



AUDITOR - GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON THE FINANCIAL STATEMENTS OF THE METSWEDING 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(3)(a) of the Municipal Finance Management Act (MFMA), 2003 (Act No. 56 of 2003). These financial statements are the responsibility of the accounting officer. 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.

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

3. BASIS OF ACCOUNTING

The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements

4. AUDIT OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Metsweding District Municipality at 30 June 2006 and the results of its operations and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the financial statements, and in the manner required by the MFMA.

5. EMPHASIS OF MATTER

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

4.1 Internal control weaknesses

4.1.1 Section 62 (1)(c) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), requires that the accounting officer is responsible for financial administration, and must take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal controls. The finance team consisted of three people, two of which were family members. This could lead to a potential conflict of interest due to the personal relationship between staff.

4.1.2 Due to capacity constraints, a number of incompatible duties were performed by the same individual.

4.2 Late finalisation of the audit

The 2005/06 audit was finalised on the 31 March 2007 due to the late submission of the annual finalisation statements for the 2004/05 financial year.

6. APPRECIATION

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

Ms M.A. Masemola *for* Auditor-General

Johannesburg

31 March 2007