

# Report of the auditor-general to the Eastern Cape Provincial Legislature and the council of the Matatielle Local Municipality

## Report on the financial statements

### Introduction

1. I have audited the financial statements of the Matatielle 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 the statement of comparison of budget and actual amounts 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 the 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) (MFMMA) 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-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 the 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 municipality'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 municipality 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 Matatiele 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 matters

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

## Electricity distribution losses

8. As disclosed in note 34 to the financial statements, material losses of R1 million were incurred as a result of electricity distribution losses.

## Impairment loss

9. As disclosed in note 3 and note 6 to the financial statements other receivables from non-exchange transactions and trade receivables, were impaired by R12 million (2015:R9 million) and R26 million (2015: R32 million), respectively.

## Change in accounting policy

10. As disclosed in note 53 to the financial statements, there was a change in accounting policy due to GRAP 100 – Non-current held for sale standard withdrawn for periods beginning after 1 April 2015.

## Corresponding figures

11. As disclosed in note 55 to the financial statements, the corresponding figures for 2015-16 have been restated as a result of errors discovered during 2014-15 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

## Additional matters

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

## Unaudited disclosure notes

13. 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.

## Unaudited supplementary information

14. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

## Report on other legal and regulatory requirements

15. 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 for selected objectives 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

16. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2016:

- Key Performance Area (KPA) 1: Basic Service and Infrastructure on pages x to x
- KPA 3: Local Economic Development on pages x to x

17. 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 objectives. 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. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not raise material findings on the usefulness and reliability of the reported performance information for the selected objectives.

## Additional matters

20. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

## Achievement of planned targets

21. Refer to the annual performance report on pages x to x and x to x for information on the achievement of the planned targets for the year.

## Adjustment of material misstatements

22. I identified material misstatements in the reported performance information contained in the annual performance report that was submitted for auditing. As management subsequently corrected the misstatements, I did not identify material findings on the usefulness and reliability of the reported performance information.

## Unaudited supplementary schedules

23. The supplementary information set out on pages XX to XX does not form part of the annual performance report and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion on it.

## Compliance with legislation

24. 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

25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. No material control weaknesses were identified during the audit.

*Auditor General*

East London

30 November 2016



AUDITOR-GENERAL  
SOUTH AFRICA

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