Mr A Ebrahim
The City Manager
City of Cape Town
Private Bag X9181
CAPE TOWN
8000

17 July 2017

Dear Sir

Report of the Auditor-General of on factual findings of City of Cape Town Metropolitan Municipality (CoCT) – Domestic Medium Term Note Programme (Programme) – Issuance of up to R1,000,000,000 principal amount of Notes ("2018 Note Issue")

Factual findings assignment

1. I was requested to perform specific procedures relating to the note issue on the CoCT Programme as supplemented by the applicable pricing and disclosure statement (collectively, the "Placing Documents"). CoCT is the issuer under the program memorandum. I am the duly appointed independent auditor of the CoCT and related Municipal Entities ("the ME's").

2. I have audited the annual financial statements of the CoCT in accordance with International Standards on Auditing and reported thereon for the financial years ended 30 June 2006 to 30 June 2016.

Scope

3. I have performed the procedures agreed with you and described below in connection with the proposed program memorandum. The engagement was undertaken in accordance with International Standards on Related Services 4400 applicable to agreed upon procedures engagements.

4. The responsibility for determining the adequacy or otherwise of the procedures agreed to be performed was that of the CoCT.

5. This report is addressed to the CoCT for the progamme memorandum. Pursuant to the provisions for the Municipal Regulations on Debt Disclosure, 2007 ("Municipal Disclosure Requirements") the report may be disclosed to any investor in the 2018 note issue.

Procedures

6. Subsequent events

   6.1 I inspected the minutes of the Council, Mayoral Committee, Audit and Risk Committee and any other relevant committee of the CoCT Finance Committee meetings held from 1 July 2016 to 31 March 2017, identified matters raised and considered their financial and/or operating effect on the CoCT. I considered the significance of their impact and ensured where necessary that they were reported accordingly.

6.2 I enquired from knowledgeable persons, and specifically the City Manager (Mr A Ebrahim) and the Executive Director: Finance (Mr K Jacoby) as to whether any material events have occurred for the period 1 July 2016 to 31 March 2017 subsequent to the issue of the financial statements as at 30 June 2016.

6.3 I inspected the unaudited statement of financial position of the CoCT as at 31 March 2017, being the most recent statement of financial position available, compared it to the last audited statement of financial position as at 30 June 2016. I considered the variances and the need to report significant matters that may have an effect on the financial position to the extent that these were not included in the placing documents.

6.4 I inspected the unaudited statement of financial performance of the CoCT as at 31 March 2017, being the most recent statement of financial performance available and compared it to the last audited statement of financial performance for the period ending 30 June 2016. I furthermore read the latest available management accounts, budgets and cash flow forecasts, as presented to the Mayoral Committee in terms of section 71 of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003) (MFMA) I considered the variances and the need to report significant matters that may have an effect on the financial performance to the extent that these were not included in the placing documents.

6.5 I confirmed with management and the legal division of CoCT that all matters affecting litigation and claims up to 31 March 2017 that may have a material effect on the annual financial statements for the year ended 30 June 2016, have been disclosed in the placing documents.

7. Commercial Paper Regulations

7.1 I inspected the Placing Documents to ensure that they included all the information as required by the Commercial Paper Regulations contained in Government Notice number 2172, dated 14 December 1994 as per Government Gazette number 16167 and that the 2018 Note Issue complies with the Commercial Paper Regulations.

8. Debt Disclosure Regulations

8.1 I inspected the Placing Documents to ensure that they included in all the information as required by the Local Government: Municipal Finance Management Act, Municipal Regulations on Debt Disclosure, issued in Government Notice R492 published in Government Gazette number 29966, dated 15 June 2007 (the "Debt Disclosure Regulations").

9. MFMA Regulations

9.1 I inspected the Programme to ensure that all the appropriate procedures have been followed regarding the update of the Programme and the issue of the notes in terms of section 46(2) and 46(3) of the MFMA.

10. Climate Standards Board requirements

10.1 I inspected the certification issued by the Climate Bonds Standards approving the certification of the proposed City of Cape Town Inaugural FY16/17 Green Bond.

Factual Findings

11. I report my findings below.

    11.1 With regard to item 6.1, no significant subsequent events that may have an impact on the finances and/or operations of the CoCT from 1 July 2016 to 31 March 2017 were identified.

    11.2 With regard to item 6.2, management was not aware of any material subsequent events for the period 1 July 2016 to 31 March 2017 that may affect the financial statements as at 30 June 2016.

    11.3 With regard to item 6.3, no significant variances that may have an effect on the unaudited statement of financial position of the CoCT as at 31 March 2017 were identified or needed to be reported in the placing documents.

    11.4 With regard to item 6.4, no significant matters that may have an effect on the financial performance of the CoCT as at 31 March 2017 were identified or needed to be reported in the placing documents.

    11.5 With respect to item 6.5, based on management's representation including confirmation from the legal division of CoCT, there were no significant litigation or claims that required additional disclosure in the placing documents.

    11.6 With respect to item 7.1, the placing documents contained all the information required by the Commercial Paper Regulations and no information was identified which could indicate non-compliance with the Commercial Paper Regulations.

    11.7 With regard to item 8.1, the information disclosed in the placing documents was in accordance with the Debt Disclosure Regulations and no information was identified which could indicate non-compliance with the Debt Disclosure Regulations.

    11.8 With respect to item 9.1, I did not identify any information indicating that appropriate procedures regarding the update of the Programme and the issue of the notes in terms of section 46(2) and 46(3) of the MFMA were not followed.

    11.9 With regard to item 10.1, I confirmed that a letter (dated 19 June 2017) was obtained from the Climate Bonds Standards Board approving the certification of the proposed City of Cape Town Inaugural FY16/17 Green Bond as a "Climate Bond Certified".

Additonal Matters

12. The procedures that I conducted in order to confirm the matters referred to in this report do not constitute either an audit or a review made in accordance with the International Standards on Auditing. Consequently, I do not express an assurance on the post balance sheet events subsequent to 30 June 2016.

13. Had I performed additional procedures or had I performed an audit or review of the annual financial statements in accordance with the International Standards on Auditing, other matters might have come to my attention that would have been reported to you.

14. This report is soley for the purpose set forth in paragraphs three to five of this report and for your information. This report only relates to the items specified above and does not extend to any financial statements of the CoCT as a whole.

15. It is understood that this report is given as of the date hereof and may not be relied upon as of any later date. This report should not be quoted, referred to or shown to any other parties (other than the dealers and investors in the 2018 note issue) without my prior consent in writing, except that it may be referred to in any list or memorandum of documents required in connection with the programme. I assume no responsibility whatsoever in respect of or arising out of or in connection with the contents of this report to any other parties. If other parties choose to rely in any way on the contents of this report they do so entirely at their own risk.

Auditor-General

Cape Town
17 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

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