

**DRAFT REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE THABO MOFUTSANYANA DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008.**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I was engaged to audit the accompanying financial statements of the Thabo Mofutsanyana District Municipality which comprise the balance sheet as at 30 June 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the treasurer's report, as set out on pages xx to xx.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), my responsibility is to express an opinion on these financial statements based on my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008*. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

**Basis of accounting**

4. The district municipality's policy is to prepare financial statements on the entity-specific basis of accounting as set out in accounting policy note 1.

**Basis for disclaimer of opinion**

5. **Expenditure**
  - a) Documentation to substantiate expenditure of R32,4 million (2007: R1,9 million) could not be submitted for audit purposes. Payment vouchers amounting to R1,5 million had no invoices attached. There were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all expenses incurred

had been authorised or properly recorded in the general ledger of the municipality. Consequently, I was unable to satisfy myself as to the occurrence, accuracy and classification of expenses incurred relating to operating expenditure, payables and fixed assets.

- b) The municipality was unable to provide me with appropriate supporting evidence in respect of journal entries amounting to R88,8 million. There were no satisfactory audit procedures that I could perform to obtain reasonable assurance that all journals passed had been authorised and properly recorded in the general ledger of the municipality. Consequently, I was unable to obtain all the information and explanations I considered necessary to obtain reasonable assurance that the financial position of Thabo Mofutsanyana District Municipality was fairly presented in the accompanying financial statements.

## **6. Receivables**

- a) Levy debtors disclosed in note 6 to the financial statements amounting to R62,3 million (2007: R55,7 million) is based on estimates and no debtor age analysis, debtor statements or confirmation from attorneys could be submitted for audit purposes. There were no satisfactory audit procedures that I could perform to obtain reasonable assurance that levy debtors as disclosed were appropriately presented. Consequently, I was unable to satisfy myself as to the valuation and existence of levy debtors.
- b) Levy debtors disclosed on the face of the balance sheet and in note 6 to the financial statements amounting to R62,3 million do not agree with the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R10,8 million. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary, and there were no alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness and valuation of and the rights and obligations relating to levy debtors as at 30 June 2008.
- c) The salary control account included under receivables amounting to R2,8 million as disclosed on the face of the balance sheet and in note 6 to the financial statements does not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R3,5 million. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary, and there were no alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness and valuation of and the rights and obligations relating to other debtors as at 30 June 2008.
- d) Arrears in levy income collected during the year under review were incorrectly classified and disclosed as revenue in the income statement presented in the financial statements. Had the receivable been correctly classified, levy debtors as disclosed in note 6 to the financial statements would have decreased by R1,8 million, while revenue would have decreased by the same amount.
- e) Debt collected by the attorneys pertaining to outstanding levies amounting to R335 864 could not be traced to the bank statements or accounting records. Had

the money been deposited and recorded, levy debtors as disclosed in note 6 to the financial statements would have decreased by R335 864 and cash and bank as disclosed in note 7 to the financial statements would have increased by the said amount.

- f) Expenditure amounting to R350 195 was incorrectly disclosed as receivables in the financial statements. Had the expenditure been correctly classified, levy debtors as disclosed in note 6 to the financial statements would have decreased by R350 195, while administration expenditure would have increased by the same amount.

## **7. Fixed assets**

- a) No asset count was done to confirm the existence of assets amounting to R3,6 million (2007: R5,5 million) at year-end as disclosed in note 3 to the financial statements. No insurance contract could be submitted. The municipality's records did not permit alternative procedures as no updated register exists. As a result, I could not determine how management had ensured that assets listed in the fixed asset register still exist and that all assets were recorded in the fixed asset register.
- b) Fixed assets amounting to R5,6 million as disclosed on the face of the balance sheet and in note 3 to the financial statements do not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R4,8 million. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness and valuation of and the rights and obligations relating to fixed assets as at 30 June 2008.
- c) The mayoral vehicle purchased during the year under review for an amount of R620 000 was not recorded as a fixed asset in the general ledger. Had the vehicle been correctly classified as a fixed asset, fixed assets as disclosed in note 3 to the financial statements would have increased by R620 000, while expenditure would have decreased by the same amount.
- d) Repairs and maintenance amounting to R559 159 were incorrectly allocated and disclosed as fixed assets. Had the repairs and maintenance been correctly classified as expenditure, administration expenditure as disclosed in the income statement would have increased by R559 159, while fixed assets as disclosed in note 3 would have decreased by the same amount.

## **8. Expenditure**

- a) Legal fees paid to attorneys amounting to R2,1 million could not be identified in the municipality's bank statements and accounting records. Had the money been paid and recorded, administration expenditure as disclosed in the income

statement would have increased by R2,1 million and cash and bank as disclosed in note 7 to the financial statements would have decreased by the said amount.

- b) Expenses amounting to R81,3 million as disclosed in income statements of the financial statements do not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R18,5 million. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness, accuracy and classification of expenditure for the year ended 30 June 2008.
- c) Expenses amounting R1,9 million were incorrectly allocated to different expense accounts in the general ledger. There were no satisfactory audit procedures that I could perform to confirm to which accounts the expenses should have been allocated.

#### **9. Cash and bank**

- a) The completeness and classification of direct deposits amounting to R22,6 million could not be confirmed as the direct deposit register was incomplete. I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness, accuracy and classification of direct deposits.
- b) Cash and Bank amounting to R12,8 million as disclosed on the face of the balance sheet and in note 7 to the financial statements do not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R317 601. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness, accuracy and classification of expenditure for the year ended 30 June 2008.
- c) Deposits amounting to R20,6 million and payments amounting to R7,6 million were not recorded in the general ledger as all transactions in the bank statements from 14 June 2008 to 30 June 2008 were omitted from the accounting records. I was unable to perform satisfactory procedures to obtain reasonable assurance regarding the completeness, accuracy and classification of these deposits and payments for the year ended 30 June 2008.

#### **10. Revenue**

- a) Revenue received amounting to R502 779 in the general ledger could not be confirmed as complete and accurate as it was not allocated to the correct account. There were no satisfactory audit procedures that I could perform to confirm to which accounts the revenue should have been allocated.

- b) Receipts as recorded in the general ledger amounting to R516 931 could not be compared to the municipality's bank statements. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation in this regard. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness, accuracy and classification of revenue for the year ended 30 June 2008.
- c) Revenue amounting to R113,5 million as disclosed in the income statement of the financial statements does not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R1,1 million. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness, accuracy and classification of expenditure for the year ended 30 June 2008.

#### 11. Creditors

- a) Creditors as disclosed in note 9 to the financial statements were understated by R486 829 as the invoice amount exceeds the recorded amount in the general ledger. Had the creditor been correctly classified, creditors as disclosed in note 9 to the financial statements would have increased by R486 829 while expenditure as disclosed in the income statement would have increased by the same amount.
- b) No creditor reconciliations were performed at year-end. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the valuation and completeness of and the rights and obligations relating to creditors as disclosed in note 9 to the financial statements.
- c) Creditors amounting to R41,6 million as disclosed on the face of the balance sheet and in note 9 to the financial statements did not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R6,7 million. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness and valuation of and the rights and obligations relating to creditors as at 30 June 2008.
- d) Expenditure amounting to R2,3 million was incorrectly allocated to payables. Had expenditure been correctly classified as administration expenditure, the amount disclosed in the income statement would have increased by R2,3 million, while creditors as disclosed in note 9 to the financial statements would have decreased by the same amount.

#### 12. Funds and reserves

Funds and reserves amounting to R5,8 million as disclosed on the face of the balance sheet and in note 1.2 to the financial statements did not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R1,1 million. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness and valuation of and the rights and obligations relating to funds and reserves as at 30 June 2008.

**13. Provisions**

Audit fee provisions amounting to R1,1 million as disclosed in note 8 to the financial statements did not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R402 435. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness and valuation of and the rights and obligations relating to provisions as at 30 June 2008.

**14. VAT**

- a) The monthly VAT amounts as per the VAT return submitted to SARS did not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R709 784. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness and valuation of and the rights and obligations relating to other debtors as at 30 June 2008.
  
- b) No monthly or year-end reconciliations were performed between the VAT returns submitted and the general ledger. The result was that VAT amounting to R1,1 million as disclosed under receivables in appendix G-2 to the financial statements did not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R134 797. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness and valuation of and the rights and obligations relating to other debtors as at 30 June 2008.

**15. Employee cost**

- a) Various differences were noted between information on the salary information system and the actual payments made to employees and third parties because no reconciliations had been performed between the VIP and Hercules systems. The management of Thabo Mofutsanyana District Municipality was unable to

provide a reasonable explanation for the difference of R823 335. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness, accuracy and classification of employee costs for the year ended 30 June 2008.

- b) Salaries and allowances amounting to R26,1 million as disclosed in the income statement of the financial statements did not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R847 348. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness, accuracy and classification of employee costs for the year ended 30 June 2008.

**16. Accumulated surplus**

Accumulated surplus amounting to R64,3 million as disclosed on the face of the balance sheet and in note 1.1 to the financial statements did not agree to the general ledger. The management of Thabo Mofutsanyana District Municipality was unable to provide a reasonable explanation for the difference of R3,6 million. In the circumstances, I was unable to perform all the procedures and obtain all the explanations that I considered necessary and there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance regarding the completeness and valuation of and the rights and obligations relating to the accumulated surplus as at 30 June 2008.

**17. Irregular expenditure**

- a) Irregular expenditure as defined by the MFMA amounting to R532 289 occurred as the remuneration packages disclosed in note 10 to the financial statements regarding the executive mayor's allowance, the chief whip's allowance and the mayoral committee members' allowance exceeded the remuneration packages as approved by council in the *Government Gazette No. 30600, dated 18 December 2007*.
- b) Operating and capital expenditure amounting to R15,2 million was considered irregular in terms of the MFMA as the payments had not been authorised.  
Contrary to section 125(2)(d) of the MFMA, the above was not disclosed as irregular expenditure.
- c) Contrary to the municipality's supply chain management policy, processes followed in respect of expenditure transactions with a total value of R2,6 million were intended to avoid the tender process. Because the expenditure was incurred contrary to the supply chain management policy and the chapter 11 of the MFMA, it is considered irregular in terms of section 1 of the MFMA.

**18. Unauthorised expenditure**

The municipality did not disclose the following unauthorised expenditure totalling R5 246 309, as required by section 125(2)(d) of the MFMA:

- (a) The municipality incurred unauthorised expenditure during the year under review due to overexpenditure on the following votes as disclosed in the financial statements. I could not be provided with evidence that the expenditure had been approved by the council in terms of section 29 of the MFMA as unforeseen and unavoidable expenditure.

Vote	Actual expenditure 2007/2008	Budget expenditure 2007/2008	Overexpenditure
Mayoral Special Intervention	R6 726 008	R3 500 000	R3 226 008
Church Programmes	R2 520 301	R500 000	R2 020 301
Councillor Allowances	R5 616 764	R5 383 339	233 425

## 19. Comparative figures

The following material differences exist between the comparative amounts as per the financial statements for the year ended 30 June 2008 and those amounts presented in the published annual financial statements for the year ended 30 June 2007:

Account balance	Comparative figures	2007 Published financial statements	Difference
Income statement			
Appropriations/accumulated funds for the year	R4 966 316	R4 943 510	R22 806
Accumulated funds at the end of the year	R67 919 010	R67 896 205	R22 805
Cash flow statement			
Cash effect of financing activities: Increase / (decrease) in long-term loans	R291 050	R(288 344)	R(579 394)
Cash effect of financing activities: (Increase) / decrease in cash	R24 020 179	R(4 356 720)	R(28 376 899)



### **Disclaimer of opinion**

20. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have been unable to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the financial statements of the Thabo Mofutsanyana District Municipality. Accordingly, I do not express an opinion on the financial statements.

### **EMPHASIS OF MATTER**

21. I draw attention to the following matters

22. **Going concern**

According to the stipulations in section 138 of the MFMA, the municipality can be regarded as a municipality with serious financial problems as the following indicators were identified:

- A disclaimer of audit opinion expressed in the past four financial years as well as in the current year.
- No provision was made for the recovery of bad debts while the recovery percentage for the year under review amounted to approximately 11%. Doubt exists as to whether outstanding levies amounting to R49,5 million will be recovered.

### **Highlighting critically important matters presented or disclosed in the financial statements**

23. The financial statements, approved by the accounting officer and submitted for audit on 29 August 2008 contained material errors that were brought to the attention of the accounting officer. Although some corrections had been made, the financial statements submitted on 14 November 2008 still contained material misstatements and errors, which include the following:
- Various notes
  - Casting and comparison errors
  - Payables pertaining to income received in advance
  - Budget amounts disclosed in the financial statements do not agree to the approved budget
  - Fixed assets are not disclosed in accordance with the accounting policy.

### **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

24. **Internal control**

Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the district municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below

depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the disclaimer opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Receivables			X		
Fixed assets			X		
Expenditure			X		
Cash and bank			X		
Revenue			X		
Payables			X		
Funds and reserves			X		
Provisions			X		
VAT			X		
Employee cost			X		
Irregular expenditure			X		
Accumulated surplus			X		

Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allow people to carry out their financial reporting duties.

Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

## Non-compliance with applicable legislation

### 24.1 Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)

- a) Contrary to section 61(1)(b) and (c) of the MFMA, bank reconciliations were not available for all the bank accounts of the municipality.
- b) Contrary to section 21 of the MFMA, council did not have a budget-related policy to regulate the budgeting process. The lack of policies resulted in an unrealistic income budget and significant deviations between budgeted and actual expenditure that could not be appropriately explained.
- c) Contrary to section 65(2)(e) of the MFMA, payments amounting to R1 million were not always made within 30 days of receipt of the invoice.
- d) Contrary to section 65(2)(a-c) of the MFMA, goods received could not be confirmed as having been received.

- e) Contrary to section 125(2)(a) of the MFMA, insufficient disclosure was made in the financial statements regarding the bank account.

#### 24.2 Value-Added Tax Act, 1991 (Act No. 89 of 1991) (VAT Act)

- a) Contrary to section 20(4) of the VAT Act, suppliers' VAT numbers did not appear on tax invoices for payments amounting to approximately R9,1 million, yet VAT amounting to R1,1 million was claimed.
- b) No reconciliations were performed between output and declared VAT and various differences were noted between the ledger and VAT 201 form.
- c) Contrary to section 21 of the VAT Act, VAT amounting to R40 072 was claimed on entertainment and accommodation.

#### Matters of governance

25. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matters of governance	Yes	No
<b>Audit committee</b>		
• The district municipality had an audit committee in operation throughout the financial year.	X	
• The audit committee operates in accordance with approved, written terms of reference.		X
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		X
<b>Internal audit</b>		
• The district municipality had an internal audit function in operation throughout the financial year.	X	
• The internal audit function operates in terms of an approved internal audit plan.		X
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		X
<b>Other matters of governance</b>		
• The annual financial statements were submitted for audit as per the legislated deadlines in section 126 of the MFMA.	X	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.	X	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		X
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		X
• The prior year's external audit recommendations have been substantially implemented.		X
• The Provincial SCOPA resolutions have been substantially implemented.		X

## 26. **Unaudited supplementary schedules**

The supplementary information set out on pages 20 to 36 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

## **OTHER REPORTING RESPONSIBILITIES**

### **Reporting on performance information**

27. I was engaged to audit the performance information.

### **Responsibility of the accounting officer**

28. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government Municipal Systems Act, 2000 (Act No 32 of 2000) (MSA).

### **Responsibility of the Auditor-General**

29. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 646 of 2007*, issued in *Government Gazette No. 646 of 25 May 2007* and section 45 of the MSA.

30. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

31. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

## **Audit findings**

### **Non-compliance with regulatory requirements**

#### **31.1 Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)**

a) The service delivery budget implementation plan was not approved by council within the time frame required by section 53 of the MFMA.

#### **31.2 Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)**

a) No evidence could be obtained that council had managed the performance management system and formally approved it as required by section 39 of the MSA.

b) No evidence could be obtained that council had approved the 2007-08 process plan as required by section 28 of the MSA.

c) No evidence could be obtained that the approved IDP was submitted to the MEC as required by section 32 of the MSA.

d) No key performance indicators or performance targets were included in the Integrated Development Plan for 2007-08.

## OTHER REPORTING RESPONSIBILITIES

### REPORT ON PERFORMANCE INFORMATION

22. I was engaged to review the performance information.

#### Responsibility of the accounting officer for the performance information

23. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### Responsibility of the Auditor-General

24. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

25. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

26. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

#### Audit findings (performance information)

27. The municipality did not submit performance information as required by section 121(3)(c) of the MFMA. Consequently, I was unable to perform all procedures I deemed necessary on performance information for the financial year ended 30 June 2008.

## APPRECIATION

28. The assistance rendered by the staff of the Tswelopele Local Municipality during the audit is sincerely appreciated.

*Auditor-General*

Bloemfontein

30 November 2008



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