

Independent Auditor's Report to the Minister of Water and Environmental Affairs

Report on the financial statements

We have audited the financial statements and the group financial statements of Umgeni Water, which comprise the statement of financial position and consolidated statement of financial position as at 30 June 2010, statement of comprehensive income and consolidated statement of comprehensive income, the statement of changes in equity and consolidated statement of changes in equity, statement of cash flows and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, and the Directors' Report and Report of the Audit Committee, as set out on pages 106 to 150.

Directors' responsibility for the financial statements

The entity's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Water Services Act No. 108 of 1997 and sub-section 55(1)(b) of the Public Finance Management Act No. 1 of 1999, as amended. This responsibility includes: designing; implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Umgeni Water as of 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Public Finance Management Act No. 1 of 1999, as amended, and the Public Audit Act No. 25 of 2004.

Report on other legal and regulatory requirements

Compliance with the Public Finance Management Act

In accordance with our responsibilities in terms of subsections 55(2)(a) of the Public Finance Management Act No. 1 of 1999, we report on the performance information of Umgeni Water for the year ended 30 June 2010 as set out in the Report of the Directors. The accounting authority is responsible for the preparation and fair presentation of this performance information. Nothing has come to our attention that causes us to believe that the performance information, in all material respects, is not fairly stated.

Deloitte & Touche
Registered Auditors
Per M Luthuli
22 September 2010

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National Executive: GG Gelink Chief Executive, AE Swiegers Chief Operating Officer, GM Pinnock Audit, DL Kennedy Tax & Legal and Risk Advisory, L Geering Consulting, L Bam Corporate Finance, CR Beukman Finance, TJ Brown Clients & Markets, NT Mtoba Chairman of the Board, MJ Comber Deputy Chairman of the Board.
Regional Leader: GC Brazier. (A full list of partners and directors is available on request.)