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Office Of The Premier
PROVINCE OF KWAZULU-NATAL

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MEDIA STATEMENT

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STATEMENT BY THE PREMIER OF THE PROVINCE OF KWAZULU-NATAL FOLLOWING THE RELEASE OF THE GENERAL REPORT ON MFMA PROVINCIAL AUDIT OUTCOMES BY THE AUDITOR GENERAL MR TERENCE NOMBEMBE. BRIEFING HELD IN CABINET MEETING ROOM

We welcome members of the media to this media briefing.

We have convened this briefing following the release of the General report on the MFMA Provincial Audit Outcomes by the Auditor General Mr Terence Nombembe on the 23rd July 2012 (this Monday).

From the onset I want to state that we have been waiting for this report in anticipation and we are excited that it has been finally released by the Auditor General.

There are two main reasons why we are excited following the release of this report.

Firstly, it is a well-known fact that a clean bill of health not only attracts investors, but it also improves the public image of government. Some investors go as far as stating that financial information without an auditor's report is "essentially worthless" for investing purposes.

Secondly, as the provincial government we always want to see whether we are making progress towards achieving clean audit because, three years ago when we started this term of office, we launched Operation Clean Audit 2014. We stated categorically that all municipalities and provincial government departments must achieve unqualified audit opinions by 2014.

All members of the executive council, Heads of departments, Mayors and municipalities agreed on a need to provide leadership to ensure adherence to best financial management practices on a daily basis.

In addition, the provincial cabinet issued a firm directive that all government departments and municipalities must work with the AGs office on an on-going basis to detect early signs of administrative or financial distress.

Today we are glad to report that we have seen positive outcomes out of this approach. Some of the municipalities that were in financial crisis when we started this term of office have shown signs of recovery.

Importantly, we are making satisfactory progress in promoting a culture of effective risk management as we have established risk management teams that provide oversight in areas vulnerable to corrupt practices such as supply chain management units.

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For instance, following a directive of Cabinet, Treasury enforced the KZN Supply Chain Management policy compliance in all government departments and municipalities. This was aimed at identifying compliance levels on supply management processes by departments when procuring goods and services.

The compliance supply chain management assessment report is presented regularly to Cabinet and it provides a clear overview of the following:-

- Functioning of Supply Chain Management units
- Functioning of Bid Committees
- Number of bids/quotations issued and which were issued under emergency delegation and why?
- The number of bids appealed against and the outcomes of the appeals

We believe that our improved financial management will better enable this province to grow and prosper. In managing public money properly, we have demonstrated that we are ready to take charge of our future.

Our commitment is informed by the fact that the people of this province and the country as a whole demand greater transparency both in government and the private sector.

Progress at Achieving Clean Audit Outcomes by 2014

Now I want to turn my attention to the General report on the MFMA provincial audit outcomes as released by the Auditor General this week.

In the financial year ending 2012 the Province registered an overall net improvement. The Audit findings ending 30 June 2011 reflect as follows:

1. Five municipalities with clean audits
 - a. Umdoni
 - b. Richmond
 - c. Emadlangeni
 - d. Umtshezi; and
 - e. Umzinyathi District
2. Seven municipalities with qualified audit opinions
 - a. **Jozini which was a regression from the previous unqualified audit opinion.**
 - b. Amajuba District
 - c. Hlabisa
 - d. **Uthukela District which was a regression from the previous unqualified audit opinion.**
 - e. Umvoti
 - f. Newcastle; and
 - g. Edumbe which was an improvement from the previous disclaimer
3. Indaka Municipality received a disclaimer which was a **regression** from the adverse opinion of the previous year.

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4. Umkhanyakude District Municipality received an adverse opinion **regressing** from a qualified audit in the previous year.

Regression in the four municipalities is as a result of poor document management, insufficient financial resources, daily and monthly reconciliations not being done and poor asset management.

During the 2009/2010 financial year, inadequate financial controls were registered at a 60% level. There has been a significant improvement in the status with the current level at 18%.

However, continuous improvement measures, related to supply chain management by Provincial Treasury and DCoGTA, will bring those municipalities, that have regressed or whose status remains unchanged into a more favourable status.

Special emphasis will be placed on aspiring to effective supply chain practices and elimination of inadequate contract management and uncompetitive or unfair procurement processes. The over reliance on consultants is still a concern as the decrease from 92% to 90% utilisation rate reflects the need for management intervention.

At this stage, I want to reaffirm our commitment as Cabinet that we will continue to work with the AGs office to ensure good financial health status of all government departments and municipalities in this province.

We are calling on all mayors to continue to provide leadership in the fight against maladministration and any form of corruption. As leaders we must protect the most vulnerable members of our society who are affected by this scourge.

We will continue as the provincial government to promote integrity in all government departments and municipalities.

We are focusing strongly on individual consciences as opposed to relying on legislative and regulatory prescripts in our fight against corruption and maladministration.

We say “do right even when nobody is watching”.

I thank you

Issued by the Office of the Premier

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