

Joe Gqabi District 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 Joe Gqabi District Municipality

Report on the separate financial statements

Introduction

1. I have audited the separate financial statements of the Joe Gqabi District Municipality set out on pages ... to..., which comprise the separate statement of financial position as at 30 June 2016, the separate statement of financial performance and 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 separate financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these separate financial statements in accordance with Generally Recognised Accounting Practise (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,2015 (Act No.1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of separate 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 separate 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 separate financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the separate 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 and separate 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 separate 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 separate financial statements present fairly, in all material respects, the financial position of the Joe Gqabi District Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with Generally Recognised Accounting Practise (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, 2015 (Act No.1 of 2015) (DoRA).

Emphasis of matters

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

Material Losses

8. As disclosed in note 44 of the Annual Financial Statements, Material losses of 45.8% to the amount of R68 million were incurred on water losses.

Report on other legal and regulatory requirements

9. 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

10. 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 District Municipality for the year ended 30 June 2016:
 - Development priority 1: Service Delivery and Infrastructure provision on pages x to x
11. 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).
12. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
13. I did not raise any findings on the usefulness and reliability of the reported performance information in respect of the selected development priorities.

Additional matter

14. 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:

Unaudited supplementary schedules

15. 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 report thereon.

Unaudited disclosure notes

16. 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.

Achievement of planned targets

17. Refer to the annual performance report on page x to x; for information on the achievement of the planned targets for the year.

Compliance with legislation

18. 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

19. I did not identify any significant deficiencies in internal control.

Auditor - General

East London

30 November 2016



AUDITOR - GENERAL
SOUTH AFRICA

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