

Existence, completeness, valuation, classification, rights and obligations of the following account balances in the statement of financial position:

- Government Grant Reserve of R137,6 million
  - Donations and Public Contribution Reserve of R290 740;
  - Capitalisation Reserve of R9 million
  - Capital Replacement Reserve of R15,5 million
  - Accumulated surplus of R456,3 million
  - Trade and other payables of R40,5 million
  - Unspent conditional grants and receipts of R19,5 million
  - Property, plant and equipment of R382,7 million
  - Loans and receivables of R1,7 million
  - Inventory of R 395 526;
  - Other debtors of R34,6 million
  - Current portion of loans and receivables of R1,6 million; and
  - Bank balance and cash of R257,7 million
- Occurrence, completeness, rights and obligations, classification, valuation, compliance and accuracy of the balances included in the statement of changes in net assets.
- Occurrence, completeness, classification, valuation, and accuracy of the cash flow statement.
- Occurrence, completeness, rights or obligations, classification, valuation, compliance and accuracy of disclosure notes 1 to 22 to the annual financial statements.

#### Disclaimer of opinion

7. 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 on the financial statements of the Capricorn District Municipality. Accordingly, I do not express an opinion on the financial statements.

#### Emphasis of matter

I draw attention to the following matter

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Amendments to the applicable basis of accounting

8. As set out in accounting policy note 1.1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of General Notice 552 of 2007, issued in Government Gazette No. 30013 of 29 June 2007.

#### OTHER MATTERS

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

#### Internal controls

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 inefficiencies 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.

