

15 March 2024

FROM THE EXECUTIVE MAYOR'S DESK THIS WEEK:

- An improved audit outcome for the City of Tshwane
- Meeting our Johannesburg Stock Exchange commitments
- Budget preparation for 2024/25

An improved audit outcome but a lot of work still to be done

In the financial year ending June 2023, the City of Tshwane improved from an adverse audit to a qualified audit. We have corrected two of the three major findings that led to the 2022 adverse audit, namely cash flow and creditors. As I explained in my first State of the Capital Address in May 2023, the third major finding, the valuation and classification of assets, will take longer than one audit cycle to correct.

We have set out to restore systems and controls, to sharpen oversight and to produce better value for people's money – and the results are showing. The improved audit outcome sets the foundation for getting at least an unqualified outcome in this financial year ending June 2024, and eventually reaching the Cape Town standard of a clean audit in the years ahead. Much of the credit goes to a member of our new management team: Gareth Mnisi, our Chief Financial Officer. As I have said from the outset, reorienting the City towards a culture of performance and service will require a change of management.

There was some controversy over the delay in obtaining the audited financial statements. I want to make clear that this is not the fault of the Auditor-General. One of the reasons for the 2022 adverse audit was the poor preparation of the financial statements. In light of what happened in 2022, the City's Audit and Performance Committee recommended that we take more time to quality check the 2023 financial statements before submitting these to the Auditor-General.

The City Manager made our case to the Accountant-General at the National Treasury, and permission was duly granted to submit our financial statements on 30 November 2023 instead of 30 August 2023. A report explaining the decision was also submitted to Council. All this happened before the fact, so there was never any question of the City missing a deadline. The delay was a deliberate decision, properly authorised, informed by professional, independent advice and taken in the City's best interest.

The one mistake the City made was not informing the Johannesburg Stock Exchange (JSE) about the likely delay in publishing our audited financial statements. Because the City has raised a bond on the JSE, we are obliged to keep investors informed of price-sensitive information.

The delay in submitting financial statements is not a routine event, and so the necessary communication to the JSE was not on the City's checklist. But it should have been, and we are working with our sponsor Absa to avoid similar mishaps. We have received and accepted our rebuke from the JSE, and our commitment to them is to be far more diligent and careful in the handling of price-sensitive information.

We aspire to the Cape Town standard of improving services by investing in infrastructure, and so we must improve our credit rating to access much-needed financial support and loans. In the meantime, our audited financial statements have been published on the City's website. The Auditor-General report will be tabled at Council in due course. SENS announcements have been issued to this effect.

To govern a city, or a country, is to deal with the consequences of what happened in the past. This includes dealing with bad decisions made decades ago. The point is not to point fingers or to shift blame, but to break out of the pattern of failure in which the City and the country now are. Take waste water treatment plants for example, many of which reached the end of their lifespan in the late 1990s and early 2000s. This was the era of transformation, when the emphasis was on new projects instead of refurbishing existing infrastructure.

But there was an even more consequential policy: The focal point of national laws and municipal budgets was on who would benefit from the spending of public money, not what could we build to enable economic growth and development. A similar policy called cadre deployment drove appointments in the public service and municipal administrations. Today, the result is run-down infrastructure that leads to power outages and taps running dry, and a shortage of skills and professionalism in municipalities to deal with the crisis.

As we prepare a budget for the financial year beginning 1 July 2024, the mistakes of the past weigh heavily on the Mayoral Committee and the City's new top management team. We cannot change national laws. This can only be done by a national election. And we certainly cannot go back in time to spend more money on infrastructure or to prevent tenderpreneurs and deployed cadres from doing the damage they did. But we can make the best of the little that we have now.

This will involve new partnerships with the private sector in the form of agreements and projects that have not been conceived of before. Taking hands with the private sector and civil society does not mean that government abdicates its responsibility. The success of private partnerships depends on a minimum level of skill and integrity in government, including our City administration.



We further intend to roll out smart prepaid meters, source energy independent of Eskom and take hands with communities to secure infrastructure, which all depend on a capable state. As the City government, we are determined to build such a state – a capital city that works for all of its people.

Cllr Cilliers Brink
Executive Mayor of Tshwane

A City that works for all its people.