

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON SEDIBENG DISTRICT MUNICIPALITY

Report on the financial statements

Introduction

1. I have audited the financial statements of the Sedibeng District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as 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) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Division of Revenue Act, 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 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 Sedibeng 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.

Emphasis of matters

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

Funding of operations

8. Note 31 to the financial statements indicates that the Sedibeng District Municipality incurred a net loss of R 28 014 398 during the year ended 30 June 2014 and, as of that date, the municipality's current liabilities exceeded its current assets by R 59 855 797. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Significant uncertainties

9. With reference to note 28 to the financial statements, the municipality is a defendant in a number of lawsuits. The ultimate outcome of these matters cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Restatement of corresponding figures

10. As disclosed in note 29 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered in the financial statements of Sedibeng District Municipality during the year ended 30 June 2014.

Additional matter

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

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA the 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

13. 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 programme 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

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2014:
- Objective 1: Improving stakeholder relations through public participation on pages xx to xx.
 - Objective 2: The pursuit of efficient, accountable, co-operative governance pages xx to xx.
 - Objective 3: Promote and Develop the Tourism Sector pages xx to xx.
 - Objective 4: Create long term sustainable jobs, reduce unemployment, poverty and inequalities pages xx to xx.
 - Objective 5: Promote Residential Development and Urban Renewal pages xx to xx.
 - Objective 6: Plan for effective, efficient and sustainable infrastructure for water and sanitation, and provision of electricity pages xx to xx.
 - Objective 7: Implementation of effective and efficient environmental management in the Sedibeng District Municipality pages xx to xx.
 - Objective 8: Ensure the implementation of MHS programmes to reduce environmental health risks pages xx to xx.
 - Objective 9: Plan and develop accessible, safe and affordable public transport systems and facilities pages xx to xx.
 - Objective 10: Promote efficient movement of freight in the region pages xx to xx.
 - Objective 11: Render an efficient, effective and corruption free vehicle state registration and licensing service pages xx to xx.
 - Objective 12: Facilitate and coordinate internal and external HIV, AIDS and TB mainstreaming pages xx to xx.
15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. I evaluated the usefulness of the reported performance information to determine whether it is 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*.

17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for the selected objectives.

Additional matter

19. I draw attention to the following matter:

Achievement of planned targets

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

Compliance with legislation

21. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. 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

22. I considered internal control relevant to my audit of the financial statements, performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Other reports

Investigations

23. An internal investigation was conducted at the request of the municipality, which covers the period 1 July 2013 to 30 June 2014. The investigation was initiated based on an allegation of the possible misuse of an executive director's position in the municipality. The investigation was still ongoing at the reporting date.

AUDITOR - GENERAL

Johannesburg

30 November 2014



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence