



Auditor-General of South Africa

Ndwedwe Municipality - Audit
report 2014-15

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ndwedwe Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matter

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

Material under spending of the conditional grants and receipts

7. As disclosed in note 11 to the financial statements, the municipality has materially underspent on conditional grants and receipts to the amount of R18,92 million. As a consequence, the municipality has not achieved its planned targets as per the approved service delivery and budget implementation.

Report on other legal and regulatory requirements

8. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objective presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

9. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the objective service delivery and infrastructure development: technical services presented in the annual performance report of the municipality for the year ended 30 June 2015.
10. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
11. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objective. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information* (FMPPI).
12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
13. I did not identify any material findings on the usefulness and reliability of the reported performance information for the objective service delivery and infrastructure

development: technical services.

Additional matters

14. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

Achievement of planned targets

15. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

Adjustment of material misstatements

16. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for service delivery and infrastructure development: technical services. As management subsequently corrected the misstatements, I did not identify any material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

17. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Procurement and contract management

18. Bid adjudication was not always done by committees which were composed in accordance with SCM regulation 29(2).
19. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3).

Expenditure management

20. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA.

Conditional Grants

21. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant, Municipal Systems Improvement Grant and the Financial Management Grant as required by section 12(5) of the DoRA.

Internal control

22. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are

limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Financial and performance management

23. The slow response received from the accounting officer and the SCM manager to to implement adequate internal controls over the procurement of goods and services and conditional grants received to ensure compliance with the requirements of the SCM regulations and DoRA.

Other report

Investigations

24. An independent consulting firm is performing an investigation at the request of the municipality, which covers the period 01 July 2014 to 30 June 2015. The investigation was initiated based on an allegation of the possible misappropriation of the municipality's cash resources. The outcome of the investigation is expected by 30 November 2015.

Auditor General

Pietermaritzburg

30 November 2015



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SOUTH AFRICA

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