



ADDITIONAL MEDIA INFORMATION (Provincial highlights)

North West's MFMA 2012-13 audit outcome highlights

North West has four district municipalities, 19 local municipalities and four municipal entities. All auditees submitted their financial statements for the 2012-13 financial year for audit within the prescribed timelines.

- These auditees spent R3,0 billion on employee costs (including councillor remuneration) and R9,6 billion on other operational expenditure (goods and services) during 2012-13. The total capital expenditure was R2,4 billion during this period.
- Overall, the audit outcomes for North West local government for the 2012-13 financial year remained unchanged with only six (22%) municipalities and entities receiving an unqualified opinion with findings.
- There were no clean audits in the province - clean audits are achieved by those auditees that are able to produce financial statements free from material misstatements and can measure and report on their performance in a manner which is useful and reliable and complies with key legislation.
- The majority of the audit outcomes still constitute modified opinions (22% qualified with findings and 56% disclaimer opinions), with 14 municipalities having repeat disclaimers for two or more years.
- These municipalities continue to struggle to provide sufficient supporting documentation for amounts in financial statements and the achievements they report in their annual performance reports due to lack of basic daily financial disciplines and internal controls and poor record management. This reflects a gross lack of accountability and transparency in the use of government resources.
- It is encouraging to note that the province has sustained its ability to submit all the financial statements within the legislated deadline after dealing with backlogged financial statements in 2012. However, the quality of these financial statements is still below the required standard mainly due to the vacancies or instability of key positions at the auditees or failure by officials in these positions to meet the minimum competencies prescribed.
- As in the previous year, there has been widespread use of consultants at these auditees to assist with the financial reporting due to the vacancies and lack of skills, but because of the status of the accounting records and internal controls at the auditees, this could not translate into improved audit outcomes.
- The responsibility of senior leadership at the auditees to deal with poor records management, institutionalising sustainable internal controls and daily financial disciplines that support reliable reporting, must be emphasised. Little progress has been made over the years in capacitating finance and other units with the right skills set and filling of key vacant positions in these units, an area which must be prioritised. It remains to be seen whether this ongoing assistance from consultants will translate into dealing with the underlying systemic issues and controls as well as the longer-term benefit of skills transfer.
- In 2012-13 irregular expenditure of R2 815,7 million was incurred by the auditees mainly due to non-compliance with supply chain management legislation over procurement processes. This amount included awards made to suppliers in which officials of other state institutions, employees and councillors of the auditees had an interest and furthermore included instances of uncompetitive and unfair procurement processes being followed. While in most cases, except in respect of R1 667 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 main reason for the pandemic lack of improvement in audit outcomes remains the senior leadership at the auditees not taking our messages seriously. The lack of commitment and resolve of mayors and management of municipalities remains a primary concern in the North West.
- Lack of consequences for continued transgression and failure to address prior year audit findings also played a major role – municipal managers, CFOs, mayors and councils should be held accountable for continued poor performance.
- These obstacles are evident in the province and the impact of not dealing decisively with these challenges is being felt in the form of poor outcomes, lack of service delivery and flagrant transgression of laws and regulations at municipalities. The willingness of the political leadership to intervene at the right levels has been the challenge.

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
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