

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON ZULULAND DISTRICT MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Zululand District Municipality set out on pages x to x, which comprise, the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information 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 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, 2013 (Act No. 2 of 2013)(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 municipality'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 municipality'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 Zululand District Municipality as at 30 June 2014, 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.

Additional matters

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

Unaudited supplementary schedules

8. The supplementary schedules set out on pages xx to xx do not form part of the financial statements and is presented as additional schedules. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

9. In terms of section 125(2)(e) of the MFMA, the Zululand District Municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2014:
 - Development priority 1: Infrastructure and services on pages x to x
 - Development priority 2: Economic, agriculture and tourism on pages x to x
 - Development priority 3: Social development and food security on pages x to x
12. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

13. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
14. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
15. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected development priorities.

Additional matters

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

Achievement of planned targets

17. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

Material adjustments to the annual performance report

18. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for infrastructure and services; economic, agriculture and tourism; and social development and food security. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Unaudited supplementary information

19. The supplementary information set out on pages x to x do not form part of the annual performance report and is presented as additional information. I have not audited this information and accordingly, I do not express a conclusion thereon.

Compliance with legislation

20. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

21. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

OTHER REPORTS

Investigation

22. The municipality appointed an independent consulting firm to perform an investigation into alleged misappropriation of the municipal assets, covering the period 23 January 2012 to 31 July 2014. The investigation was concluded on 31 October 2014 and resulted in disciplinary proceedings being instituted against two employees. These proceedings are currently in progress.

Auditor General

Pietermaritzburg

28 November 2014



AUDITOR - GENERAL
SOUTH AFRICA

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