



## ADDITIONAL MEDIA INFORMATION (Provincial highlights)

### Mpumalanga's MFMA 2012-13 audit outcome highlights

- ✓ Mpumalanga has three district municipalities and 18 local municipalities. All 21 auditees submitted their financial statements and annual performance reports for the 2012-13 financial year for auditing within the prescribed timelines.
- ✓ The overall total expenditure of Mpumalanga municipalities amounted to R11,7 billion for the 2012-13 financial period. This amount is made up of R3,2 billion in payroll costs (including councillors), R6,4 billion for goods and services and R2,1 billion in capital expenditure.
- ✓ Overall, Mpumalanga's MFMA 2012-13 audit outcomes have regressed compared to the previous year.
- ✓ Stability in both the political and the administrative leadership at the Ehlanzeni District Municipality and the Steve Tshwete Local Municipality resulted in these municipalities maintaining their financially unqualified audit opinion with no material findings on the quality of the annual performance report or compliance with legislation (in other words, a 'clean audit') over the past four years.
- ✓ Considerable attention and effort dedicated to prior year qualification areas resulted in improvements at the Lekwa and Nkomazi local municipalities from disclaimed to qualified opinions with findings on compliance and performance reporting.
- ✓ Instability in leadership and a lack of competencies resulted in a failure to implement and monitor basic financial disciplines and action plans to address audit findings. These, in turn, weakened the internal control environment, resulting in unfavourable audit outcomes. This was especially the case at Bushbuckridge, Emalahleni, Msukaligwa, Mkhondo and Thaba Chweu, which all received disclaimed audit opinions.
- ✓ All municipalities had internal audit units, audit committees and municipal public accounts committees, but the failure of municipalities to implement their recommendations impacted on the assurance provided by these governance and oversight structures.
- ✓ Poor record keeping and inadequate monitoring of consultants, among other things, had a negative impact on the audit outcomes of municipalities that engaged consultants.
- ✓ Support provided by the coordinating departments to struggling municipalities did not yield the desired results as such support was not adequately coordinated and monitored. Municipalities under administration or where coordinating departments intervened failed to improve their audit outcomes due to the late introduction of these interventions.

- ✓ The leadership in the province undertook to strengthen the capacity of the coordinating departments to improve the quality of their interventions at struggling municipalities.
- ✓ Overall, there was a significant increase in the irregular expenditure reported, from R248 million in the prior year to R617 million in the current year. The R617 million constitutes irregular expenditure incurred due to non-compliance with supply chain management legislation and other applicable regulations. This includes awards to suppliers in which officials of other state institutions or employees and councillors of the auditees had an interest. While in most cases (except in respect of irregular expenditure of R242 million that we could not audit due to a lack of documentation) goods and services were delivered, it was not possible to confirm whether value for money was received. The reported irregular expenditure merely indicates that provisions of legislation were not adhered to, which may include provisions aimed at ensuring that procurement processes are competitive and fair.
- ✓ While the municipalities are not in a financial health crisis, our analysis of financial health showed that some municipalities experienced financial difficulties. A viable intervention strategy is needed to stabilise liquidity concerns and prevent the municipalities from getting in the red zone. Two municipalities were put under administration during the year in terms of section 139 of the Constitution.

## 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
Ntambana	KZN	Uthungulu District	Improved
Okhahlamba	KZN	uThukela District	Improved
Ubuhlebezwe	KZN	Harry Gwala/ Sisonke District	Improved
uMhlatuze	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