



 28/11/06

AUDIT REPORT OF THE AUDITOR-GENERAL TO COUNCIL OF BLOUBERG MUNICIPALITY, FOR THE YEAR ENDED 30 JUNE 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages to, for the year ended 30 June 2006 have been audited in terms of section 188 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). 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 International Standards of Auditing. 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 in the financial statements,
- assessing the accounting principles used and significant estimates 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 the relevant laws and regulations, which came to my attention and are applicable to financial matters.

We believe that the audit provides a reasonable basis for my opinion

3. QUALIFICATION

- 3.1 There was no fixed assets register therefore we could not satisfy ourselves regarding the total amount of assets disclosed in the financial statements.
- 3.2 There were no notes disclosed in the financial statements to explain the consumer debt vat amount of R34 009.77.
- 3.3 We could not do audit work on the bank balances and investments as there were no reconciliations done or any supporting schedules. There was a difference of R786 497.00 for call account and R126 720.00 for investment account between the total bank balances and investments disclosed in the financial statements and the total disclosed in the bank confirmations.
- 3.4 Supporting document for suspense account to the value of R10 207 714.00 could not be provided for audit purpose.
- 3.5 There were no notes disclosed in the financial statements to explain the vat amount of R33 789.90.
- 3.6 Supporting documents for income received in advance to the value of R10 438 534.00 could not be provided for audit purpose.
- 3.7 The vat refundable amount of R174 894.81 was not reflected in the annual financial statements.

4. DISCLAIMER OF AUDIT OPINION

Due to the significance of the issues discussed in the preceding paragraph, we do not express an opinion on the financial statements.

5. EMPHASIS OF MATTER

We further draw your attention to the following matters:

5.1 Internal controls

- 5.1.1 There is poor control over salaries and wages, which include amongst others absence of performance management system.
- 5.1.2 There were no reconciliations done for general ledger accounts such as bank, receivables and payables.
- 5.1.3 VAT returns (VAT 201s) are not properly filed.
- 5.1.4 No risk assessment policy and fraud prevention plan.
- 5.1.5 There is no Audit Committee in place.

6. APPRECIATION

The assistance rendered by the staff of the Blouberg Municipality during the audit is sincerely appreciated.



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MJR Mpai
for Auditor-General

Polokwane
28 November 2006.