

**REPORT OF THE AUDITOR-GENERAL TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE EMTHANJENI LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I was engaged to audit the accompanying financial statements which comprise the appropriation statement, the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

**The 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 Statements of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) 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.

**The Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

**Basis for disclaimer of opinion**

**Property, plant and equipment**

5. The existence, completeness and rights and obligations of property, plant and equipment (including infrastructure assets) to the value of R537 022 293, as disclosed in note 11 to the financial statements, could not be confirmed due to the following matters:

- Fixed assets amounting to R41 787 908 (2008: R949 154) could not be physically verified due to inadequate record keeping. The asset register did not contain a unique identification number or a detailed description or specific make or model of the asset.
  - I was unable to physically verify assets purchased during the year amounting to R1 632 589 (2008: R455 721), as included in note 11 to the financial statements.
  - Sufficient appropriate audit evidence was not provided for expenditure amounting to R6 624 776 that had not been capitalised against property, plant and equipment in the 2007-08 financial year. It could thus not be determined if this amount should have been capitalised against fixed assets.
  - The fixed asset register was not complete, as it did not contain fields for depreciation method and rates, accumulated depreciation for each year in use, impairment, accumulated impairment and physical condition of assets.
  - I was unable to agree land amounting to R987 000 as included in the valuation roll to the fixed asset register. I was further unable to trace 690 properties to the fixed asset register for the 2007-08 year.
6. The municipality's records did not permit the application of alternative audit procedures.
7. Contrary to paragraph 19 of GRAP 3 *Accounting Policies, Changes in Accounting Estimate and Errors*, the municipality did not retrospectively adjust property, plant and equipment for the changes in accounting policy, which was caused by the conversion from the IMFO basis to GRAP. This incorrect treatment also affected the prior year's statement of performance through the depreciation and amortisation expenditure. This resulted in property, plant and equipment and the accumulated surplus, in the comparative year, being understated by R550 169 899.

#### **Trade receivables from exchange transactions**

8. The valuation, existence and completeness of trade receivables from exchange transactions to the value of R12 896 288, as disclosed in note 4 to the financial statements, could not be confirmed due to the following matters:
- Appropriate supporting documentation could not be provided for journals to the value of R55 533 414 that had been processed to trade receivables.
  - Sufficient appropriate supporting documentation could not be provided for a restatement of the comparative figures for receivables in the financial statements. The difference between the prior year annual report and the comparative figure in the annual financial statements for 30 June 2009 amounted to R1 549 979.
9. The municipality's records did not permit the application of alternative audit procedures.

## Revenue

10. The completeness, accuracy and occurrence of revenue amounting to R102 250 232, as disclosed in the statement of financial performance, could not be confirmed or verified due to the following matters:
  - Sufficient appropriate audit evidence could not be obtained for journals processed against revenue amounting to R83 122 930.
  - The completeness of property rates could not be confirmed, as no listing of improvements to rateable property could be provided.
11. The municipality's records did not permit the application of alternative audit procedures.
12. Due to the following matters, revenue amounting to R102 250 232, as disclosed in the statement of financial performance, was misstated in the annual financial statements:
  - An amount of R573 388 was not included as revenue for the year ended 30 June 2008, due to a management estimate of the usage from the last meter reading to year-end not having taken place and a manual reconciliation between the rateable valuation as per the valuation roll and the rates levied as per the municipal system not having been performed annually. The manual reconciliation between the rateable valuation as per the valuation roll and the rates levied as per the municipal system was also not performed for the year ended 30 June 2009.
  - Interest amounting to R850 626 (2008: R376 934) was not levied against consumer debtors, as required by the municipality's debt collection policy. Interest income and consumer debtors were thus both understated by this amount.

## Expenditure

13. The occurrence, completeness, accuracy and classification of expenditure amounting to R152 966 916, as disclosed in the statement of financial performance, could not be confirmed or verified due to the following matters:
  - Sufficient appropriate audit evidence could not be obtained for expenses incurred during the year amounting to R9 935 572.
  - Sufficient appropriate audit evidence was not provided to confirm the measurement and occurrence of credit notes amounting to R900 560 (2008: R487 135) for the year under review.
  - Sufficient appropriate audit evidence could not be obtained for journal entries amounting to R321 919 744 that had been processed through expenditure for the financial year under review.
14. The municipality's records did not permit the application of alternative audit procedures.
15. Prior year expenditure amounting to R79 202 144, as disclosed in the statement of financial performance, was misstated in the annual financial statements as an amount of R82 522 for value-added tax (VAT) regarding the year ended 30 June 2008 was incorrectly claimed from the South African Revenue Service, although valid tax invoices as defined in section 20(4) of the VAT Act could not be

presented. This resulted in operating expenditure and the VAT liability being understated by R82 522.

### **Accumulated surplus**

16. The existence and completeness of the accumulated surplus amounting to R523 530 506 (2008: R18 112 942), as disclosed in the statement of financial position, could not be confirmed or verified due to the following matters:
- Sufficient appropriate audit evidence could not be obtained for journal entries amounting to R7 559 037 that had been processed against the accumulated surplus.
  - Sufficient appropriate audit evidence could not be obtained for a variance amounting to R28 569 169 between the general ledger and the amount as disclosed for accumulated surplus in the annual financial statements as at 30 June 2009.
17. The municipality's records did not permit the application of alternative audit procedures.
18. The accumulated surplus amounting to R523 530 506 as disclosed in the statement of financial position was misstated in the annual financial statements as journals amounting to R2 895 033 were incorrectly processed to the accumulated surplus for the year ended 30 June 2008. The accumulated surplus and cash and cash equivalents for the year ended 30 June 2008 were thus both understated by R2 895 033.

### **Cash and cash equivalents**

19. The completeness, existence and valuation of cash and cash equivalents amounting to R1 643 136, as contained in note 9 to the financial statements, could not be confirmed due to the following:
- I was unable to obtain sufficient appropriate audit evidence for journal entries amounting to R11 625 774 (2008: R21 861 192) that had been processed to cash and cash equivalents. Owing to the lack of supporting documentation for these journals, no alternative procedures could be performed.

### **Irregular expenditure**

20. Due to the following matters, irregular expenditure amounting to R264 315, contained in note 49 to the annual financial statements, was misstated:
- The municipality did not comply with the Supply Chain Management Regulations (GNR 868) for expenditure amounting to R1 406 954 (2008: R339 696). The following represent the most significant matters identified in this regard:
    - i) No evidence could be submitted to indicate that the municipality had verified suppliers' tax status in several instances.
    - ii) In several instances there was no evidence that a competitive bidding process had been followed.
    - iii) There were also instances where the required number of quotations had not been received.

- I was unable to obtain external confirmations to verify the reasons given for several deviations from the approved policy, amounting to R162 794.
- Payments amounting to R55 034 were made to suppliers that were not included in the list of accredited prospective providers of goods and services.

#### **Taxes and transfers payable**

21. The completeness, existence and valuation of taxes and transfers payable amounting to R2 758 674, as contained in note 16 to the financial statements, could not be confirmed, as I was unable to obtain appropriate, sufficient supporting documentation for journal entries amounting to R3 924 743 that had been processed during the year under review. I was unable to perform any alternative procedures.

#### **Trade and other payables from exchange transactions**

22. The completeness, existence and valuation of trade and other payables from exchange transactions amounting to R4 877 599, as contained in note 17 to the financial statements, could not be confirmed due to the following:

- I was unable to obtain sufficient appropriate supporting documentation to substantiate year-end trade creditors amounting to R1 665 039.
- I was unable to obtain sufficient appropriate supporting documentation for journal entries amounting to R5 973 432 (2008: R867 168) that had been processed to trade and other payables during the year under review.
- I was unable to obtain sufficient appropriate supporting documentation for payments made after year-end amounting to R964 007. I was thus unable to determine, in the absence of any alternative supporting documentation, whether these payments related to possible creditors as at 30 June 2009.
- Sufficient appropriate audit evidence could not be submitted to confirm the valuation and existence of creditors amounting to R4 318 700 as at 30 June 2008.
- Sufficient appropriate audit evidence was not submitted for VAT amounting to R633 121 included in creditors as at 30 June 2008.

23. The municipality's records did not permit the application of alternative audit procedures.

24. Trade and other payables from exchange transactions amounting to R4 877 599, as contained in note 17 to the financial statements, were misstated as R652 628 (2008: R999 447) that should have been included as liabilities at year-end, as defined by paragraph 6 of GRAP 1 *Presentation of Financial Statements*, was not included as trade and other payables from exchange transactions at year-end. Trade and other payables as well as expenditure were therefore understated by this amount.

#### **Retirement benefit obligation**

25. The retirement benefit obligation amounting to R15 950 527 at 30 June 2009 and Rnil at 30 June 2008, as contained in note 14 to the annual financial statements, was incorrectly stated at 30 June 2008. I obtained external supporting documentation indicating that the value of this obligation as at 30 June 2008 amounted to R14 342 345. The retirement benefit obligation at 30 June 2008 was therefore understated by this amount, while the accumulated surplus and the

employee related cost for the 2007-08 financial year were over- and understated, respectively.

### **Going concern**

26. The following conditions indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to continue as a going concern:
- Debtors amounting to R17 143 914 (including VAT) had been outstanding for more than 90 days. Although the municipality's current assets exceeded the current liabilities, 48% of the total current assets consisted of debtors.
  - The municipality had incurred a negative cash flow for the past two financial years amounting to R229 531 (2008: R5 289 134).
  - Revenue from services rendered and property rates made up R66 776 806 (65,31%) of the municipality's revenue, which indicated that the municipality was heavily dependent on the payment of the outstanding debtors relating to the services rendered by the municipality in order to honour creditors.
  - The municipality did not settle creditors amounting to R1 026 988 (2008: R37 241) within 30 days.
  - The municipality had a deficit for the current financial year amounting to R50,7 million, which constituted approximately 50% of the actual revenue for the year.
27. The entity may therefore be unable to realise its assets and liabilities in the normal course of business. The financial statements do not disclose this fact.

### **Prior period errors**

28. As the municipality did not disclose in detail the nature of each prior period error that occurred during the year under review, the prior period error note as contained in note 43 to the financial statements was misstated, as required by paragraph 49 of GRAP 3 *Accounting Policies, Changes in Accounting Estimate and Errors*.

### **Current tax receivable (VAT)**

29. Due to the following matter, the current tax receivable at 30 June 2008 amounting to R131 216, which represents VAT receivable from the South African Revenue Service, as contained in note 10 to the financial statements, was misstated:
- Contrary to paragraph 19 of GRAP 3 *Accounting Policies, Changes in Accounting Estimate and Errors*, the municipality did not retrospectively adjust the balance reflected in the comparative year for the changes in accounting policy, which was caused by the conversion from the IMFO basis to GRAP during the year, as contained in note 2 on changes in accounting policy. Due to this incorrect treatment, the current tax receivable and the accumulated surplus as contained in the comparative were understated by R1 856 854.

### **Disclaimer of opinion**

30. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### **Emphasis of matters**

I draw attention to the following matters on which I do not express a disclaimer of opinion:

#### **Unauthorised and irregular expenditure**

31. As disclosed in note 49 to the financial statements, irregular expenditure to the amount of R264 315 was incurred, as a proper tender process had not been followed.
32. As disclosed in note 47 to the financial statements, unauthorised expenditure to the amount of R18 500 045 was incurred, mainly as the result of the contribution to the provision for bad debts made during the year.

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

33. As disclosed in notes 41 and 43 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of the first-time adoption of Statements of GRAP as well as errors discovered during 2008-09 in the financial statements of the municipality at, and for the year ended, 30 June 2008.

#### **Other matters**

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

#### **Unaudited supplementary schedules**

34. The supplementary information as set in Appendix E1 and E2 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.

#### **Non-compliance with applicable legislation**

##### **Municipal Finance Management Act**

35. Contrary to the requirements of sections 22(a)(ii) and 23, the municipality did not invite the local community to make representations on the budget after it had been tabled.
36. Contrary to the requirements of section 69(3), the municipality did not, by no later than 14 days after the approval of the budget, submit to the mayor a draft service delivery plan, budget implementation plan and draft annual performance agreements.
37. Contrary to the requirements of section 65(2)(e), the municipality did not pay creditors amounting to R1 026 988 (2008: R37 241) within 30 days from receipt of invoice.
38. Contrary to the requirements of section 125(2)(e), the municipality did not disclose particulars of all areas of non-compliance with the MFMA within the annual financial statements.
39. Despite several instances of non-compliance with the supply chain management policy identified during the audit, the municipality did not inform the provincial treasury, in writing, of these instances of non-compliance in terms of section 73.

40. Contrary to section 52(d), the municipality did not, within 30 days after the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality.

41. Contrary to section 70, the municipality did not report to council on the overspending of the budget.

**Municipal Supply Chain Management Regulations (GNR 868 of 30 May 2005)**

42. Contrary to the requirements of section 7, the municipality did not have a functioning supply chain management unit.

43. Contrary to section 6, the municipality did not submit an annual report on the implementation of the supply chain management policy within 30 days after the financial year-end. The required quarterly reports were also not submitted to the mayor within 10 days after the end of each quarter.

44. Contrary to section 46(3), the municipality did not keep a declaration of interests register.

**Governance framework**

45. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

**Internal control deficiencies**

46. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
5, 6, 7	Property, plant and equipment	5		1,3,5		
8, 9	Trade receivables from exchange transactions	1,5		3,4	2	1
10, 11, 12	Revenue			3,4		
13, 14, 15	Expenditure			3,4		1
16, 17, 18	Accumulated surplus			3		1
19	Cash and cash equivalents			3,4		
20	Irregular expenditure			3		1
21	Taxes and transfers payable			4		
22, 23, 24	Trade and other payables from exchange transactions	1		3,4		
25	Retirement benefit obligation	5		4		
26, 27	Going concern	2		4		1
28	Prior period error			3,4		
29	Current tax receivable			4		

Legend	
<b>CE = Control environment</b>	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1



Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
<b>RA = Risk assessment</b>	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
<b>CA = Control activities</b>	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
<b>IC = Information and communication</b>	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
<b>M = Monitoring</b>	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self-assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

### Key governance responsibilities

47. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		X
<b>Quality of financial statements and related management information</b>			
2	The financial statements were not subject to any material amendments resulting from the audit.		X
3	The annual report was submitted for consideration prior to the tabling of the auditor's report.	X	

<b>Timeliness of financial statements and management information</b>			
4	The annual financial statements were submitted for auditing as per the legislated deadlines (section 126 of the MFMA).	X	
<b>Availability of key officials during audit</b>			
5	Key officials were available throughout the audit process.		X
<b>Development of and compliance with risk management, effective internal control and governance practices</b>			
6	Audit committee		
	The municipality had an audit committee in operation throughout the financial year.	X	
	The audit committee operates in accordance with approved, written terms of reference.	X	
	The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		X
7	Internal audit		
	The municipality had an internal audit function in operation throughout the financial year.	X	
	The internal audit function operates in terms of an approved internal audit plan.	X	
	The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		X
8	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		X
9	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		X
10	The information systems were appropriate to facilitate the preparation of the financial statements.	X	
11	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		X
12	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	X	
<b>Follow-up of audit findings</b>			
13	The prior year audit findings have been substantially addressed.		X
14	SCOPA/Oversight resolutions have been substantially implemented.	N/A	N/A
<b>Issues relating to the reporting of performance information</b>			
15	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		X
16	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		X
17	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets (section 68 of the MFMA).	X	
18	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	X	

#### **Clear trail of supporting documentation and quality of financial statements**

48. Difficulties were experienced due to the lack of availability of key officials during the audit as a result of training interventions and other commitments. Their availability impacts on the auditor's ability to achieve agreed upon timeframes and the availability of information, reconciliations and explanations.

49. Difficulties were experienced during the audit concerning delays in the supply of information and management comments. The accounting officer is responsible to keep proper records of the financial affairs of the municipality. Leadership should monitor transactions and events on an ongoing basis to ensure proper recognition and disclosure in the financial statements and that adequate supporting documentation exist and are properly filed. The accounting officer should ensure that a proper review is performed on the financial statements and that supporting documentation and an accounting file exists to support the financial statements. Furthermore, there should also be a discipline to produce quarterly financial statements and management information for review by management, the audit committee and internal audit.
50. In the absence of appropriate GRAP training to the municipal officers, management appointed external service providers to compile the financial statements and to assist with the completion of a GRAP compliant asset register.

#### **Internal audit and audit committee**

51. The municipality outsourced the internal audit and audit committee functions. The internal audit and audit committee functions are imperative to ensure the proper implementation and monitoring of internal control.

#### **Risk management, internal controls and governance**

52. Inadequate accounting and internal control policies existed at the municipality resulting in various cases of non-compliance to legislation and accounting guidelines.
53. Management should develop and implement an adequate fraud prevention plan. This needs to be communicated to all staff within the municipality to ensure adherence thereof.

#### **Follow up of prior year audit findings**

54. The implementation of audit recommendations requires improved monitoring and supervision by management as the audit report contains various matters reported in the previous year audit report. Action plans compiled to address audit outcomes should be reviewed, approved and monitored by council supported by the accounting officer.

#### **Reporting of Performance information**

55. Detailed standard operating procedures setting out the roles and responsibilities of all levels of staff involved in the collection and collation of performance information, from source document to reporting, has not been prepared and communicated throughout the entire municipality. This is indicative of a situation where adequate control processes and procedures were not designed and implemented to ensure the accuracy and completeness of reported performance information and adequate mechanisms were not established to monitor and review the performance management system.

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

#### **Report on performance information**

56. I was engaged to review the performance information.

### **The accounting officer's responsibility for the performance information**

57. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

### **The Auditor-General's responsibility**

58. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
59. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
60. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

### **Findings on performance information**

#### **Non-compliance with regulatory requirements**

##### **No reporting of performance information**

61. The annual report of the municipality for 2009 did not include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the MSA, as required by section 121(3)(c) of the MFMA. As a consequence, the consistency and reliability of performance information could not be tested and confirmed.

##### **Content of integrated development plan**

62. The integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.
63. Contrary to the requirements of section 25(4) of the MSA, the municipality did not, within 14 days after the adoption of its integrated development plan, give notice to the public of the adoption.
64. Contrary to the requirements of section 32(1)(a) of the MSA, the municipality did not submit a copy of the adopted integrated development plan to the member of the executive council for local government in the Northern Cape, within 10 days of the adoption or the amendment of the plan.
65. Contrary to the requirements of section 43(2) of the MSA, the municipality did not include certain specific required key performance indicators within its integrated development plan.

**Performance information not received in time**

66. An assessment could not be performed of the reliability of the performance information, since the information was not received in time for audit purposes.

**APPRECIATION**

67. The assistance rendered by the staff of the Emthanjeni Municipality during the audit is sincerely appreciated.

*Auditor - General*

Kimberley

29 January 2010



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*