	KZN	Uthungulu District	Unchanged
uThungulu Financing Partnership	KZN	Uthungulu District	Unchanged