



ADDITIONAL MEDIA INFORMATION (Provincial highlights)

KwaZulu-Natal's MFMA 2012-13 audit outcomes highlights

- KwaZulu-Natal has one metropolitan municipality, 10 district municipalities, 50 local municipalities and 11 municipal entities. All 72 auditees submitted their financial statements for the 2012-13 financial year within the prescribed timelines. Twenty-one per cent (21%) of the auditees submitted financial statements that were free from material misstatements. Forty-six per cent (46%) of the auditees prepared and submitted reliable and useful performance information that was adequately supported.
- The overall total expenditure for the KwaZulu-Natal's municipalities amounted to R47 billion for the 2012-13 financial year. This amount is made up of R10,8 billion for payroll costs (including councillor remuneration), R29,7 billion for goods and services and R6,5 billion in capital expenditure. The metropolitan municipality accounts for 51% of total expenditure.
- Overall, KwaZulu-Natal's MFMA 2012-13 audit outcomes improved compared to the previous year. Nineteen (26%) municipalities improved their audit opinions compared to the previous year whereas six municipalities and two municipal entities had regressed since the previous year.
- Seven (10%) municipalities and four (6%) municipal entities received a financially 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"). The seven municipalities progressed from unqualified with other findings in the previous year, while the four municipal entities retained their prior year clean audit status.
- Forty municipalities (56%) were unable to improve on their prior year audit opinions, which remained unchanged. Thirty-seven (51%) municipalities were again financially unqualified with findings. Hlabisa Municipality and Newcastle Municipality retained qualified opinions and Uthukela District Municipality again received a disclaimer.
- Overall, irregular expenditure increased by 14% and was reported at R1,78 million compared to R1,56 million in the previous year. The R1,78 million 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 R103 million of 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 drivers that support these positive outcomes include commitment displayed by both political and administrative leadership together with oversight role players to monitor progress on action plans to

address audit findings. Additionally, key drivers that contributed included the performance of detailed reviews and reporting to council on the quality of financial and performance reports as well as the institutionalisation and continuous monitoring of the basics of daily and monthly controls. The timely implementation of commitments made in the previous year by the key role players and support and assistance from cooperative governance and traditional affairs and the provincial treasury, where vacancies and skills deficiencies were prevalent, also influenced the positive outcomes. The assurance provided by key role players, largely management and leadership, has decreased since the previous year, hence their efforts on assurance need to be amplified.

- Our analysis of financial health showed that the number of municipalities experiencing going concern problems had increased, together with poor cash flow and debt management and underspending on capital budgets and conditional grants. Fiscal discipline to improve liquidity and ensure excellence in debt administration and cash flow requires a coordinated effort from financial and performance management units at municipalities.

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