

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON uTHUNGULU DISTRICT MUNICIPALITY.

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the uThungulu District Municipality, which comprise the statement of financial position as at 30 June 2010, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages XX to XX.

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 the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No. 12 of 2009) (DoRA). 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; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. 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. Paragraph 11 *et seq.* of GRAP 1: *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the uThungulu District Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

3. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uThungulu District Municipality as at 30 June 2010, and its financial performance and its cash flows for the year then ended in accordance with SA Standards of GRAP and the manner required by the MFMA and DoRA.

Emphasis of matter

1. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Restatement of corresponding figures

1. As disclosed in note 39 to the financial statements, the corresponding figures for the year ended 30 June 2009 have been restated as a result of a change in accounting policy.

Additional matter

1. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

2. The supplementary information set out on pages XX to XX do 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 thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the PAA and in terms of *General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations:
Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003), Local Government: Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and financial management (internal control).

Predetermined objectives

Compliance with regulatory and reporting requirements

No planned measures of improvement

14. Planned measures for improvement were not reported in the performance report as required by section 46(1)(c) of the MSA.

Internal audit of predetermined objectives

15. Predetermined objectives were not subjected to internal audit as required by section 45 of the Municipal Systems Act, 2000 (Act No. 32 of 2000). Internal audit does however review the S57 scores.

Usefulness of reported performance information

16. The following criteria were used to assess the usefulness of the planned and reported performance:

- **Consistency:** Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- **Relevance:** Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- **Measurability:** Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Inadequate content of integrated development plan

17. The integrated development plan of the municipality did not include the performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Compliance with laws and regulations**Local Government: Municipal Systems Act****Declarations by councillors**

18. Contrary to the code of conduct for councillors as per schedule 1, S 5(1) (a) of the MSA, certain councillors did not, disclose to the municipal council, to any committee of which that councillor is a member, all direct or indirect personal or private business that that councillor or any spouse, partner or business associate of that councillor may have had in any matter before council or the committee.

Internal Control

1. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and the MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.
2. The matters reported are limited to the deficiencies regarding the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

1. The accounting officer has not exercised adequate oversight responsibility and taken adequate steps to mitigate risks over financial reporting, compliance with the MSA and the report on predetermined objectives.

Governance

2. Internal audit did not fulfil its responsibilities as set out in law with regard to review and reporting on organisational predetermined objectives.
3. The internal audit processes and procedures did not include assessment of the functionality of the organisational performance management system and whether the system complied with the requirements of the MSA

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November 2010



AUDITOR-GENERAL
SOUTH AFRICA

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