Report of the Auditor-General to Eastern Cape Provincial Legislature and the council on Amathole District Municipality

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

1. I was engaged to audit the consolidated and separate financial statements of the Amathole District Municipality set out on pages ... to ..., which comprise the consolidated and separate statement of financial position as at 30 June 2023, the consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets, consolidated and separate cash flow statement and the consolidated and separate statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the consolidated and separate financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate evidence for property, plant and equipment, including depreciation, amortisation and impairments as the amounts disclosed in the consolidated and separate financial statements did not agree with the underlying records for infrastructure assets. I was unable to determine, confirm or verify by alternative means whether any adjustments were necessary to property, plant and equipment stated at R4,5 billion (2022: R4,5 billion) and depreciation, amortisation and impairment stated at R155,3 million (2022: R165,7 million) in the consolidated financial statements and stated at R154,7 million (2022: R165,2 million) in the separate financial statements.

Receivables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions due to the limitations and disagreement on service charges which had an impact on the receivables from exchange transactions. Furthermore, I was unable to confirm the opening balance of receivables from exchange transactions as prior year uncollectable debts were not supported by a schedule indicating the amounts to be written off and were not supported by a council resolution approving the write-off. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions stated at R325,5 million (2022:

R212,6 million) and the debt impairment expense stated at R400,2 million (2022: R473 million), and interest earned outstanding receivables stated at R51.4 million (2022: R54 million) in the consolidated and separate financial statements.

Receivables from non-exchange transactions

5. I was unable to obtain sufficient appropriate evidence for receivables from non-exchange transactions. This was due to non-submission of valid and accurate audit evidence to support the amount disclosed in the consolidated and separate financial statements. I was unable to confirm the receivables from non-exchange transactions by alternative means. Consequently, I was unable to confirm whether any adjustments were necessary to the receivables from non-exchange transactions stated at R26,6 million in the consolidated financial statements and stated at R26,5 million in the separate financial statements.

Payables from exchange transactions

6. The municipality did not accurately recognise accruals in accordance with GRAP 1, Presentation of financial statements. Accruals were either recognised incorrectly or not supported by valid evidence resulting in an overstatement of accruals disclosed in note 20 to the consolidated and separate financial statements by R23,4 million and an understatement of trade payables by the same amount in the same note.

7. I was unable to obtain sufficient appropriate audit evidence for trade payables as the municipality did not have adequate systems in place for the retrieval of the supporting documents. I could not confirm these by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to trade payables disclosed at R480,3 million (2022: R401,2 million) in note 20 to the consolidated financial statements and disclosed at R480 million (2022: R399,7 million) in note 21 to the separate financial statements.

Value-added tax (VAT) payable

8. I was unable to obtain sufficient appropriate audit evidence for VAT payable due to the limitations and disagreements of receivables from exchange transactions and services charges revenue, which have an impact on the calculation of VAT payable. I could not confirm the VAT payable by alternative means. Consequently, I was unable to confirm whether any adjustments were necessary to VAT payable stated at R195,6 million (2022: R154,7 million) in the consolidated financial statements and stated at R195,6 million (2022: R154,4 million) in the separate financial statements.

Service charges revenue

9. The municipality did not recognise service charges revenue, as required by GRAP 9, revenue from exchange transactions. Service charges revenue was billed using incorrect consumption units, some customers were billed for consumption relating to previous years in the current year, and backdating of billing for some customers was more than six months which is not in line with the credit control and debt collection policy of the municipality. As a result, service charges revenue disclosed in the consolidated and separate financial statements was overstated by R331 million and receivables from exchange transactions was overstated by the same amount.

10. Furthermore, in my previous year's audit report, I modified my opinion on service charges revenue transactions in the consolidated and separate financial statements due to inadequate systems in place for revenue management as revenue was billed using estimated consumption units and the reasons for the use of estimates could not be validated. I was unable to confirm the service charges revenue by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to service charges revenue, stated at R524,3 million in the consolidated and separate financial statements.

Operational costs

11. The municipality did not recognise operational expenditure in line with GRAP 1, Presentation of financial statements. Operational costs were recognised in the incorrect accounting period. As a result, operational costs are overstated by R42,3 million and accumulated surplus was understated by the same amount in the consolidated and separate financial statements.

Inventory consumed

12. I was unable to obtain sufficient appropriate audit evidence to support the water inventory consumed. This was due to material differences between the consolidated and separate financial statements and the underlying records. In addition, water purchases were recorded as inventory consumption and not as inventory as required by the standard. I was unable to determine or confirm the full extent of water inventory consumed by alternative means as it was impracticable to do so. Consequently, I was unable to confirm whether any adjustments were necessary to the water inventory stated at R106 million in note 36 to the consolidated and separate financial statements.

13. In addition, in the prior year, the municipality did not have sufficient processes for the recording and the recognition of inventory consumed in accordance with GRAP 12, Inventories. Expenditure transactions were either recorded at the incorrect amounts and transactions that meet the recognition criteria were not recorded as inventory consumed relating to VIP toilet structures. Consequently, VIP toilet structures included in note 39 to the consolidated and separate financial statements is understated by R46,1 million and the related inventories in the consolidated and separate statement of financial position is understated by the same amount.

Contingent liabilities

14. I was unable to obtain sufficient appropriate audit evidence that the municipality had correctly accounted for contingent liabilities due to the inability to obtain valid and accurate external confirmations. I was unable to confirm the contingent liabilities by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contingent liabilities of R297,2 million (2022: R185 million) disclosed in note 46 to the consolidated and separate financial statements.

Cash flows from operating activities

15. The municipality did not correctly prepare and disclose the cash flows from operating activities as required by GRAP 2: Cash flow statements. This was due to multiple errors in determining cash flows from operating activities. Consequently, I was not able to determine the full extent of the errors in the cash flows from operating activities stated at R341,1 million (2022: R1,1 billion)

in the consolidated financial statements and stated at R356,1 million (2022: R2,5 billion) in the separate financial statements as it was impracticable to do so.

Cash flows from investing activities

16. The municipality did not prepare and disclose the cash flows from investing activities as required by GRAP 2: Cash flow statements. This was due to multiple errors in determining cash flows from investing activities. Consequently, I was not able to determine the full extent of the errors in the cash flows from investing activities stated at R11,4 million (2022: R143 million) in the consolidated financial statements and stated at R10,7 million (2022: R142,9 million) in the separate financial statements as it was impracticable to do so.

Irregular expenditure

17. The municipality did not fully record irregular expenditure in the notes to the consolidated and separate financial statements, as required by section 125(2)(d)(1) of the MFMA. This was because expenditure incurred in contravention of the supply chain management (SCM) requirements which resulted in irregular expenditure was not detected and appropriately disclosed in note 53 to the consolidated and separate financial statements. I could not confirm the value of irregular expenditure by alternative means. I was unable to determine the full extent of the understatement in irregular expenditure, stated at R255,2 million in note 53 to the consolidated financial statements and stated at R253 million in note 49 to the separate financial statements, as it was impracticable to do so.

Water distribution losses

18. I was unable to obtain sufficient appropriate audit evidence for water distribution losses. The municipality could not support rates used in the calculation of losses and revenue was not accounted for correctly which affected the losses. I could not confirm the water distribution losses by alternative means. Consequently, I was unable to determine the full extent of the water distribution losses stated at R208,7 million in note 59 to the consolidated and separate financial statements.

Government grants and subsidies

19. During the 2021-22 financial year, the municipality did not recognise all the grant expenditure in accordance with GRAP 23, Revenue from non-exchange. Expenditure was either not spent in accordance with the conditions of grants or supported by valid appropriate evidence. In addition, I was unable to obtain sufficient appropriate audit evidence to support the 2021-22 government grants and subsidies amount due to the non-submission of records. Consequently, I was unable to determine whether any adjustments were necessary to the government grants and subsidies 2021-22 amount stated at R1,5 billion in the consolidated and separate statement of financial performance and the unspent conditional grants stated at R120,9 million in the consolidated and separate statement of financial position for the year ended 30 June 2022.

Aggregation of immaterial uncorrected misstatements

20. During 2021/22, total expenditure disclosed in the consolidated and separate financial statements was materially misstated by R20,6 million due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Operational costs stated at R211 million was overstated by R11 million
- Employee related costs stated at R700,8 million was overstated by R3,8 million
- Repairs and maintenance stated at R33,7 million was understated by R3,6 million
- Contracted services stated at R73,6 million was overstated by R2,9 million
- Finance costs stated at R33,7 million was overstated by R0,1 million.

Material uncertainty relating to going concern

21. I draw attention to the matter below. My opinion is not modified in respect of this matter.

22. As disclosed in note 62 to the consolidated and separate financial statements, which indicates that the municipality is facing financial risks which include the inability to pay creditors within due dates, inability to collect revenue billed and a net current liability position. These events or conditions, along with the other matters as set forth in this note, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Other matters

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

Unaudited disclosure notes (MFMA125)

24. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the consolidated and separate financial statements. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and, accordingly, I do not express an opinion on it.

Unaudited supplementary schedules

25. The supplementary information set out on pages XX to XX does not form part of the consolidated and separate financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the consolidated and separate financial statements

26. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the General Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

27. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

28. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

29. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

30. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected development priority presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

31. I selected the following development priority presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected the development priority that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Development priority	Page numbers	Purpose
Basic service delivery and infrastructure investment	8-10	To provide safe adequate infrastructure and safe drinking water to all communities To provide sustainable and environmentally friendly sanitation Services to all communities

32. I evaluated the reported performance information for the selected development priority against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it

provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

33. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance.

34. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

35. The material findings on the reported performance information for the selected development priority are as follows:

Basic Service Delivery and Infrastructure Investment

SDI 01- % micro compliance sampling points complying with SANS 241

36. An achievement of 95% was reported against a target of 96%. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

SDI 03- % micro compliance of wastewater samples compliant to water use licence conditions

37. An achievement of 52% was reported against a target of 60%. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Other matters

38. I draw attention to the matters below.

Achievement of planned targets

39. The annual performance report includes information on reported achievements against planned targets and provides explanations for over or underachievement and measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

40. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery and infrastructure investment development priority. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

41. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

42. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

43. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

44. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual reports

45. The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted consolidated and separate financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the consolidated and separate financial statements receiving a disclaimer audit opinion.

46. The 2021-22 annual report was not made public after being tabled in council, as required by section 127(5)(a)(i) of the MFMA.

47. The local community was not invited to submit representations in connection with the 2021-22 annual report, as required by section 127(5)(a)(ii) of the MFMA.

48. The council failed to adopt an oversight report containing the council's comments on the 2021-22 annual report, as required by section 129(1) of the MFMA.

Expenditure management

49. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

50. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph.

51. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R21,7 million as disclosed in note 52 to the consolidated and separate financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid on overdue accounts.

52. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R36,8 million, as disclosed in note 51 to the consolidated and separate financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending at vote level.

Strategic planning and performance management

53. The Service Delivery and Budget Implementation Plan (SDBIP) for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote as required by section 1 of the MFMA.

54. The performance management system and related controls were not maintained as it did not describe how the performance planning, monitoring, review and reporting processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).

Assets management

55. An effective system of internal control for assets including an asset register was not in place, as required by section 63(2)(c) of the MFMA.

56. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services and considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by section 14(2)(a) and 14(2)(b) of the MFMA.

Revenue management

57. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(e) of the MFMA.

58. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

59. Accounts for service charges were not prepared on monthly basis, as required by section 64(2)(c) of the MFMA.

Human resource management

60. I was unable to obtain sufficient appropriate audit evidence that senior managers signed performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Consequence management

61. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

62. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Procurement and contract management

63. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the 8/2/118/2022-2023D (Notification of Award: Construction of Bende Water Supply Scheme (R115 522 335) (MIG)) and 8/2/119/2022-2023D (Notification of Award: Upgrading of Water Storage and Reticulation to Accommodate Future Developments in Dutywa Phase 1 & 4 (R81 555 042) (MIG)) key projects.

64. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders based on points given for legislative requirement that were stipulated in the original invitation for bidding and quotations, as required by SCM regulations 21(b) and 28(1)(a(i) and Preferential Procurement Regulations.

65. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43.

66. The preference point system was not applied for some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.

67. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations. Similar non-compliance was also reported in the prior year.

68. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 Preferential Procurement Regulations 11 and/or 2022 Preferential Procurement Regulation 4(4) and 5(4).

69. Some of the construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) and did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A). Similar non-compliance was also reported in the prior year.

70. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.

Other information in the annual report

71. The accounting officer is responsible for the other information included in the annual report, which includes the audit committee's report. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and the selected development priority presented in the annual performance report that has been specifically reported on in this auditor's report.

72. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

73. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected development priority presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

74. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

75. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

76. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

77. Leadership did not adequately discharge its oversight responsibility with regards to the implementation and monitoring of daily and monthly internal controls, and the required corrective action to address prior year internal control deficiencies and non-compliance with legislation, to ensure that the consolidated and separate financial statements and annual performance report are supported by accurate and complete underlying records and that all applicable laws and regulations are adhered to.

78. Although the internal audit and the audit committee reviewed the consolidated and separate financial statements and performance report before being submitted for audit, these still contained significant errors and thus the reviews were not considered to be effective.

Material irregularities

79. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularities in progress

80. I identified material irregularities during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not yet completed the process of evaluating the responses from the accounting officer. These material irregularities will be included in next year's auditor's report.

Other reports

81. I draw attention to the following engagement conducted by the Public Protector's Office. This report did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

82. This case which was finalised by the Public Protector on 19 October 2023 related to alleged inadequate and/or lack of provision of essential services and basic infrastructure by various organs of state in certain communities in the district. The municipality has to provide a report to the Public Protector on the implementation of the remedial action within 60 calendar days from the date the report was finalised.

Auditor-General

East London

14 December 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with selected requirements in key legislation.

Consolidated and separate financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and

separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure Section 1 - Definition: service delivery and budget implementation plan Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), Sections 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), Sections 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), Sections 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), Sections 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulation 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), 17(1)(b), Regulations 17(1)(c). 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a) and (b), 29(5)(a)(ii), 29(5)(b)(ii), Regulations 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), Regulations 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Sections 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

Legislation	Sections or regulations
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 27(1), 29(1)(b)(ii), 29(2)(a), Sections 29(2)(c), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, Sections 43(2), 56(a), 57(2)(a), 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), Sections 67(1)(d),74(1), 93J(1), 96(b) Parent municipality with ME: Sections 93B(a), 93B(b) Parent municipality with shared control of ME: Sections 93C(a)(iv), 93C(a)(v)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(5)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)