

DRAKENSTEIN MUNICIPALITY, WESTERN CAPE

AUDIT OUTCOME IMPROVEMENT PLAN TO ADDRESS ISSUES IN AUDITOR-GENERAL'S UNQUALIFIED AUDIT OPINION WITH OTHER MATTERS FOR THE 2012/2013 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: 01/12/2014
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INTRODUCTION

1. I have audited the financial statements of the Drakenstein Municipality set out on pages 5 to 69, which comprise the statement of financial position as at 30 June 2014, 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 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, 2013 (Act No. 2 of 2013) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of the 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 Public Audit Act of South Africa, 2004 (Act No.25 of 2004)(PAA), the general notice issued in terms thereof and 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 Drakenstein Municipality as at 30 June 2014, 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

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

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Significant uncertainties							
<p>8. As disclosed in note 48 to the financial statements, the municipality is the defendant in five cases where the municipality was being sued for R 572,632,053. 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.</p>	<p>This is an information statement by the Auditor-General for the reader of the annual financial statements.</p> <p>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.</p>	<p><u>Claims:</u></p> <ul style="list-style-type: none"> • Nova Packhouse fire (Nova Packhouse (Pty) Ltd) = R 114,563,595 • Paarl Print fire (Paarl Print and Alma Mans) = R 450,819,504 • Paarl mountain fire (JA Clift (Pty) Ltd & Cape Winelands District Municipality) = R 3,535,966 • E Hagen (Claim for personal injury) R 3,417,916 • De Poort Heritage Village (Legal fees dispute) = R 300,000 <p>Possible court cases against the Municipality.</p>	N/A	N/A	N/A	Municipal Manager	N/A
Restatement of corresponding figures							
<p>9. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2013 were restated as a result of errors discovered during 2014 in the financial statements of the Drakenstein Municipality at, and for the year ended, 30 June 2013.</p>	<p>This is an information statement by the Auditor-General for the reader of the annual financial statements.</p> <p>Errors discovered have to be restated in terms of the SA Standards of GRAP.</p>	N/A	N/A	N/A	N/A	N/A	N/A
Material impairments							
<p>10. As disclosed in note 19, 19.1 and 20 to the financial statements, the municipality has provided for an impairment of receivables</p>	<p>This is an information statement by the Auditor-General for the reader of the</p>	N/A	N/A	N/A	N/A	N/A	N/A

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amounting to R 123,145,287 (41.4%), based on the recoverability.	annual financial statements. In terms of Council's Accounting Policy provision for doubtful debt has to be made.						

ADDITIONAL MATTERS

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

Unaudited supplementary schedules

12. The supplementary information set out on pages 70 to 83 does not form part of the 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 PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, compliance with legislation as well as 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 programmes presented in the annual performance report of the municipality for the year ended 30 June 2014:</p> <ul style="list-style-type: none"> • Development priority 1 (KPA 2): Physical infrastructure and energy efficiency on pages 36 to 40 • Development priority 2 (KPA3): Services and customer care on pages 41 to 45 • Development priority 3 (KPA 6): Social and community development on pages 46 to 48 	<p>This is an information statement by the Auditor-General for the reader of the annual financial statements.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.</p>	<p>This is an information statement by the Auditor-General for the reader of the annual financial statements.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>17. I evaluated the usefulness of the reported information to determine whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. 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 (FMPPPI)</i>.</p>	<p>This is an information statement by the Auditor-General for the reader of the annual financial statements.</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

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18. I assessed the reliability of the reported performance information to determine whether it as valid, accurate and complete.	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
19. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes.	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							
20. Although I did not raise 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							
21. Refer to the annual performance report on pages 13 to 48 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							
22. I performed procedures to obtain evidence that 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							
23. I considered internal control relevant to my audit of the financial statements,	This is an information statement by the Auditor-	N/A	N/A	N/A	N/A	N/A	N/A

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performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.	General for the reader of the annual financial statements.						
OTHER REPORTS							
Investigations							
<p>24. The following four investigations by the municipality were in progress at the date of this report:</p> <ul style="list-style-type: none"> • Alleged irregularities in the supply chain management processes • Alleged irregularities in the housing project: Amstelhof 35 • Alleged bribery • Alleged corruption 	This is an information statement by the Auditor-General for the reader of the annual financial statements.	Should the investigations reveal that alleged irregularities, bribery or corruption did take place; disciplinary actions will be instituted.	N/A	N/A	N/A	Municipal Manager	N/A
<p>25. The following two investigations by the municipality related to financial misconduct, fraud or relating to supply chain management were completed during the financial year under review:</p> <ul style="list-style-type: none"> • Job offers (favouritism) • Alleged theft of municipal property 	This is an information statement by the Auditor-General for the reader of the annual financial statements	Should the investigations reveal that alleged favouritism or theft did take place; disciplinary actions will be instituted	N/A	N/A	N/A	Municipal Manager	N/A