

# **REPORT OF THE AUDITOR-GENERAL TO THE MEMBERS OF THE OUNCIL ON THE FINANCIAL STATEMENTS OF THE BOJANALA PLATINUM DISTRICT 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, 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 are the responsibility of the Municipal Manager. My responsibility is to express an opinion on these financial statements, based on the audit.

## **2. SCOPE**

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 1512 of 2006, issued in Government Gazette no. 29326 of 27 October 2006. 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
- 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.

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

## **3. BASIS OF ACCOUNTING**

The municipality's policy is to prepare the financial statements on the entity specific basis of accounting as described in paragraph 1.1 of the accounting policies to the financial statements.

## **4. AUDIT OPINION**

In my opinion, the financial statements have been prepared, in all material respects, in accordance with the basis of accounting described in paragraph 1.1 of the accounting policies to the financial statements and in the manner required by Municipal Finance Management Act.

## **5. EMPHASIS OF MATTER**

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

### **5.1 Internal audit**

The internal audit function does not have an approved audit approach and methodology that is in line with the standards for professional practice of internal auditing as prescribed. Furthermore, it is not adequately staffed to carry out the annual audit plan. The internal audit plan was not approved by the Audit Committee, and does not cover performance management system and Division of Revenue Act related matters.

This constitutes non-compliance with Local Government: Municipal Planning and Performance Regulations (14) (1) (b) and (14) (1) (c).

### **5.2 Audit committee**

The audit committee did not meet regularly as it has only met twice during the financial year despite more meetings having been scheduled, which is in contradiction of section 166(4)(b).

### **5.3 Incomplete disclosure**

The following omissions from the notes to the financial statements constitute non-compliance with sections 124 and 125: of the MFMA.

A segmental analysis of property, plant and equipment and segmental statement of financial performance as required by Government Recogniced Accounting Practice was not included in the financial statements.

### **5.4 Policies and procedures**

The fraud prevention plan developed by the municipality had not yet been approved by council.

### **5.5 Bank reconciliation**

Bank reconciliations prepared on a monthly basis show bank charges and discrepancies as reconciling items. The bank reconciliation main account as at 30 June 2006 had the following reconciling items;

Bank charges	R 0,05 million
Discrepancies	R 0,78 million

Discrepancies should be adequately and timeously investigated to minimize the incidence of errors and /or irregularities.

## 5.6 Audit adjustments

The following significant amendments have been made to the financial statements to resolve material audit queries, subsequent to the date of submission for audit:

- Prior year interest on money market investments totaling R1 963 687 was correctly disclosed.
- A provision for leave pay amounting to R1.2 million was accrued.
- Expenditure amounting to R17 million was journalized.
- A performance bonus provision of R 0.3 million was recognized.
- Contingent liabilities amounting to R0.9 million were disclosed.
- Commitments to the value of R5.2 million being software development costs were included in the notes to the financial statements.
- Unadjusted audit differences are immaterial.

The adjusted financial statements were received on 6 November 2006.

## 6. APPRECIATION

The assistance rendered by the staff of the Bojanala Platinum District Municipality during the audit is sincerely appreciated.

ND Maphiri *for* Auditor-General

Rustenburg

30 November



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