



ADDITIONAL MEDIA INFORMATION (Provincial highlights)

Free State's MFMA 2012-13 audit outcome highlights

- Free State has one metropolitan municipality, four district municipalities, 19 local municipalities and three municipal entities. The Nala municipality's financial statements were received too late for inclusion in the general report. Of the 26 auditees, 23 (88%) submitted their financial statements for the 2012-13 financial year within the prescribed timelines. All (100%) the financial statements and annual performance reports submitted for audit purposes contained material misstatements.
- Overall, the Free State continued on its journey, reflecting again a steady but slow year-on-year improvement in audit outcomes.
- It is of concern that there is no relationship between the decline in the number of disclaimers and the status of key controls, which raises questions regarding the sustainability of audit outcomes.
- Although government committed to clean audits by 2014, there has been a lack of progress in achieving clean audits in the Free State Province as no auditee in the province managed to do so.
- The audit outcome for Maluti-a-Phofung Water improved from a disclaimer to an unqualified opinion with findings on predetermined objectives and compliance with legislation.
- The audit outcomes for Centlec and the Mohokare and Kopanong municipalities improved from disclaimers to qualified opinions.
- These improvements in audit outcomes can be attributed to the mayors enhancing oversight and management responding timeously.
- The audit outcome of Xhariep District Municipality regressed from unqualified with findings to a qualified opinion.
- Mafube, Maluti-a-Phofung, Matjhabeng, Moqhaka, Naledi, Ngwathe and Phumelela have continuously received disclaimers/ adverse opinions for at least the past five years. Serious intervention is needed at these municipalities. Mantsopa has been receiving a disclaimer of opinion for the past two years, after regressing from a qualified opinion.
- The overall total expenditure for the Free State auditees amounted to R15,7 billion for the 2012-13 financial period (2011-12: R17,3 billion). This amount is made up of R3,3 billion (2011-12: R3 billion) for payroll costs (including councillors), R10,2 billion (2011-12: R11,1 billion) for goods and services and R2,2 billion (2011-12: R3,2 billion) in capital expenditure. The metro accounts for 22% (2011-12: 21%) of the total expenditure. As a result of the poor control environments, the quality of financial information submitted for audit remained poor despite an investment in consultants of R114 million (2011-12: R110 million) made by the auditees and the Department of Cooperative Governance and Traditional Affairs.

- Overall, there was a reduction in irregular expenditure reported to R1,060 billion compared to R1,193 billion in the prior year. Of the R1,060 billion, R1,039 billion 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 in respect of R287 million of expenditure which we could not audit due to lack of documentation) goods and services were delivered, but 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. There has been an improvement in identifying irregular expenditure which is attributable to better detection processes being implemented by municipalities; however, of concern is that there has been no improvement in the prevention of irregular expenditure.
- There has been little improvement in the number of auditees that improved their financial health since the previous year. The following areas of concern have been identified in terms of the financial health and service delivery of municipalities:
 - The net current liability position of the local municipalities (excluding the districts municipalities and entities) that are primarily responsible for service delivery is R2 billion.
 - Financial pressure is created by the fact that it takes local municipalities an average of 583 days to collect amounts owed to them, but payments are made to creditors within an average of 190 days, a period that is almost three times shorter.
 - To compensate for this negative cash flow some municipalities have resorted to using conditional grants to fund operating activities, which is indicative of a 31% decline in capital expenditure.

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
Msinga	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