

**DRAKENSTEIN MUNICIPALITY: AUDIT OUTCOME IMPROVEMENT PLAN TO ADDRESS ISSUES IN
AUDITOR-GENERAL'S UNQUALIFIED AUDIT OPINION WITH NO OTHER MATTERS FOR THE 2015/2016 FINANCIAL YEAR**

Auditor-General's Report Paragraphs / Problem Statement/s	Management's Comments	Problem/s Identified	Planned Activities	Start Date	End Date	Responsible	Progress Report Date: 01/12/2016
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INTRODUCTION

- I have audited the financial statements of the Drakenstein Municipality set out on pages 5 to 93, 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

- 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. 10 of 2014) (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

- 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.
- 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.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

- In my opinion, the financial statements present fairly, in all material respects, the financial position of the Drakenstein Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

EMPHASIS OF MATTERS

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

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Significant uncertainties							
8. As disclosed in note 50 to the financial statements, the municipality is the defendant in two cases in which it is being sued for R 563 million. The ultimate outcome of the matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.	This is an information statement by the Auditor-General for the reader of the annual financial statements. At this point in time the Municipality has been informed by the claimants of their intention to sue the Municipality. No court cases are in progress and the outcomes cannot be determined. No provision has been made for any liability.	Claims: <ul style="list-style-type: none"> • Nova Packhouse fire (Nova Packhouse (Pty) Ltd) = R 114,563,595 • Paarl Print fire (Paarl Print (Pty) Ltd) = R 448,819,504 Possible court cases against the Municipality.	N/A	N/A	N/A	Municipal Manager	N/A
Restatement of corresponding figures							
9. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2015 were restated as a result of errors discovered during 2015/2016 in the financial statements of the Drakenstein Municipality at, and for the year ended, 30 June 2015.	This is an information statement by the Auditor-General for the reader of the annual financial statements. Errors discovered have to be restated in terms of the SA Standards of GRAP.	N/A	N/A	N/A	N/A	N/A	N/A
Material impairments							
10. As disclosed in note 19.1, 19.2 and 20.1 to the financial statements, the municipality has provided for an impairment of receivables amounting to R 223 million based on the recoverability of gross receivables.	This is an information statement by the Auditor-General for the reader of the annual financial statements. In terms of Council's Accounting Policy provision	N/A	N/A	N/A	N/A	N/A	N/A

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	for doubtful debt has to be made.						

ADDITIONAL MATTERS

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

Unaudited supplementary schedules

12. The supplementary information set out on pages 94 to 12 does not form part of the annual financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.	This is an information statement by the Auditor-General for the reader of the annual financial statements.	N/A	N/A	N/A	N/A	N/A	N/A
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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 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.	This is an information statement by the Auditor-General for the reader of the annual financial statements.	N/A	N/A	N/A	N/A	N/A	N/A
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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

14. 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 area 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.

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PREDETERMINED OBJECTIVES							
<p>15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected key performance areas presented in the annual performance report of the municipality for the year ended 30 June 2016:</p> <ul style="list-style-type: none"> • Key Performance Area 2: Physical infrastructure and energy efficiency on pages 17 to 20 • Key Performance Area 3: Services and customer care on pages 21 to 24 • Key Performance Area 4: Economic growth and development on pages 25 to 29 • Key Performance Area 6: Social and community development on pages 32 to 35 	This is an information statement by the Auditor-General for the reader of the annual financial statements.	N/A	N/A	N/A	N/A	N/A	N/A
<p>16. I evaluated the usefulness of the reported information to determine whether it was consistent with the planned key performance areas. 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 <i>Framework for managing programme performance information (FMPP)</i>.</p>	This is an information statement by the Auditor-General for the reader of the annual financial statements.	N/A	N/A	N/A	N/A	N/A	N/A
<p>17. I assessed the reliability of the reported performance information to determine whether it as valid, accurate and complete.</p>	This is an information statement by the Auditor-General for the reader of the annual financial statements.	N/A	N/A	N/A	N/A	N/A	N/A

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18. I did not identify material findings on the usefulness and reliability of the reported performance information for the selected key performance areas as detailed in paragraph 15 of this report.	This is an information statement by the Auditor-General for the reader of the annual financial statements.	N/A	N/A	N/A	N/A	N/A	N/A
Additional matter							
19. 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							
20. Refer to the annual performance report on pages 8 to 44 for information on the achievement of the planned targets for the year.	This is an information statement by the Auditor-General for the reader of the annual financial statements.	N/A	N/A	N/A	N/A	N/A	N/A
COMPLIANCE WITH LEGISLATION							
21. 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.	This is an information statement by the Auditor-General for the reader of the annual financial statements.	N/A	N/A	N/A	N/A	N/A	N/A
INTERNAL CONTROL							
22. 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.	This is an information statement by the Auditor-General for the reader of the annual financial statements.	N/A	N/A	N/A	N/A	N/A	N/A

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OTHER REPORTS							
Investigations							
<p>23. The following investigation by the municipality was in progress at the date of this report:</p> <ul style="list-style-type: none"> Alleged contract irregularities 	This is an information statement by the Auditor-General for the reader of the annual financial statements.	Should the investigation reveal that alleged bribes; disciplinary actions will be instituted.	N/A	N/A	N/A	Municipal Manager	N/A
<p>24. The following two investigations relating to financial misconduct, fraud or supply chain management were completed and dealt with during the financial year under review:</p> <ul style="list-style-type: none"> Theft of municipal property Fraud in prepaid electricity 	This is an information statement by the Auditor-General for the reader of the annual financial statements.	Where the investigations revealed fraud and corruption took place; disciplinary actions were instituted where relevant.	N/A	N/A	N/A	Municipal Manager	N/A