

Report of the Audit Committee

The Audit Committee is pleased to present the report for the financial year ended 30 June 2005 as recommended by the Municipal Finance Management Act No.: 56 of 2003.

1. Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and meets at least four times a year or more when the need arise. During the current year meetings were held on four occasions in terms of section 166 (4) b of the MFMA and the approved Audit Committee charter. Meetings were held on the following dates: 10 August 2004, 19 30 November 2004, 29 March 2005 and 17 May 2005.

Name of the Members

J. Barnard (Chairperson)
R. Najjaar
P. Lessing

2. Audit Committee Responsibility

The Audit Committee reports that it has complied with its roles and responsibilities as outlined by section 166 of the MFMA and the approved charter. The Audit Committee also reports that it has adopted appropriate formal terms of reference as contained in the Audit Committee charter approved by the Municipal Council and has regulated its affairs in compliance with the charter and has discharged its responsibilities as contained therein.

3. Internal Control

The system of internal control is partially effective as the various reports of the Internal Audit, the Audit report on the annual financial statements and the management letter of the Auditor General have reported certain significant and housekeeping matters of non compliance and control nature. However, nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of internal controls, procedures and systems has occurred during the period under review.

4. Internal Auditing

The Internal Auditing provides a supportive role to management and the Audit Committee to achieve their objectives by assisting in the management of risk within the Municipality.

The Internal Audit department is responsible for objective evaluation of the of the Council's system of internal control at a detailed level and

to bring any significant business risks and exposures to the attention of management and the committee through the provision of comprehensive internal audit reports.

5. Risk Management

The municipality has developed a risk management strategy. The Audit Committee has recommended that the strategy be approved by the Council as it will be the foundation for a continuous risk assessment process and for managing and monitoring of risks on an ongoing basis.

6. Evaluation of Financial Statements

The Audit Committee has:

- Reviewed the financial statements prior its submission to the Auditors General.
- Reviewed and discussed the Auditor General Management letter and the Audit report with the Management and the Internal Audit.

The Audit Committee concurs and accepts the conclusion of the Auditor General on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor General.

CHAIRPERSON

J. BARNARD

**REPORT OF THE AUDITOR-GENERAL TO THE MEMBERS OF THE COUNCIL
ON THE FINANCIAL STATEMENTS OF THE METSIMAHOLO LOCAL
MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2005**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 75 to 99, for the year ended 30 June 2005, have been audited in terms of section 188(1) of the Constitution of the Republic of South-Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements;
- Assessing the accounting principles used and significant provisions made by management; and
- Evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with relevant laws and regulations, which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

3. QUALIFICATION

3.1 Trade and other receivables

- 3.1.1 An unreconcilable variance of R62 131 existed between the debtor balances as per the financial statements and as per the debtor system, after taking into account an unexplained opening balance difference of R500 551. This resulted in a material uncertainty regarding the validity and accuracy of the debtor balances as disclosed.
- 3.1.2 Debtor balances totalling R1 657 883 showed no movement for the year under review. Due to the absence of sufficient and appropriate supporting documentation, the validity of these balances as disclosed could not be verified.
- 3.1.3 The VAT on the vote of the National Electricity Regulator (NER) reflected a debit balance of R954 674. This balance consisted of a payment made to the South African Revenue Service (SARS) during the 1999-2000 financial year based on an investigation conducted by SARS on NER projects undertaken by the municipality. Due to the absence of appropriate supporting documentation, the validity of this debtor balance could not be confirmed.
- 3.1.4 Taking various factors such as the payment percentage of consumers and the total outstanding balance for consumer debtors at year-end into account, it was found that the provision for doubtful debts as disclosed as well as the related expense accounts was understated by R54 572 431.

3.2 Receipting

Due to insufficient controls pertaining to the recording and safekeeping of manual receipt books, 11 out of a sample of 50 manual receipt books selected could not be presented for audit purposes. This resulted in a limitation on the scope of our audit.

Furthermore, several manual receipts had not been recorded onto the Venus accounting system. The completeness of receipts as recorded could therefore not be determined.

3.3 Payment vouchers not presented for audit

In direct contravention of section 10G(2)(a)(i) of the Local Government Transition Act, 1993 (Act No. 209 of 1993) that states that "The chief executive officer of a municipality shall, subject to this Act and the regulations made hereunder, cause such accounting records to be kept as are necessary to reflect the transactions and financial state of affairs of the municipality", various payment vouchers amounting to R3 832 791 could not be presented for audit purposes. This resulted in a limitation on the scope of our audit.

3.4 Conditional grants

- 3.4.1 Due to the absence of appropriate supporting documentation, expenditure amounting to R1 848 556 on the conditional grant received from the Department of Minerals and Energy could not be verified.

- 3.4.2 Due to inaccuracies in the recording of amounts received, the amount as disclosed for the unspent portion of the municipal improvement grant was understated by R1 211 420.

3.5 Accounts payable

- 3.5.1 Included under the provision for unpaid creditors was an amount owing to Eskom of R4 258 919. Based on audit evidence obtained, this amount was provided for exclusive of VAT. Creditors (and VAT on creditors) was therefore understated by R596 249.
- 3.5.2 Based on a creditor statement received from the Department of Water Affairs, the amount provided as payment due for this creditor was understated by R1 506 021.
- 3.5.3 Creditor balances totalling R5 811 409 showed no movement for the year under review. Due to the absence of sufficient and appropriate supporting documentation, the validity, existence and accuracy of these balances as disclosed could not be verified.

3.6 Value-added tax

- 3.6.1 During the year under review, an external consulting firm recalculated input VAT that could be claimed from SARS based on an apportionment of input VAT due to the mixed supply rule. Input VAT adjustment claims amounting to R640 180 were not finalised and recorded in the financial records, resulting in an overstatement of the VAT account by R640 180 at year-end.
- 3.6.2 In the absence of adequate supporting documentation, it was found that VAT on debtors was understated by R588 212.

3.7 Cash and cash equivalents

With reference to the accounting policy for cash and cash equivalents, R16 472 672 of the amount disclosed as investments (R25 905 118) should have been disclosed as cash and cash equivalents.

3.8 Funds and reserves

Contrary to the accounting policy, a council resolution for the approval of a transfer of R3 060 251 from accumulated surplus to the capital replacement reserve (CRR) could not be submitted for audit purposes.

3.9 Fixed assets

Due to the following critical shortcomings in the system of fixed assets, the existence and valuation of assets totalling R217 629 683 could not be confirmed.

- (a) No stock count of fixed assets took place during the 2004-05 financial year.
- (b) Additions totalling R248 844 could not be agreed to supporting documentation.

- (c) The balance as disclosed for fixed assets was compared to the total of the fixed asset register. An unexplained variance of R222 052 was noted.
- (d) With reference to the accounting policy for depreciation, the depreciation as per asset register was evaluated for reasonableness. From the audit work performed, it was found that depreciation as disclosed was overstated by R9 357 458.
- (e) Asset additions totalling R220 052 could not be traced to the asset register as they were not yet bar-coded.
- (f) It could not be verified whether disposals had been removed from the register as the asset numbers were not always indicated on the assets.

The above matters resulted in a material limitation on the scope of our audit.

3.10 Long-term debtors

Disclosed under long-term debtors was a balance for the housing sales scheme amounting to R667 012. In the current as well as the prior year, the total outstanding balance was disclosed under current assets due to the fact that it was assumed that all these debtors would be cleared within a year. Since this amount was not cleared as intended, it can be concluded that it was incorrectly classified and should have been disclosed under long-term debtors.

3.11 Mayor's trust account and consolidated financial statements

The audit revealed that a mayor's trust fund was established on 22 September 2003 for the purpose of assisting financially needy students. In terms of section 31 of the Municipal Systems Act, 2003 (Act No. 32 of 2003), which came into effect on 30 January 2004, the trust should be regarded as a municipal entity. Annual financial statements for the 2003-04 financial year have not been submitted for audit purposes.

Based on the requirements for municipal entities as set out in the MFMA, financial statements must be prepared and submitted to the Auditor-General within two months after the end of the financial year to which those statements relate. Furthermore, consolidated financial statements for the municipality, including all municipal entities, should be submitted to the Auditor-General within three months after the end of the financial year to which they relate.

For the year under review, annual financial statements for the municipal entity and consolidated financial statements for the municipality had not been submitted for audit purposes.

The non-submission of these financial statements placed a material limitation on the scope of our audit.

3.12 Provisions

Our audit revealed that the provision for leave was overstated by R816 576.

4. DISCLAIMER OF AUDIT OPINION

Because of the significance of the matters referred to in paragraph 3, I do not express an opinion on the financial statements.

5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

5.1 Matters affecting the financial statements

5.1.1 Renting of hostels

Our audit revealed the following discrepancies regarding the renting of hostels:

- (a) No application forms were filled out for new applicants.
- (b) The occupants of the hostels did not have contracts with the municipality.
- (c) No rental was charged during the year for hostels.
- (d) No controls were in place to ensure the correct allocation of rental income.
- (e) No controls were in place to ensure income was recorded in the correct period.

5.1.2 Traffic department

Cash was not always deposited on a regular basis at the traffic department. In all the instances tested, the daily cash-up reports could not be agreed to the deposit slips.

5.1.3 Receipts not recorded in correct period

Electronic receipts were only recorded and receipted the following day when the bank statements were obtained. Due to this problem, money received on 30 June 2005 was only recorded subsequent to year-end and was not included in the current financial year. The total receipts of this nature amounted to R465 813.

5.1.4 Consumer deposits

As is current practice, the balance of consumer deposits should be sufficient to cover at least two months of service charges. Based on this practice, it was found that the consumer deposits balance as disclosed was insufficient by R4 882 061.

5.2 Matters not affecting the financial statements

5.2.1 Renting of municipal properties

A formal policy regulating the renting of municipal houses could not be submitted for audit purposes. It could therefore not be determined whether these houses were rented in accordance with set policies.

5.2.2 Overtime

According to paragraphs 9.5.4.1 and 9.5.4.2 of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997), employees who work overtime should not be allowed to work overtime amounting to more than 30% of their basic salary. Furthermore, employees should not be allowed to work more than 10 hours overtime during any working week and not more than three hours during any working day. For most instances tested, employees worked more overtime than the limits as set out above. Furthermore, overtime was in most cases approved after it had been worked.

5.2.3 Leave

The following discrepancies were noted regarding the system for the application for and granting of leave:

- (a) Supporting documentation for leave paid out to several employees was not on their leave files. It was therefore not possible to verify the leave applied for and authorised by the designated individuals.
- (b) The leave per leave register did not agree to the leave per the application form in several instances tested.
- (c) Various employees had approved leave application forms on their leave files, which were not recorded in the leave register.
- (d) Numerous leave forms were not properly authorised as it was only signed by one senior official.
- (e) No leave application forms could be located on the employee leave files for the several employees.

5.2.4 Salaries and wages

The following issues identified during the audit clearly indicated the lack of controls in the human resource department:

- (a) In an attempt to analyse monthly data relating to salaries & wages, the following critical issues were noted:
 - The February 2005 data was not available for audit purposes. On further enquiry it was determined that the data was corrupt and could not be restored.
 - The “12 months report” generated from payday could not be used as the data did not balance to the individual monthly amounts.
- (b) Letters confirming the appointment and commencement of duties of various employees could not be obtained.
- (c) Employees were not physically verified at regular intervals. No controls therefore existed to ensure that only valid employees were paid. No consistent date was used when determining the long service bonus of employees. During the audit it was found that either the temporary employment date or the permanent employment date was used.

5.2.5 Water and electricity services

The following weaknesses were identified in services related to water and electricity:

- (a) Senior personnel did not ensure that the variance reports in readings were investigated and that these variances were followed up.
- (b) When errors picked up on the variance reports were adjusted, the adjustment forms were captured without obtaining the necessary approval.
- (c) No controls were in place to ensure that meter readers received a request for meters to be re-read and to ensure that the new reading was received in due time.
- (d) No controls were in place to ensure that all water consumption was charged to users.
- (e) No controls were in place to ensure that all the new connections made during a month were put on the lists of meters to be read.
- (f) Various service contracts could not be obtained for audit purposes. The existence of the debtors could therefore not be verified.
- (g) Due to an improper filing system, various meter reading cards could not be submitted for audit purposes. Consequently, it could not be determined whether all debtors were charged with accurate consumptions.

5.2.6 Direct income

Various weaknesses were identified in the systems implemented for direct income. The most important of these were the lack of proper gate control (e.g. swimming pool, refuse dump, Abrahamsrust holiday resort) and the lack in segregation of duties as one person performed the daily cash-up and banking of the money received. Instances were also found where consumers making use of the dump site were billed only once in the year for the entire year's dumping. No income was also accounted for regarding the Oranjeville and Deneysville cemeteries due to the absence of proper grave registers.

5.2.7 Indigent subsidies

In all cases tested, it was found that application forms were incomplete as they did not contain the necessary documentation as set out in the indigent policy. Furthermore, a yearly review was not being conducted of all indigent debtors.

5.2.8 Vehicle stores workshop

The following control weaknesses were identified in the vehicle stores workshop regarding the job cards used for repairs and maintenance:

- (a) Job cards were not completed in full, making it impossible to identify the vehicle/appliance that had been repaired.
- (b) Job cards were not pre-numbered.
- (c) Spares received for the repair of the vehicles/appliances in the stores were not recorded on the stock lists.
- (d) Payment requisition numbers for repairs and maintenance tools were not recorded on the job cards, making it impossible to trace if costs had been incurred on the particular job and whether proper payment procedures were performed.
- (e) The supervisor did not sign off the job cards as proof that he had inspected and approved the work.
- (f) The job cards were not updated on the system, making it impossible to ensure that repairs and maintenance were done timeously and that all vehicles/appliances had been attended to.

5.2.9 Expenditure

The verification of expenditure revealed various instances of non-compliance with set policies and procedures. The most important are as follows:

- (a) Payment vouchers amounting to R2 736 900 were found without adequate supporting documentation.
- (b) Payment vouchers amounting to R9 081 496 were found without the necessary goods received notes, approved orders and/or progress approval certificates.
- (c) Payment vouchers amounting to R10 451 091 were not marked as “paid”, which might result in the double payment of invoices.
- (d) Instances were found where the date of the order was subsequent to the date of the invoice.
- (e) Quotations were at times used as a tax invoice in order to effect a payment.
- (f) **Irregular expenditure:** Various instances were found where the system of procurement was circumvented by management in order to obtain a certain desired outcome resulting in irregular expenditure being incurred in terms of the MFMA. As an example of this, pieces of computer equipment amounting to R1 109 172 were bought from a single supplier during the year under review. On the payment vouchers for this supplier several critical shortcomings were identified:
 - Quotes from other suppliers had not been obtained in all instances.
 - An instance was found where the supplier submitted two quotes, one that was the most expensive of the three initial quotes obtained and one that was the least expensive. When payment was effected for this transaction, the supplier was paid based on the most expensive quotation.
 - For several of these payments, previous quotes were copied and used. No new quotes were requested.
 - Instances were also identified where it appeared that payments to the supplier were split in order to circumvent the tender process.

5.2.10 Inventories

Although the council approved shortages of R206 794 and surpluses of R120 193, controls appeared to be inadequate and it could not be determined if management had considered the possibility of fraud and misrepresentation by officials responsible.

5.2.11 Information technology

The following significant weaknesses were identified in respect of the information technology of the council:

- (a) A formal security policy that would assist management in the communication, implementation and compliance determination was not in place at the municipality.
- (b) No formal updated business continuity plan (BCP) or disaster recovery plan (DRP) that would assist with the facilitation of the continuation of the

municipality's business in case of any disaster was in place at the municipality.

- (c) Instruction and approval for new users or changes to existing users' profiles were communicated in different manners and the authorisation and completion of the requests were not documented.
- (d) A formal management level IT steering committee was not in place at the municipality during the year under review.
- (e) A formal strategic information technology plan did not exist during the year under review.
- (f) The municipality had a number of personnel with access to the EFT application, Cash Focus. Although approval was needed before payments and transfers could be made on the system, no approval was needed when changes were made to information on creditors, e.g. changing the bank account number of a creditor.

5.2.12 Reticulation loss

The reticulation loss for water was calculated by the auditee at 6 482 073 kl or 30,84% during the year under review. This loss represents an increase of 11,93% from the prior year. Due to the absence of the necessary mechanisms to control this type of loss, the municipality incurred an estimated monetary loss of R28 521 121.

5.2.13 General control environment

An overview of the control environment indicated the following deficiencies:

- (a) The responsibilities of different levels of management and their roles in decision-making were not clearly defined.
- (b) The delegated responsibilities and authority were not sufficiently defined in writing and did not include all levels of the entity.
- (c) Management had not implemented internal control processes that were formalised and documented for all audit cycles.
- (d) Management had not implemented the fraud prevention plan to prevent and detect fraud.
- (e) No business continuity plan was in place.
- (f) The finance component was not adequately staffed and the vacancy rate was not addressed in time and on a regular basis.
- (g) No policy and procedures were in place for the timely disposal of redundant assets, valuation/impairment of assets or inventory and bad debt/provision for unrecoverable debt.

5.3 Non-compliance with laws and regulations

- 5.3.1 Section 21(1) of the Water Services Act, 1997 (Act No. 108 of 1997) states that *"Every water services authority must make by-laws which contain conditions for the provision of water services..."* Section 21(3) further states that: *"A water services authority which provides water for industrial use or controls a system through which industrial effluent is disposed of, must make by-laws..."*

No evidence that any of the above by-laws were developed and adopted could be submitted for audit purposes.

- 5.3.2 Section 16(1) of the Division of Revenue Act 2004 states that *"the relevant receiving officer must, in respect of an allocation to a municipality within 10 days after the end of each month submit a report to the relevant transferring national or provincial officer"*. Several instances were found where grants received were not reported within the required time frame.
- 5.3.3 Section 66 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), states that: *"The accounting officer of a municipality must, in a format and for periods as may be prescribed, report to the council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits, in a manner that discloses such expenditure per type of expenditure..."* No evidence of such reporting to Council could be submitted for audit purposes.
- 5.3.4 Sections 75(1) and 98(1) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) respectively state that *"a municipal council must adopt by-laws to give effect to the implementation and enforcement of its tariff policy"* and *"a municipal council must adopt by-laws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement."* No evidence of compliance with the above sections could be provided, as no by-laws to the extent described above could be submitted for audit purposes.

5.4 Matters of public interest

5.4.1 Abrahamsrust holiday resort

Despite the reporting of several shortcomings in previous years, serious problems still existed in respect of the recording and completeness of cash received at Abrahamsrust. The following matters were noted:

- (a) When the cashier at the gate was absent, general workers were used to perform the work of the cashier. As they did not know the computer system, manual receipts were used. The use of manual receipts should not be encouraged.
- (b) According to the approved budget, people staying over in chalets must pay a key deposit of R250 to cover any possible damages. It was however found that key deposits were not collected when handing over keys, as problems had been experienced regarding the process of refunding the deposit to the visitor.
- (c) The monthly reconciliation between cash deposited and the amount receipted at the cash hall indicated various variances. These variances could not all be explained.
- (d) **Conflict of interest:** Cheque 149243 to the value of R9 234 was issued to a cleaning company for the cleaning of the chalets at Abrahamsrust on 12 October 2005. As at 11 November 2005 the service that should have been rendered had not yet been received at Abrahamsrust. The invoice received from the company (dated 11 October 2005) was signed by the head of Abrahamsrust as proof that the October services were rendered for October 2005. **Possible conflict of interest has been identified, as it appears that the owner of the cleaning services firm is also a councillor at the municipality.**
- (e) People staying in the chalets for long periods were charged R1 800 per month. An instance was identified where such payment had not been effected for a period of 12 months.

5.4.2 Investigation of the procurement and operating of the speed camera

Our audit of the procurement and operating of the speed camera revealed the following:

- (a) The municipality did not follow the tender procedure as required in terms of the Local Government Transition Act before concluding the contract with the private company.
- (b) The municipality did not conduct a proper cost analysis to determine the strategic and operational benefits of purchasing the speed camera themselves before entering into a joint venture with the private company.
- (c) The total gross income received for traffic fines due to the speed camera for the 2002-03 and 2003-04 financial years amounted to R5 725 492, of which an amount of R2 868 072 (50,09%) was paid to the private company.
- (d) None of the operating expenditure of the municipality was taken into account before payments were made to the private company.
- (e) The procedures followed and the contract entered into appeared not to be in the best interest of the municipality in all respects.

The possibility of unauthorised and/or excessive expenditure, irregular expenditure and possible fraudulent activities in the abovementioned regard cannot be excluded. This matter was also reported on in the previous financial year.

5.4.3 Sale of immovable property to a development company for R5,5 million

- (a) On 17 November 2004 the municipality sold land to a development company for R5,5 million. The following could however not be submitted for audit purposes:
 - Proof that the council had considered the fair market value of the land and the economic and community value thereof in terms of section 14 of the MFMA. This constitutes non-compliance with the MFMA.
 - All the original correspondence files of the municipality and/or the Director: Economic Development and Planning.
 - All the bid documentation as well as proof of all the advertising and/or invitation processes followed by the municipality.
 - Particulars of money received from the development company and/or arrangements with the company to pay the amount of R5 500 000.
- (b) The correctness, legality and regularity of this property transaction could therefore not be confirmed during the audit. Although the matter was brought to the attention of the accounting officer in a management letter dated 24 January 2005, a conclusive reply to the management letter was still outstanding on the date this report was finalised. This matter was also reported on in the previous financial year.

5.5 Forensic audit into allegations of irregular appointments, promotions and salary increments

The accounting officer requested the Auditor-General to conduct a special audit investigation into allegations of irregular appointments, promotions and salary increments. The investigation has been completed and a management letter, dated 12 April 2006, with detail findings was discussed with the municipal manager on 24 April 2006. A report in this regard will be issued to council.

5.6 Forensic audit into alleged irregularities at the mechanical engineering department of the municipality

The Department of Local Government and Housing of the Free State Provincial Administration approached the Auditor-General on 27 September 2004 with a request to conduct an investigation into various allegations. The areas of concern were as follows:

- (a) Possible misuse of the municipality's assets by employees for personal gain.
- (b) Possible irregularities with regard to standby and overtime allowances.
- (c) Possible procurement irregularities (conflict of interest).

This audit has been completed and a report in this regard will be issued in due course.

6. LATE SUBMISSION OF AUDIT REPORT

The delay in the finalisation of the 2004-05 audit report can be attributed to the following factors:

- The non-submission of financial statements of the Mayor's Trust Fund (municipal entity) for the 2003-04 and 2004-05 financial years.
- The non-submission of consolidated financial statements for the municipality, including all municipal entities for the 2004-05 financial year.
- Resubmission of the 2004-05 financial statements of the Metsimaholo Local Municipality on 9 December 2005.
- Submission of additional supporting documentation with regard to the procurement and purchasing of computer equipment amounting to R1 109 172 on 6 February 2006 (paragraph 5.2.9(f) of this report).
- Inadequate replies received to management letters regarding special investigations into the procurement and operating of the speed camera (paragraph 5.4.2 of this report) as well as the sale of immovable property to a development company for R5,5 million (paragraph 5.4.3 of this report).

7. APPRECIATION

We express our sincere appreciation to the council and the staff for their assistance during the audit.

B J K van Niekerk
for Auditor-General
Bloemfontein
12 May 2006



A U D I T O R - G E N E R A L