



*Auditing to build public confidence*



**AUDITOR - GENERAL  
SOUTH AFRICA**

# **Nyandeni Municipality**

## **Audit Report**

For the year ended 30 June 2016

# Report of the auditor-general to the Eastern Cape provincial legislature and the council on the Nyandeni Local Municipality

## Report on the financial statements

### Introduction

1. I have audited the financial statements of the Nyandeni Local Municipality set out on pages ... to ..., which comprise the appropriation statement, the statement of financial position as at 30 June 2016, the statement of financial performance statement of changes in net assets, and cash flow statement and 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 the 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 Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (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-general'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 audit opinion.



## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nyandeni Local 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 matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## Irregular Expenditure

8. As disclosed in note 40 to the financial statements, the municipality incurred irregular expenditure of R2.3 million during the year ended 30 June 2016. All of this irregular expenditure was as a result of non-compliance with procurement requirements in previous financial years. The audit process confirmed that although the procurement process had not been followed, goods and services were received. Furthermore, this irregular expenditure was part of the total amount that was investigated and written off by council in the current year of R16.2 million.

## Additional matters

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Unaudited supplementary schedules

10. The supplementary annexures set out on pages xx to xx do not form part of the financial statements and are presented as additional information. I have not audited these annexures and, accordingly, I do not express an opinion thereon.

## Unaudited disclosure notes

11. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. 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

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) 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 performance 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**

13. 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 municipality for the year ended 30 June 2016:
  - Development priority: Provision of access road and road maintenance on pages x to x
  - Development priority: Urban centre infrastructure on pages x to x
  - Development priority: Electrification on pages x to x
14. 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).
15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected development priorities.

## **Additional matter**

17. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected development priorities, I draw attention to the following matter:

### Achievement of planned targets

18. Refer to the annual performance report on page(s) x to x for information on the achievement of the planned targets for the year.

## **Compliance with legislation**

19. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

## Internal control

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor General

East London

30 November 2016



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