

REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE BOJANALA PLATINUM DISTRICT MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Bojanala Platinum District Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Recognised Accounting Practice (GRAP), 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), Auditor-General audit circular 1 of 2007 and the Division of Revenue Act (Act No. 1 of 2007) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

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), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the Bojanala Platinum District Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with Generally Recognised Accounting Practice (GRAP) and in the manner required by the MFMA.

Other matters

8. Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Other information included in the annual report

9. I have obtained the other information included in the annual report and I have not identified any material inconsistencies with the financial statements.

Unaudited supplementary schedules

10. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 Presentation of Financial Statements. The supplementary budget information set out on pages **XX to XX** does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

Non-compliance with applicable legislation

Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) (MSA)

11. Not all council members declared all their business interests, as required by schedule 1, Code of Conduct for Councilors, paragraph 7 of the MSA.

Governance framework

12. The governance principles that impact the auditor’s opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

13. 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 key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		N
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.		N
3.	The annual report was submitted for consideration prior to the tabling of the	Y	

No.	Matter	Y	N
	auditor's report.		
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	Y	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	Y	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> • The municipality had an audit committee in operation throughout the financial year. 	Y	
	<ul style="list-style-type: none"> • The audit committee operates in accordance with approved, written terms of reference. 	Y	
	<ul style="list-style-type: none"> • The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 	Y	
7.	Internal audit		
	<ul style="list-style-type: none"> • The municipality had an internal audit function in operation throughout the financial year. 	Y	
	<ul style="list-style-type: none"> • The internal audit function operates in terms of an approved internal audit plan. 	Y	
	<ul style="list-style-type: none"> • The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	Y	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	Y	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	Y	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	Y	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.	Y	
12.	Powers and duties have been assigned, as set out in section 79 of the MFMA.	Y	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	Y	
14.	SCOPA resolutions have been substantially implemented.	N/A	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		N
16.	Adequate control processes and procedures are designed and implemented to		N

No.	Matter	Y	N
	ensure the accuracy and completeness of reported performance information.		
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Bojanala Platinum District Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.	Y	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	Y	

14. Significant difficulties in obtaining various supporting documents were experienced. Management did not keep to the agreed upon 5 days turn around period for information requests, nor for management comments on audit findings.
15. Inability of the accounting division to ensure compliance with accounting standards resulted in material adjustments to the financial statements on Property, plant and equipment, Government grant reserves, Expenditure and the Cash flow statement.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

16. I have reviewed the performance information as set out on pages xx to xx.

The accounting officer's responsibility for the performance information

17. 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 MSA.

The Auditor-General's responsibility

18. 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.
19. In terms of the foregoing my engagement included performing procedures to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
20. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Usefulness and reliability of reported performance information

21. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:

- Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan.
- Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
- Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

22. The following audit findings relate to the above criteria:

Reported performance information not relevant

23. The following indicators were not time-bound.

Objective	Indicator	Target
Budget and Treasury office		
Promote sound financial governance	Number of financial policies to be reviewed	10
	Minimum information security system installed and maintained	Positive IT audit report
	Functional district finance forum	4 meetings
Department of Technical services		
Facilitate provision of municipal services	Number of VIP toilet structures constructed (Moretele LM)	1250
	Construction: 32 bus/taxi shelters. MADLM (13), MORLM (13), MKLM (2), RLM (2), KRLM (5)	32 Bus/taxi shelters

Reported performance information not reliable

24. The reported actual achievement of targets was not accurate.

Key performance indicator (KPI)	Performance report	Actual	Variance
Capital expenditure, Special projects	7,038,688.00	7,469,688.00	-431,000.00
Hardware and software purchased	1,543,000.00	1,657,470.00	-114,470.00
Water borne toilet structures constructed in Monakato	1,242,111.00	1,583,193.00	-341,082.00
Swartruggens Sewer Treatment plant	829,724.00	1,009,174.00	-179,450.00
Construction of bus/ taxi shelters	32 shelters	31 as per the portfolio file report	1 shelter

Minimum information security system installed & maintained - positive IT audit report	Indicated as achieved	Significant weaknesses were reported in the IT audit report	
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Lack of source documentation

25. Sufficient appropriate audit evidence in relation to the reported performance information of the following KPIs could not be obtained, as the relevant source documentation could not be provided for audit purposes.

Key performance indicator (KPI)	Construction of Kwarriekraal and Klipvoorstad bridges
Budget	R10 000 000
Target:	100% by February 2009
Performance report	Klipvoorstad bridge is 95 % complete. Additional work (gabion, concrete finishing, guard rails) has been identified awaiting an official variation order. Kwarriekraal is 10% complete.
Expenditure	R 5 943 618.45
Reasons for Underperformance	Contractor did not have enough machinery to construct the two bridges concurrently and had to complete Klipvoorstad before commencing with Kwarriekraal
Corrective Measure	Project to be completed in 2009/2010
KPI	Upgrading of water treatment works at Swartruggens
Budget	R2 000 000
Target:	Consultant appointed by June 2009
Report	Project identified during budget adjustment. Consultant appointed
Expenditure	R 829 724.
Reasons for Underperformance	Not Applicable
Corrective Measures	Not applicable
KPI	Renovation of existing DMA staff accommodation
Budget	R3 281 000
Target:	100% by June 2009
Report	The project is 98 % complete. Practical completion inspection conducted on the 24 June 09 with MLM. A snag list (minor defective work) was issued to the contractor to be completed before 10/07/09.
Expenditure	R2 201 798
Reasons for Underperformance	The project was delayed by heavy rain fall. Contractor's cash flow problems.
Corrective Measures	Not applicable

APPRECIATION

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

Auditor - General

Rustenburg

15 January 2010



AUDITOR - GENERAL
SOUTH AFRICA

