

Report of the auditor-general to Eastern Cape Provincial Legislature and Council on Chris Hani District Municipality

Report on the audit of the consolidated and separate financial statements.

Qualified opinion

1. I have audited the consolidated and separate financial statements of the Chris Hani District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, 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 notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditors report, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Chris Hani District Municipality at 30 June 2024 and their financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and Division of Revenue Act 5 of 2023 (Dora).

Basis for qualified opinion

Receivables from exchange transactions.

3. The municipality did not recognise receivables from exchange transaction in accordance with GRAP 104, *Financial instruments*. I was unable to obtain sufficient appropriate evidence for receivables from exchange transaction due to the disagreements of revenue from exchange transactions which had an impact on the receivables from exchange transactions. Consequently, I was unable to determine whether any further adjustments were necessary to receivables from exchange transactions stated at R440,9 million (2023: R166,3 million) in note 17 to the consolidated and separate financial statements, debt impairment expense stated at R1 billion (2023: R571,8 million) in note 36 to the consolidated and separate financial statements, and interest revenue from debtors stated at R204,6 million (2023: R179,8 million) in note 28 to the consolidated and separate financial statements.

Value-added tax (VAT) payable

4. The municipality did not recognise value added tax in accordance with GRAP 1, *Presentation of financial statements*. I was unable to obtain sufficient appropriate audit evidence for VAT payable due to the disagreements of receivables from exchange transactions and revenue from exchange transactions, which have an impact on the calculation of VAT payable. Consequently, I was unable to determine whether any further

adjustments were necessary to VAT payable stated at R49 million (2023: R48,4 million) in note 9 to the consolidated and separate financial statements.

Revenue from exchange transactions.

5. The municipality did not recognise service charges revenue, as required by GRAP 9, *Revenue from exchange transactions*. Revenue was billed using incorrect rates, incorrect consumption units were used and revenue recognised in the incorrect period. Consequently, I was unable to determine the full extent of the misstatement of service charges stated at R343,3 million (2023: R405,6 million) in note 24 to the consolidated and separate financial statements.

Water distribution losses.

6. The municipality did not recognise water distribution losses in accordance with GRAP 1, *Presentation of financial statements*. The revenue was not accounted for correctly, which affected the losses. Consequently, I was unable to determine the full extent of the misstatement of water distribution losses stated at R113,9 million (2023: R88,4 million) in note 53 to the consolidated and separate financial statements.

Corresponding figures

Net cash flows from operating activities.

7. Net cash flows from operating activities were not correctly prepared and disclosed in accordance with GRAP 2, *Cash flow statements*. This was due to errors identified in calculating payments made to suppliers. I was unable to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to net cash flows from operating activities as stated R420 million in the consolidated and separate financial statements.

Context for opinion

8. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.
9. 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 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.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Restatement of corresponding figures

12. As disclosed in note 46 to the consolidated and separate financial statements, the corresponding figures for 30 June 2023 have been restated because of errors in the consolidated and separate financial statements of the municipality at, and for the year ended 30 June 2024.

Irregular expenditure

13. As disclosed in notes 52 of the consolidated and separate financial statements, irregular expenditure of R75.8 million was incurred as section 116 of the MFMA was not properly followed.

Other matter

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

Unaudited disclosure notes

15. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed 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.

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

16. The accounting officer (AO) is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the GRAP and the requirements of the MFMA and 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.

17. 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

18. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
19. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

20. 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 key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
21. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected key performance area that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Key performance area	Page numbers	Purpose
Basic service delivery and infrastructure development.	XX	To provide tangible service delivery matters such as provision of water and sanitation, infrastructure, free basic services, housing and town planning services.

22. I evaluated the reported performance information for the selected key performance area 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.
23. 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

- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- 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 and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

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

25. I did not identify any material findings on the reported performance information for the key performance area.

Other matters

26. I draw attention to the matters below.

Achievement of planned targets

27. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

28. The table that follows provide information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

Basic service delivery and infrastructure development.

<i>Targets achieved: 59%</i>		
<i>Budget spent: 99%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of households served with quality basic water supply – SDI 1	9561	4346
Number of water reticulation projects completed – SDI 2	25	20

Number of bulk water supply projects completed – SDI 3	15	11
Number of water treatment works upgraded – SDI 6	2	1
Number of water treatment works refurbished – SDI 7	3	1
Number of households served with safe basic sanitation – SDI 9	1 950	1 643
Number of wastewater treatment works upgraded – SDI 11	2	0
Number of process audit reviews conducted on 16 functional wastewater treatment works – SDI 13	1	0
Number of wastewater reticulation project phases completed – SDI 17	1	0
% of indigent households with access to FBS – SDI 25 (free basic water)	10%	9%
% of indigent households with access to FBS – SDI 26 (Free basic sanitation)	10%	9%

Material misstatements

29. 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 development. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation.

30. 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.
31. 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.
32. 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.

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

Annual Financial Statements, Annual Performance Report and Annual Report

34. The 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 of non-current assets, current assets, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

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

36. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R2,7 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 disclosed fruitless and wasteful expenditure was caused by interest incurred on overdue accounts.

37. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R98,7 million as disclosed in note 50 to the consolidated and separate annual financial statements, in contravention of section 62(1)(d) of the MFMA. The unauthorised expenditure was caused by spending that exceeds the approved budget.

Revenue management

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

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

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

Asset management

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

Other information in the annual report

42. 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

those selected key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.

43. 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.
44. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the statements and the selected key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
45. 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

46. 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.
47. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on compliance with legislation included in this report.
48. Management did not prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.
49. Management did not implement controls over daily and monthly processing and reconciling of financial transactions.
50. Management did not review and monitor compliance with applicable laws and regulations.

Material irregularities

51. 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 identified during the audit

52. The material irregularities (MI) identified are as follows:

Revenue for service charges not billed on monthly basis

53. The municipality did not calculate service charges for a number of properties that should have been billed for sanitation and water consumption in contravention of Section 64(2)(b) of the MFMA. The non-compliance resulted in likely financial loss for Chris Hani District Municipality.

54. The accounting officer was notified of the material irregularity on 29 November 2023. The accounting officer's response to the material irregularity was received on 25 January 2024 indicating that investigation concluded that no official could be held liable for the material irregularity. The following actions were implemented to resolve the material irregularity:

- In November 2023 the municipality did a full population restatement of all its customers to determine extent of customers not billed
- The customers that were not billed were subsequently billed during July to August 2023 and July to August 2024 by backdating charges for months not billed

55. To prevent re-occurrence of the material irregularity, the municipality has implemented the following controls and remedial actions:

- Utilisation of general valuation and supplementary valuation roll of local municipalities for completeness in January 2023
- Roll out of smart meters in October 2023
- Strict application of the credit control and debt collection policy from November 2023
- Monitoring and review of billing information from February 2024

56. Based on my evaluation of the information and evidence provided, the steps taken by the accounting officer are appropriate and the material irregularity is therefore resolved.

Pollution of water resources not prevented- Queenstown wastewater treatment work.

57. The Komani Waste Water Treatment Work (WWTW) has not been working as intended as a result the pollution caused by the discharge of inadequately treated wastewater and sewerage to the surrounding environment negatively impacts the environment and health of the users that are dependent on the contaminated water resources. The municipality therefore did not comply with section 28(1) of the National Environmental Management Act 107 of 1998 (NEMA) and Section 19(1) of the National Water Act 36 of 1998 (NWA) regularly.

58. The non-compliance is therefore likely to result in substantial harm to the general public if appropriate actions are not taken to address the cause of the pollution and prevent

continued pollution of the water resources and/or minimise or rectify the impact of such pollution on the wider community and environment dependent on the affected water resources.

59. The accounting officer was notified of the material irregularity on 25 January 2024. The accounting officer responded on 22 February 2024 indicating that there are no steps taken to identify the person(s) responsible for the MI as the MI is due to Komani floods that occurred in February 2023 and unavailability of funds. The following actions were implemented to address the material irregularity as well as future planned actions:

- The Council approved the funding on 24 December 2023 specifically for the work required to be done on Queenstown WWTW
- Appointment of the contractor on 23 December 2023 to carry out and continue with the refurbishment to ensure full functionality of the treatment work
- The refurbishment of the facility which started in January 2024 to restore functionality of various process units of the two types of treatment technology systems
- Application for water use licence

60. A follow up visit performed on 17 September 2024 on the Komani WWTW confirmed that there is still harm to the public due to the poor quality of effluent being discharged into the Komani River, hence the actions to address the material irregularity are still in progress.

61. A further follow up will be done in the next audit to determine progress made in implementing the remaining actions required by the municipality in addressing the material irregularity.

Status of previously reported material irregularities

Services paid for no value

62. The municipality appointed a consultant to provide services for VAT returns and recoveries on 21 August 2020; however, the consultant was not appointed on a time and cost basis as required by the regulations. The consultant was appointed on a contingency basis (15% of the VAT refund). Total amount of R78,3 million was paid to the consultant during 2020-21 and 2021-22 financial year.

63. The municipality therefore did not comply with Regulation 5 of the Municipal Cost Containment Regulations, which states that when consultants are appointed, an accounting officer must appoint consultants on a time and cost basis with specific start and end dates. The non-compliance resulted in likely financial loss for Chris Hani District Municipality.

64. The accounting officer was notified of the material irregularity (MI) on 28 November 2022. The accounting officer responded by disagreeing with the MI on the basis that the

requirements of the SCM regulation 32 does not require amending the contract from organ of states.

65. I recommended that the accounting officer to take the following actions to address the material irregularity by 15 January 2024:

- The non-compliance should be investigated to determine the root causes and if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA for the purposes of recovering the loss.
- The financial loss should be quantified and all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- Disciplinary proceedings, should commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the AO must report the allegation to the Municipal Council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

66. The accounting officer submitted written responses and substantiating documentation on the implementation of the recommendations between January 2024 and August 2024. Based on assessment of the representations and substantiating documentation provided, I concluded that the recommendations had not been adequately implemented and the material irregularity appropriately addressed.

67. I referred the material irregularity to the Special Investigating Unit (SIU) on 18 October 2024 for investigation, as provided for in section 5(1A) of the PAA. The SIU acknowledged receipt on 24 October 2024 and is currently assessing the matter for further investigation.

Revenue for water services not calculated on monthly basis.

68. The municipality did not calculate water service charges for a number of properties that should have been billed for water consumption in contravention of Section 64(2)(b) of the MFMA. The municipality did not apply the standard rates of consumption per the 2021-22 credit control and debt collection policy for these properties even though water services were provided, and revenue should have been calculated monthly for them. The non-compliance resulted in likely financial loss for Chris Hani District Municipality.

69. The accounting officer was notified of the material irregularity on 28 November 2022. The accounting officer's response to the material irregularity was received on 25 January 2024 indicating that investigation concluded that no official could be held liable for the

material irregularity. The following actions were implemented to resolve the material irregularity:

- The municipality has done full population of all its customers to determine extent of customers not billed through performing a data cleansing, which then allowed the municipality to identify consumers not billed which was done in January 2023.
- The local municipalities have been engaged to share their billing data to reconcile with the billing data at the municipality to ensure completeness and accuracy of the billing to cover all households in January 2023.
- The customers that were not billed were subsequently billed during July 2023 and August 2023 by backdating charges for months not billed.

70. To prevent re-occurrence of the material irregularity, the municipality has implemented the following controls and remedial actions:

- Utilisation of general valuation and supplementary valuation roll of local municipalities for completeness in January 2023
- Roll out of smart meters in October 2023
- Strict application of the credit control and debt collection policy from November 2023
- Monitoring and review of billing information from February 2024

71. Based on my evaluation of the information and evidence provided, the steps taken by the accounting officer are appropriate and the material irregularity is therefore resolved.

Payments for goods not received.

72. The municipality paid an engineering company R20 million for an extension of time with cost for the project Cluster 9 Backlog Eradication: Tsomo Water Treatment and River Abstraction Works – Tender No. 33/2015/MD (TN) for which the municipality did not receive any value. The payment for the extension of time was made as a result of variation order number 3 dated 12 September 2019, which was for preliminary and general costs of R12,1 million and contract price adjustments of R5,2 million that were already included in the contract for the tender and no additional value was received for these. The VAT on these costs was R2,6 million and is included in the total payment of R20 million to the contractor for the extension of time to the contract. The municipality's process for ensuring that payments were made to the contractor for goods and services that are received was not effective, as it did not prevent the municipality from paying an additional amount of R20 million to the contractor for preliminary and general costs and contract price adjustments without receiving any value.

73. The municipality, therefore, did not comply with section 65(2)(a) of the MFMA, which requires that reasonable steps are taken to ensure that the municipality has and maintains an effective system of expenditure control including procedures for the approval, authorisation, withdrawal and payment of funds. The non-compliance resulted

in a material financial loss of R20 million by 12 March 2021 for the Chris Hani District Municipality.

74. The accounting officer was notified of the material irregularity on 19 October 2021. The accounting officer responded by disagreeing that the municipality did not receive value for money for the extension of time granted on the project as the project was already at 94% of completion at the time when the request for the extension was made. Therefore, the accounting officer has not taken any action in response to being notified of the material irregularity.
75. I referred the material irregularity to the Special Investigating Unit (SIU) on 6 July 2022 for investigation as provided for in section 5(1A) of the PAA. The SIU proclamation was gazetted on 08 November 2024 for the material irregularity to be investigated.

Other reports

76. In addition to the investigations relating to material irregularities. I draw attention to the following engagement conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on compliance with legislation.
77. The South African Police Service (SAPS) is investigating financial misconduct within the cash and bank unit.
78. At the date of this report, the investigation was still in progress.

Auditor-General

East London

11 December 2024



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 material performance indicators and on the municipality's compliance with selected requirements in key legislation.

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 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 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.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), Sections: 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), Sections: 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
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), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 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)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), Sections: 54A(1)(a), 56(1)(a), 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b) Parent municipality with ME: Sections: 93B(a), 93B(b) Parent municipality with shared control of ME: Section: 93C(a)(iv), 93C(a)(v)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 15(1)(a)(i), 15(1)(a)(ii)
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: 7(1), 31

Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
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), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), Regulations: 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)