

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Motheo District Municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the Motheo District Municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

Due to the fact that the Motheo District Municipality has been disestablished, the accounting officer has reviewed the appropriateness of the application of the going concern principle as the basis for the preparation of the annual financial statements. National Treasury was approached in this regard and, based on their recommendation, the annual financial statements have been prepared on a going concern basis.

Disestablishment of Motheo District Municipality:

Status of the Disestablishment process:

The Motheo district municipality has been disestablished in terms of Notice no 7 of 2011, dated 21 April 2011, published in terms of section 12 and 16, read with sections 14, 15 and 17 of the Local Government: Municipal Structures Act, 1998: implementation of the municipal Demarcation Board determination no DEM 387, published as notice no 231 in the Free State Provincial Gazette of 1 August 2008.

In terms of the said notice, the effective date for disestablishment of the Motheo district municipality was on the 21st of May 2011, being "the day on which the results of the next general municipal elections are declared in terms of the applicable electoral legislation".

Notice no 7 of 2011 was amended by means of amendment notice no 9 of 2011, published on the 16th of May 2011. This notice made the following provision for the establishment of an Administrative unit:

- "19A (1) All the employees of the disestablished Motheo district municipality that have been transferred to the metropolitan municipality form an administrative unit of the metropolitan municipality. An administrative unit functions in terms of the budget, systems, rules and policies which applied to it immediately prior to the establishment of the metropolitan municipality until it is changed by that municipality.
- (2) The municipal manager of the metropolitan municipality-
- (a) shall designate a head for each administrative unit; and
- (b) may transfer an employee from one administrative unit to another
- (3) The head of an administrative unit shall, subject to the directions and instructions of the municipal manager - "
- (a) be responsible and accountable for the management of the administrative unit concerned; "

As per MFMA Circular 54, paragraph 3, issued by National Treasury, the Motheo district municipality continued to pay staff and creditors until the 30th of June 2011. This arrangement allowed the Motheo district municipality to finalise all outstanding projects.

Conclusion:

Based on the guidelines received from National Treasury, we have compiled the annual financial statements for the year ended 30 June 2011, as set out on pages 8 to 70, on the going concern basis.

W H Boshoff

Accounting Officer (Acting)

31 Augustus 2011