

**REPORT OF THE AUDITOR-GENERAL TO THE WESTERN CAPE PROVINCIAL
PARLIAMENT AND THE COUNCIL ON CAPE WINELANDS DISTRICT
MUNICIPALITY**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Cape Winelands District 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 5 to 52.

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 (SA Standards of GRAP) and the requirements of 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, 2010 (Act No. 1 of 2010) (DoRA), and for such internal controls 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 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 these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. 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 Cape Winelands District Municipality as at 30 June 2011, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matter

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

Material underspending of the operating budget

9. The municipality had a material underspending of R49 533 909 at 30 June 2011. The underspending related mainly to various operating projects amounting to R8 162 538, which were rolled over to the next financial year, R8 083 129 for other expenses and additional funds received close to year-end for repairs and maintenance amounting to R33 268 242 which could not be spent in time.

Disestablishment of the district management areas (DMA)

10. As disclosed in note 43 to the financial statements, the DMAs are being disestablished and are to be incorporated in superseding municipalities with effect from 1 July 2011

Additional matters

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

Material inconsistencies in other information included in the annual report

12. No material inconsistencies between the draft annual report and financial statements were identified. The draft annual report as well as the final printer's proof of the annual report will be reviewed and any material inconsistencies then identified will be communicated to management. Should the inconsistencies not be corrected, it may result in the matter being included in the audit report.

Unaudited supplementary schedules

13. The supplementary information set out in annexures A to J on pages 53 to 69 does not form part of the financial statements and is presented as additional information. I have not audited these annexures and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. 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 1 to 68 and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

15. There are no material findings on the annual performance report.

Compliance with laws and regulations

Procurement and contract management

16. Awards were made to providers who are persons in service of other state institutions or whose directors/principal shareholders are persons in service of other state institutions in contravention of the requirements of the Municipal Supply Chain Management (SCM) Regulations (GNR, 868 of 30 May 2005), regulations 44. Furthermore the provider failed to declare that they were in the service of the state as required by SCM regulation 13(c).

17. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of SCM regulation 13(c).

INTERNAL CONTROL

18. 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 findings on compliance with laws and regulations included in this report.

Leadership

19. The accounting officer was unable to ensure compliance with SCM regulation 44(1)(a) because of a lack of a database or similar mechanism to verify the accuracy of declarations of suppliers in relation to whether or not they are in the service of the state.

Financial and performance management

20. Management did not adequately monitor the declaration of interest forms to ensure that suppliers completed their declaration of interest forms correctly and therefore led to the SCM unit being unable identify conflicts of interest timeously.

Auditor General

Cape Town

30 November 2011



AUDITOR-GENERAL
SOUTH AFRICA

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