

Camdeboo Municipality

Audit Report

For the year ended 30 June 2016

Report of the auditor-general to Eastern Cape Provincial Legislature and the council on Camdeboo Municipality

Report on the financial statements

Introduction

1. I have audited the financial statements of the Camdeboo Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and of 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 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, 2003 (Act No. 56 of 2003) (MFMA), and the Division of Revenue Act of South Africa, 2015 (Act No.1 of 2015) (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'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 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 unqualified audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Camdeboo Municipality as at 30 June 2016 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 these matters;

Material losses

8. As disclosed in note 34 to the financial statements, the municipality suffered significant losses for water and electricity. Electricity losses to the value of R9 million (2015: R3 million) were incurred. Water losses to the value of R7 million (2014: R10 million) were incurred.

Restatement of corresponding figures

9. As disclosed in note 35 to the financial statements, the corresponding figures have been restated as a result of prior period errors that were identified and corrected during the year ended 30 June 2016.

Events after reporting date

10. As disclosed in note 46 to the financial statement on 14 July 2016, the Executive Council responsible for the Local Government in Province of the Eastern Cape, acted in terms of Sections 12, 14 and 17 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) as amended, disestablished Baviaans, Camdeboo and Ikwezi Local Municipalities and established Dr. Beyers Naude Local Municipality, effective 6 August 2016.

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 this legislation. 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 Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected development priorities presented in the annual report, compliance with legislation and 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 of the following selected development priorities presented in the annual performance report of the Camdeboo Municipality for the year ended 30 June 2016:
- Development priority 1: Infrastructure Development on pages x to x
 - Development priority 2: Local Economic Development on pages x to x
 - Development priority 7: Spatial Planning & Land-use Management on pages x to x
15. I evaluated the usefulness of the reported performance information to determine whether it was 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 (FMPPI).
16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
17. The material findings in respect of the selected development priorities are as follows:

Infrastructure development priority

Usefulness of reported performance information

18. I did not identify any material findings on the usefulness of the reported performance information for the infrastructure development priority

Reliability of reported performance information

19. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure reliable reporting of actual achievements against planned objectives, indicators and targets. The reported achievements against planned targets of significantly important indicators were not reliable when compared to the evidence provided.

Local economic development and spatial planning & land use management development priorities

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following development priorities:

- Development priority 2: Local Economic Development
- Development priority 7: Spatial Planning & Land-use Management

Additional matters

21. I draw attention to the following matters:

Achievement of planned targets

22. Refer to the annual performance report for information on the achievement of planned targets for the year. This information should be considered in the context of the conclusions expressed on reliability of the reported performance information in paragraphs xx & xx of this report.

Unaudited supplementary information

23. The supplementary information does not form part of the annual performance report and is presented as additional information. I have not audited this and, accordingly, I do not express a conclusion on it.

Compliance with legislation

24. I performed procedures to obtain evidence that had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows;

Expenditure management

25. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Internal control

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies relating to the findings on the annual performance report and the finding on compliance with legislation included in this report.

Leadership

27. The Accounting Officer did not ensure an adequate control environment to prevent and detect non-compliance with applicable laws and regulations and did not provide an adequate appropriate portfolio of evidence for reported performance against predetermined objectives.

Financial and performance management

28. The municipality did not have a proper filing system, proper record management systems and an approved record classification system to maintain information that supported reported performance in the annual performance report. This included information that related to the collection, collation, verification, storing and reporting of actual performance information.

Auditor - General.

East London

30 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence