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**KAAPSE WYNLAND**  
**DISTRIKSMUNISIPALITEIT**  
  
**07 DEC 2012**  
  
**CAPE WINELANDS**  
**DISTRICT MUNICIPALITY**

## Report of the Auditor General of South Africa

Cape Winelands District Municipality  
 For the year ended 30 June 2012

VIR AANDAG / FOR ATTENTION	TER INLÏETING / FOR INFORMATION
R. ZEELE	D. HEJTH
R. NENKHOOF	
G. MORRIS (C. MORRIS)	
M. HGGATA	
IBM (M. HENDRICKS)	

**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 financial statements of the Cape Winelands District Municipality set out on pages 6 to 46, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

**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), the requirements of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (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.

**Auditor-General's responsibility**

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. 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.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

6. 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 2012 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**

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

#### **Restatement of corresponding figures**

8. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of the Cape Winelands District Municipality at, and for the year ended, 30 June 2011.

#### **Additional matter**

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

#### **Unaudited supplementary schedules**

10. The supplementary information set out on pages 49 to 65 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 thereon.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

11. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

#### **Predetermined objectives**

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the draft annual report as set out on pages 89 to 113 of the annual report.
13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.
14. The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).
15. There were no material findings on the annual performance report concerning the usefulness and reliability of the performance information.

#### **Additional matter**

16. Although no material findings concerning the usefulness and reliability of the performance information were raised in the annual performance report, I draw attention to the following matter.

#### **Achievement of planned targets**

17. Of the total number of indicators, 67 were achieved during the year under review. This represents 28% of total planned indicators that were not achieved during the year under review. The latter includes 22 out of 81 (27%) indicators that are qualitatively material, in relation to the municipality's key service delivery indicators. This was mainly due to the fact that grants were not timeously received and resulted in the late implementation of the projects.

#### **Compliance with laws and regulations**

18. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations, as set out in the *General Notice* issued in terms of the PAA, are as follows:

#### **Annual financial statements, performance and annual report**

19. 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 non-current assets, liabilities, revenue, expenses and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### **Internal control**

20. I considered internal control relevant to my audit of the financial statements, and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the finding on compliance with laws and regulations included in this report.

#### **Leadership**

21. Leadership did not implement adequate measures to exercise sufficient oversight responsibility regarding financial compliance. This resulted in material findings on the financial statements not being prevented or detected by the municipality's internal processes.

**Financial and performance management**

22. The financial statements contained material errors in respect of non-current assets, liabilities, revenue, expenses and disclosure items that were identified during the audit process. This was mainly due to the municipality not implementing adequate controls to ensure that the information used to support the amounts in the financial statements was valid, accurate and complete and not performing credibility reviews.

Auditor-General

Cape Town

30 November 2012



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*