

REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE METSIMAHOLO MAYORAL TRUST

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Metsimaholo Mayoral Trust set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2013, the statement of financial performance, statement of changes in net assets and 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 the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of 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, 2012 (Act No. 5 of 2012) (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 the 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 qualified audit opinion.

Basis for qualified opinion

Accounts payable

6. The current tax payable amounting to R323 348 (2012: R323 348) as disclosed in the statement of financial position, could not be concluded. I was unable to determine whether the trust is a taxable entity as the trust did not submit an application for exemption for tax purposes in terms of section 30 of the Income Tax Act, 1962 (Act no 58 of 1962) or whether the trust had registered for tax purposes. Should the entity's application for exemption be unsuccessful, penalties could be imposed at the prescribed rate of 200%. There were no satisfactory alternative audit procedures that could be performed to obtain reasonable assurance that the recorded liability was complete or was owing to the South African Revenue Service.

Accumulated deficit

7. The accumulated deficit amounting to R315 895 (2012: R315 319) as disclosed in the statement of financial position could not be concluded. The entity could not provide me with sufficient appropriate audit evidence for certain income and expenditure relating to prior years that was brought forward in this balance. Alternative procedures could not be performed due to the lack of supporting documentation.

Qualified opinion

8. In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Metsimaholo Mayoral Trust as at 30 June 2013 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matter

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

Going concern

10. The financial statements of the Metsimaholo Mayoral Trust were prepared on the liquidation basis. The trustees' report on page xx of, and note 10 to, the annual financial statements indicates that the trustees had passed a resolution to liquidate the trust and that the Metsimaholo Local Municipality had sole control and had taken over the bursary function of the trust in 2008. This indicates the existence of a material uncertainty that may cast significant doubt on the trust's ability to operate as a going concern.

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 was unable to conduct the audit of performance against predetermined objectives, as the entity is not required to prepare a report on its performance against predetermined objectives. There are no matters to report, as the entity was dormant for the year under review.

Compliance with laws and regulations

13. I performed procedures to obtain evidence that the entity had complied with applicable laws and regulations regarding financial matters, financial management and other related matters. I did not identify any instances of 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.

Internal control

14. I considered internal control relevant to my audit of the financial statements, the annual performance report 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 basis for the qualified opinion and the findings on compliance with laws and regulations included in this report.

Leadership

15. Oversight regarding financial reporting and related internal controls was not effective during the year due to a slow response on the recommendation on the previous audit report to address the dissolving of the trust.

Bloemfontein

30 November 2013



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

Auditing to build public confidence