

# **Report of the auditor-general to the Western Cape Provincial Parliament and the council on the Mossel Bay Municipality**

## **Report on the financial statements**

### **Introduction**

1. I have audited the financial statements of the Mossel Bay Municipality set out on pages 31 to 142, 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 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 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, 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 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'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 Mossel Bay 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 of these matters.

## **Significant uncertainties**

8. As disclosed in note 54 to the financial statements, the municipality is in four contractual disputes with possible liability claims. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result in this regard has been made in the financial statements.

## **Restatement of corresponding figures**

9. As disclosed in notes 41 and 42 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of errors discovered and changes in accounting policy, respectively, during 2015-16 in the financial statements of the Mossel Bay municipality at, and for the year ended, 30 June 2015.

## **Material impairments**

10. As disclosed in note 22 to the financial statements, an accumulated impairment of R9,1 million (2014-15: R32 million) was provided for on receivables from exchange transactions as a result of the accumulated impairment of irrecoverable debtors.
11. As disclosed in note 23 to the financial statements, an accumulated impairment of R46,3 million (2014-15: R35,6 million) was provided for on receivables from non-exchange transactions as a result of the accumulated impairment of irrecoverable debtors.

## **Additional matters**

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

## **Unaudited supplementary schedules**

13. The supplementary information set out on pages 143 to 146 does not form part of the annual financial statements and is presented as additional information. We have not audited these schedules and, accordingly, we do not express an opinion thereon.

## **Unaudited disclosure notes**

14. 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

from part of the audit of the financial statements and accordingly we do not express an opinion thereon.

## 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 key performance areas 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 key performance areas (KPA) presented in the annual performance report of the municipality for the year ended 30 June 2016:
- KPA 1: Development of new services and infrastructure on pages 180 to 187
  - KPA 3: Spatial development and environment on pages 178 to 179
17. I evaluated the usefulness of the reported performance information to determine whether it 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.
18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not identify material findings on the usefulness and reliability of the reported performance information for the following key performance areas:
- KPA 1: Development of new services and infrastructure
  - KPA 3: Spatial development and environment

### **Additional matters**

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

### Achievement of planned targets

21. Refer to the annual performance report on pages 166 to 187 for information on the achievement of the planned targets for the year.

## Unaudited supplementary schedules

22. The supplementary information set out on pages 1 to 165, 188 to 213 and 220 to 292 does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report on them.

## **Compliance with legislation**

23. 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**

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

Cape Town

30 November 2016



AUDITOR - G E N E R A L  
S O U T H   A F R I C A

*Auditing to build public confidence*