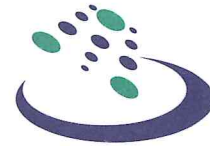


Audit Report

Ngqushwa Municipality

For the Year ended 30 June 2011



A U D I T O R - G E N E R A L
S O U T H A F R I C A

The accounting officer
Mr M.Sondaba
Ngqushwa Local Municipality
PO Box 539
Peddie
5640

30 November 2011

Reference: 21293REG1011

Dear Sir

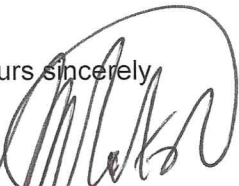
Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Ngqushwa Local Municipality for the year ended 30 June 2011

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) (municipality) you are required to include the audit report in the municipality's annual report to be tabled.
4. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

6. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely



Sandile Hlatshwayo
Senior Manager: ECBU

Enquiries: Sandile Hlatshwayo
Telephone: (043) 709 7200
Fax: (043) 709 7300
Email: sandileh@agsa.co.za

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON NGQUSHWA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Ngqushwa Municipality, which comprise the statement of financial position as at 30 June 2011, and 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 x to x.

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 South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended) (DORA), as well as for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

Property, plant and equipment

4. An amount of R200,27 million (2010: R212,84 million) is disclosed as property plant and equipment in note 5 to the financial statements. This amount is misstated by R2,09 million (2010: R2,33 million) due to unexplained differences between the carrying value of property, plant and equipment as disclosed and the asset register. I also found an unexplainable difference of R439 590 between the additions listing provided and the additions disclosed in note 5 to the financial statements. In addition, the municipality did not apply the requirements of GRAP 17 and Directive 7 appropriately, resulting in the cost of roads infrastructure being significantly misstated due to the incorrect calculation of deemed cost upon initial recognition, the underlying limitations being that a significant number of roads were not assessed for extent and condition, inadequate assumptions and inappropriate base data used. Apart from the impact of the inherent limitation above on the accumulated depreciation, I further identified significant errors in the calculation of depreciation, including depreciation being wrongfully calculated on non-depreciable land and depreciation not being proportioned for additions. The municipality could therefore not provide sufficient appropriate audit evidence for the amount disclosed and there were no satisfactory

alternative audit procedures that I could perform in these circumstances. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights of property plant and equipment as disclosed in note 5 to the financial statements.

5. Included under additions for property, plant and equipment as disclosed in note 5 to the financial statements is value-added-tax (VAT) on additions amounting to R 1,64 million due to additions recorded inclusive of VAT, although the suppliers were found to be registered VAT vendors. In addition, there are individually immaterial uncorrected overstatements of R545 326 and consequently property plant and equipment as disclosed in note 5 is overstated by R2,19 million and VAT receivable understated by R1,64 million.

Expenditure

6. Misallocations amounting to R6,04 million were identified within expense accounts as disclosed in the statement of financial performance and note 23 that resulted in the incorrect classification between expense line items and misclassifications of property plant and equipment as expenditure.
7. Lease rentals on operating lease expenditure of R964 073 are disclosed in note 23 to the financial statements. Lease agreements could not be obtained for operating leases included in this amount, and the municipality's records did not permit the application of alternative audit procedures regarding operating leases. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the occurrence, completeness, accuracy and classification of operating lease expenses as disclosed.

Employee related costs

8. Amounts of R24,43 million and R6,16 million are disclosed as employee related costs and remuneration of councillors, respectively, in notes 24 and note 25 to the financial statements. This amount and the accrued leave pay as disclosed in note 16 are overstated by R622 274 (2010: R441 217) due to differences identified between the accrued leave pay calculation and the leave balances per the leave system at year-end. Employee related costs is further overstated by R1,87 million due to unexplained differences between employee related costs as disclosed and the payroll sub-ledger. In addition, the municipality could not provide sufficient appropriate audit evidence to support these reconciling items. I could therefore not determine the effect on the other account balances or classes of transactions contained in the financial statements and there were no satisfactory alternative audit procedures that I could perform in these circumstances.

Trade and other payables

9. Supporting information could not be provided for the suspense accounts disclosed under trade and other payables as disclosed in note 16 to the financial statements for:
 - Unknown/Unallocated deposits suspense account of R770 518
 - Sundry receipts default suspense account of R854 355
 - Accrued administration and water sanitation expense suspense account of R119 299

The entity's records did not permit the application of alternative audit procedures regarding the suspense accounts. Consequently, I did not obtain sufficient

appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and obligations pertaining to these suspense accounts disclosed under trade and other payables.

Bank overdraft

10. An amount of R4,51 million is disclosed as bank overdraft in note 12 to the financial statements. This amount is misstated by R1,92 million due to unexplainable reconciling differences. In addition, the municipality could not provide sufficient appropriate audit evidence for these reconciling items. There were no satisfactory alternative audit procedures that I could perform in these circumstances. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of, and obligation pertaining to the bank overdraft as disclosed in note 12 to the financial statements.

Revenue

11. Revenue from property rates as disclosed in note 18 as R4,21 million (2010: R2,60 million) in the financial statements is understated due to differences amounting to R664 666 identified between the approved valuation roll and the rates reconciliation and calculations performed for billing purposes.
12. Contrary to the requirements of section 64(2)(g) of the MFMA, the municipality did not charge interest on outstanding service debtors, resulting in the understatement of interest revenue of R229 609. As a result, I could not satisfy myself as to the completeness of interest revenue and trade receivables.
13. The auditor's report for the year ended 30 June 2010 contained a qualification on revenue for fines amounting to R466 148 and licences and permits amounting to R637 674 as disclosed in the statement of financial performance. The matter which gave rise to the qualification remains unresolved in the current year, being traffic income which I was unable to verify for completeness due to unexplained missing receipt numbers.
14. The Standards of Generally Recognised Accounting Practice, GRAP 1, *Presentation of financial statements*, states that when items of revenue and expenses are material their nature and amounts shall be disclosed separately. As disclosed per note 22 to the financial statements, sundry revenue of R1.78 million for the comparative year was not separately disclosed as required.

Value-added tax receivable

15. The VAT receivable as disclosed as R2,64 million (2010: R3,73 million) in note 11 to the financial statements, does not agree with the VAT reconciliation for the year by R893 822 for input VAT and R111 649 for output VAT and no sufficient appropriate audit evidence could be obtained for these differences. The entity's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights of the VAT receivable as disclosed. I could not determine the effect on the other account balances or classes of transactions contained in the financial statements.

Operating leases commitments

16. An amount of R1,06 million is disclosed as operating lease commitments in note 29.2 to the financial statements. This amount is understated by R690 986 due to incorrect calculations. In addition, the municipality could not provide all contracts for audit purposes as no adequate contract management system was implemented to identify and recognise contracts. There were no satisfactory alternative audit procedures that I could perform in these circumstances. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of operating lease commitments as disclosed in note 29.2 to the financial statements.

Trade and other receivables from exchange transactions

17. Supporting information could not be provided for the stale cheque suspense account balance of R552 102, as disclosed as part of other receivables of R1,75 million per note 9 to the financial statements. The entity's records did not permit the application of alternative audit procedures regarding the accounts receivable clearing account. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of, and rights pertaining to the stale cheque suspense account balance and the effect it has on other balances.
18. I was unable to identify the extent of indigent debtors included in trade debtors of R785 631 (2010: R1,91 million), as disclosed in note 9 to the financial statements, due to an updated list of indigent debtors not being provided for audit purposes. Furthermore, the debtors' age analysis does not reconcile with the financial statements by R26 871. The municipality's records did not permit the application of alternative audit procedures regarding the identification of indigent debtors. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, completeness, valuation and allocation of and rights pertaining to the trade and other receivables from exchange transactions and allowance for debt impairment as disclosed.

Contingent liabilities

19. I was unable to verify the completeness of contingent liabilities, cumulatively stated at R373 082 in note 30 to the financial statements. I could not obtain a legal confirmation from the municipality's legal counsel and the municipality's records did not permit the application of alternative audit procedures.

Budget disclosure

20. The Standards of Generally Recognised Accounting Practice, GRAP 1, *Presentation of Financial Statements*, requires a reconciliation between the statement of financial performance and the budget to be included in the financial statements. No such disclosure has been made in the financial statements as required by the standard.

Disclaimer of opinion

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

Emphasis of matters

22. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of comparative figures

23. As disclosed in notes 2, 32 and 33 to the financial statements, the comparative figures for 30 June 2010 have been restated as a result of changes in accounting policy and errors discovered during the financial year ended 30 June 2011.

Unauthorised expenditure

24. As disclosed in note 36 to the financial statements the municipality incurred unauthorised expenditure of R5,53 million as a result of exceeding the total and some departmental budgeted amounts.

Irregular expenditure

25. As disclosed in note 38 to the financial statements the municipality incurred irregular expenditure of R5,97 million due to the expenditure incurred in contravention of the supply chain management requirements.

Fruitless and wasteful expenditure

26. As disclosed in note 37 to the financial statements the municipality incurred fruitless and wasteful expenditure of R169 353 as a result of incurring interest on overdue accounts, claims against the municipality and overpayment of councillors.

Material impairments

27. The municipality has made allowances for material impairments as disclosed in note 9, trade and other receivables from exchange transactions amounting to R1,68 million (2010: R723 037) and note 10, trade and other receivables from non-exchange transactions amounting to R5,66 million (2010: R4,04 million), related to receivables that were not considered recoverable.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

28. In accordance with the PAA and in terms of *General Notice 1111 of 2010*, issued in

Government Gazette 33872 of 15 December 2010, I include below my findings on the annual performance report as set out on pages x to x and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

Included below are the findings raised during our audit of the report on predetermined objectives.

Presentation of information

29. The following criteria are relevant to the findings below:

- Performance against predetermined objectives is reported using the National Treasury Guidelines.

Audit findings:

30. Measures taken to improve performance not well defined and supported

- Measures taken to improve performance for all the selected development priorities are not well defined and are not supported sufficiently by substantive documentation.

Usefulness of information

31. The following criteria are relevant to the findings below:

- Consistency: Objectives, indicators and targets are consistent between planning and reporting documents.
- Relevance: A clear and logical link exists between the objectives, outcomes, outputs, indicators and performance targets.
- Measurability: Indicators are well defined and verifiable; targets are specific, measurable and time bound.

Audit findings:

32. Reported indicators and targets are not consistent when compared with the planned indicators and targets

- Reported performance against predetermined indicators and targets is not consistent with the approved integrated development plan as the integrated development plan for the 2010/11 financial year does not contain any indicators or targets.

33. Planned and reported targets are not specific and measurable

- For the selected programmes, 79% of the planned and reported targets were not specific in clearly identifying the nature and the required level of performance and the measurability thereof.

34. Planned and reported targets are not time bound

- For the selected programmes, 90% of the planned and reported targets were not time bound in specifying the time period or deadline for delivery.

35. Planned and reported indicators are not well defined

- For the selected programmes, 76% of the planned and reported indicators were not clear and well defined data definitions were not available to allow for data to be collected consistently.

Reliability of information

36. The following criteria are relevant to the findings below:

- Validity: Actual reported performance has occurred and pertains to the entity
- Accuracy: Amounts, numbers, and other data relating to reported actual performance have been recorded and reported appropriately.
- Completeness: All actual results and events that should have been recorded have been included in the annual performance report.

Audit findings:

37. The validity, accuracy and completeness of reported performance against indicators and targets could not be confirmed as inadequate supporting source information was provided

- Reported measures taken to improve performance were not supported by adequate and reliable corroborating evidence as 38% of the measures taken to improve performance could not be verified.
- For the selected programmes the validity, accuracy and completeness of 71% of the reported indicators and targets could not be established as sufficient appropriate audit evidence could not be provided.

Compliance with laws and regulations

Strategic planning and performance management

38. The municipality did not, in accordance with section 29, manage the drafting of the municipality's integrated development plan, assign responsibility in this regard to the municipal manager and submit the draft plan to the municipal council for adoption as required by section 30 of Municipal Systems Act, No. 32 of 2000 (MSA).
39. The municipality's annual integrated development plan did not reflect at least an assessment of the existing level of development and identification of communities that do not have access to basic municipal services, a financial plan, which must include a budget projection for at least the next three years and the key performance indicators and performance targets determined, as required by sections 26(b),(h) and (i) of the MSA and Regulation 2(3) of the Municipal Planning and Performance Management Regulations.
40. The municipality did not adequately implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players as required by

sections 38, 39, 40 and 41 of the MSA read with regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

41. The municipality did not include all of the general key performance indicators prescribed by the minister as required by section 43 of the MSA read with regulation 10 of the Municipal Planning and Performance Management Regulations, 2001.
42. The municipal council did not within the prescribed period after the start of its elected term, adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan as required by section 28(1) of the MSA.
43. The municipal council did not, within 14 days of the adoption of its integrated development plan give notice to the public of the adoption of the plan or availed copies or extracts of the plan as required by section 25(4) of the MSA.
44. The municipal manager did not submit a copy of the integrated development plan as adopted by the council of the municipality, and any subsequent amendments to the plan, including a summary of the process as well as a statement that the process has been complied with, together with any explanations that may be necessary to amplify the statement, to the MEC for Local Government in the province within 10 days of the adoption or amendments of the plan as required by section 28(2)(3) of the MSA.
45. The municipality did not, in a manner determined by its council, make known, internally and to the general public, the key performance indicators and performance targets set by it for purposes of its performance management system, as required by section 44 of the MSA. Further to that, the municipality did not fully comply with sections 21A and 21B of the MSA with regards to information to be made public.

Budget

46. The municipality incurred expenditure that was not budgeted for and incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the Municipal Finance Management Act.
47. The accounting officer of the municipality did not obtain a resolution of the municipal council, signed by the mayor as approval, for the bank overdraft in excess of the already approved R 1 million. The accounting officer further failed to promptly notify the National Treasury in the prescribed format of the amount by which the account or accounts are overdrawn, the reasons for the overdrawn account or accounts and the steps taken or to be taken to correct the matter as required by sections 45(2) and 70(2) of the MFMA.

Annual financial statements, performance and annual reports

48. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of current assets, liabilities, expenditure and disclosure items identified by the auditors were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a disclaimer of audit opinion.

Audit committees

49. Prior to the appointment of the current audit committee in December 2010, the

municipality did not have a functioning audit committee as required by section 166 of the MFMA. As a result, the audit committee did not meet at least four times a year as required, advise the council of the municipality on the adequacy, reliability and accuracy of financial reporting and information, advise the municipal council, the political office bearers, the accounting officer and the management staff of the municipality on matters relating to compliance with the MFMA, the DoRA and other applicable legislation as required by section 166 of the MFMA.

Internal audit

50. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes as required by section 45(1)(a) of the Municipal Systems Act and Municipal Planning and Performance Management Regulation 14.
51. The internal audit processes and procedures did not include, assessments of the functionality of the municipality's performance management system and whether the system complied with the requirements of the Municipal Systems Act, assessments of the extent to which the municipality's performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators. It also did not audit the performance measurements on a continuous basis and submit quarterly reports on their audits to the municipal manager and the performance audit committee as required by Municipal Planning and Performance Management Regulation 14.

Procurement and contract management

52. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).
53. Persons in the service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e), and the providers failed to declare their relationship to persons employed by the municipality as per the requirements of Municipal SCM regulation 13(c).

Human resource management and compensation

54. The municipal manager did not provide job description's for each post in the staff establishment as required by section 66(1)(b) of the Municipal Systems Act.

Expenditure management

55. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
56. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised expenditure when it was incurred and accounted for creditors of the municipality, as required by section 65(2)(b) of the MFMA.
57. The accounting officer did not take reasonable steps to prevent unauthorised, irregular expenditure and/or fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

58. The municipality did not recover all irregular or fruitless and wasteful expenditure from the liable party, as required by section 32(2) of the MFMA.

Transfer of funds and/ or conditional grants

59. The municipality did not always submit quarterly reports to the transferring national officer on non-financial performance in respect of the allocations received as required by section 11(2)(c) of the DoRA.

60. The accounting officer did not evaluate the performance of the municipality in respect of programmes funded or partially funded by a schedule 4 allocation within two months after the end of the financial year as required by section 11(6) of the DoRA.

Revenue management

61. Interest was not charged on all arrears accounts as required by section 64(2)(g) of the MFMA.

62. Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.

Asset management

63. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the MFMA.

64. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register) as required by section 63(2)(c) of the MFMA.

INTERNAL CONTROL

65. In accordance with the PAA and in terms of General Notice *1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

66. There is a lack of oversight and accountability by senior management as sufficient monitoring controls are not in place to exercise oversight responsibility regarding financial and performance reporting, compliance and related internal controls.

67. In addition, for the reporting on predetermined objectives, the documented policy and procedure manuals were found not to have been implemented. As a result, the reporting on predetermined objectives was not useful, reliable and verifiable.

Financial and performance management

68. The municipality does not have adequate systems in place to ensure complete and accurate financial reporting and insufficient controls had been implemented over daily

and monthly processing, in-year monitoring and reconciliations of revenue, commitments, contingent liabilities, cash and cash equivalents, suspense accounts, VAT, property plant and equipment, employee cost, expenditure and operating lease expenditure, irregular expenditure and the leave accrual balance.

69. The municipality did not prepare regular accurate and complete financial and performance reports that are supported and evidenced by reliable information, review and monitor compliance with applicable laws and regulations, and implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reports.
70. The municipality does not have adequate processes in place to monitor compliance with the approved budget and ensure compliance with all applicable laws and regulations. The municipality has thus incurred unauthorised, irregular, fruitless and wasteful expenditure and did not fully comply with all requirements of the MFMA, MSA and MPPM Regulations, PPPF and SCM regulations.

Governance

71. In addition to an inadequate risk assessment process, the municipality did not respond to and adequately monitor the risks identified. As a result, there were numerous instances of non-compliance with the MFMA, MSA, PPPF and the SCM and MPPM regulations.
72. The municipality did not have an adequately resourced and functioning internal audit unit that could effectively identify internal control deficiencies and recommend corrective action. No assessment has been conducted on the effectiveness of the internal audit department. The internal audit work performed was not done in terms of a risk based internal audit plan approved by the audit committee the audit work was performed on an *ad hoc* basis throughout the year.
73. The audit committee was only established during December 2010, prior to which it did not promote accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations. As a result the audit committee was not able to fully discharge their duty in terms of their charter and was unable to meet the prerequisite minimum amount of four times in the year.

OTHER REPORTS

Investigation in progress

74. An investigation is currently being undertaken by specialists engaged to conduct an investigation into the conduct and performance of the suspended municipal manager. The investigation encompasses allegations of failure to perform duties as required by municipal policy and legislation as well as transgressions relating to contracting for services.

Auditor-General

East London
30 November 2011



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence