

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE SEDIBENG DISTRICT MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Sedibeng District Municipality which comprises of the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of comprehensive income, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the accounting officer's report as set out on pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, these financial statements present fairly, in all material respects, the financial position of the Sedibeng District Municipality for the year ended 30 June 2010 and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and in the manner required by the MFMA.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

9. As disclosed in note 31 to the financial statements, the corresponding figures for 30 June 2009 were restated as a result of an error discovered during the financial year ended 30 June 2010 in the financial statements of the Sedibeng District Municipality at, and for the year ended, 2009.

Unauthorised, fruitless and wasteful expenditure

10. As disclosed in note 43 to the financial statements, fruitless and wasteful expenditure to the amount of R322 000 was incurred due to a senior official receiving a motor vehicle allowance based on the public office bearer's remuneration act, while also having the use of a rented vehicle for the execution of her duties.
11. As disclosed in note 43 of the financial statements the municipality incurred unauthorised

expenditure in respect of the over-expenditure on employee costs and grants paid, amounting to R5 846 329 and R18 651 737, respectively.

Additional matter

12. I draw attention to the matters below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

13. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. As required by the PAA and in terms of General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations MFMA, Municipal Regulations (Regulations – GNR/GN), Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and Municipal Structures Act, 1998 (Act No. 117 of 1998), internal control and financial management (internal control).

Predetermined objectives

15. Material findings on the report on predetermined objectives, as set out on pages xx to xx , are reported below:

Inadequate presentation of reported information

16. The reported performance information to be included in the annual report was not presented in a simple, accessible format, relevant and useful to the intended user, and/or in accordance with the requirements of Treasury Regulation 18 or 28.2 or MFMA circular 11 and the relevant guidance applicable to reporting for the financial year-end.

Reported information not consistent with planned objectives, indicators and targets

17. The Sedibeng District Municipality did not report in the annual report on its performance against predetermined objectives/indicators/targets which was consistent with the approved integrated development plan (IDP) & Service Delivery Business Implementation Plan (SDBIP).

Usefulness of reported performance information

18. The following criteria were used to assess the usefulness of the planned and reported performance:

- **Consistency:** Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- **Relevance:** Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- **Measurability:** Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit finding relates to the above criteria:

The reported information was not consistent with planned objectives, indicators and targets.

Reliability of reported performance information

19. The following criteria were used to assess the reliability of the planned and reported performance:
- **Validity:** Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
 - **Accuracy:** Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
 - **Completeness:** All actual results and events that should have been recorded have been included in the reported performance information.

The following audit finding relates to the above criteria:

The annual report did not reflect a comparison of performance in current year against current year set targets. In addition, the annual report did not reflect a comparison of performance in current year against prior year performance.

Compliance with laws and regulations

Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

20. There were no material findings concerning noncompliance with the key laws and regulations listed above.

INTERNAL CONTROL

21. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and Municipal Systems

Act, 2000 but not for the purpose of expressing an opinion on the effectiveness of internal control.

22. The matters reported are limited to the significant deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

23. No matters to report.

Financial and performance management

24. Fruitless and wasteful expenditure was not disclosed in the draft and annual financial statements submitted on the 31 August 2010.

Governance

25. Improvements are required in respect of performance information controls to ensure that performance information is consistent, accurate, valid, and complete.

Auditor General

Johannesburg

30 November 2010



AUDITOR - GENERAL
SOUTH AFRICA

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