



AUDITOR-GENERAL
SOUTH AFRICA

AUDIT REPORT

uMzinyathi District Municipality

FOR THE YEAR ENDED 30 JUNE 2024

Report of the auditor-general to KwaZulu-Natal Provincial Legislature and the council on uMzinyathi District Municipality

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the uMzinyathi District Municipality set out on pages x to x, 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 financial statements, including a summary of significant accounting policies.
2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the uMzinyathi District Municipality as at 30 June 2024, and its 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 the Division of Revenue Act 5 of 2023 Act (Dora).

Basis for adverse opinion

Property Plant and Equipment - infrastructure assets depreciation and impairment loss

3. I was unable to obtain sufficient appropriate audit evidence to support the recorded additions to infrastructure work in progress, due to lack of record keeping. I could not confirm the additions by alternate means. Consequently, I was unable to determine whether any further adjustments were necessary to the infrastructure work in progress additions stated at R199,28 million (2022-23: R180,07 million) as per note 10 of the financial statements.
4. The impairment loss was not calculated in accordance with GRAP 21, *Impairment of non-cash-generating Assets*. Some infrastructure assets that were not in good working condition were not considered for impairment assessment. Consequently, I was unable to determine whether any further adjustments were necessary to the impairment loss stated at R71,70 million.
5. During 2022-23 depreciation on infrastructure was not correctly calculated in accordance with GRAP 17, *Property plant and equipment*. Incorrect useful lives of infrastructure assets were used in the calculation the depreciation expense. Consequently, the depreciation comparative amount was understated by R98,24 million. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the depreciation for the current period.

6. During the 2022-23 the some infrastructure assets were incorrectly derecognised from the asset register. Consequently, the infrastructure assets comparative amount was understated by R18,52 million. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the infrastructure assets for the current period.

Property plant and equipment – motor vehicles

7. During the 2022-23 the municipality did not recognise items of property plant and equipment in accordance with GRAP 17, Property plant and equipment. Transport assets controlled by another municipality were incorrectly recorded in the asset register of the d municipality in the prior period. Consequently, the motor vehicles are overstated by R10,72 million. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the motor vehicle assets for the current period.

Receivables from exchange transactions

8. The municipality did not correctly classify interest charged on outstanding debtors balance as disclosed in note 6 in the financial statements in accordance with the GRAP 9, *Revenue from exchange transactions*. Consequently, receivables from water services are overstated by R140,36 million (2022-23: R63,36 million) and receivables from interest earned on outstanding debtors was understated. Additionally, there was an impact on the allowance for impairment of water and interest for the period.
9. The provision for impairment of doubtful debtors was not calculated in accordance with the GRAP 104, *Financial Instruments*. Some of the debtors with long outstanding balance above 150 days were not considered in the impairment provision calculation. Consequently, the provision for impairment was understated by R20,10 million.
10. I was unable to obtain sufficient appropriate audit evidence that the receivables from exchange transactions debtors balance has been properly accounted for, due to the status of accounting records. I was unable to confirm these receivables from exchange transactions debtors' balance by alternative means. Consequently, I was unable to determine whether any further adjustments to receivables from exchange transactions debtors net balance stated at R200,27 million in note 6 to the financial statements were necessary.

Payables from exchange transactions – trade payables

11. I was unable to obtain sufficient appropriate audit evidence that trade payables from exchange transactions had been properly accounted for, due to the status of accounting records. I was unable to confirm these trade payables by alternative means. Consequently, I was unable to determine whether any further adjustments to trade payables stated at R312,64 million in note 14 to the financial statements were necessary.

Revenue from exchange transactions

12. The municipality did not account for all interest revenue earned on outstanding debtors in accordance with GRAP 9, *Revenue from exchange transactions*. Consequently, interest earned from outstanding debtors as disclosed in note 22 to the financial statement is understated by R35,29 million (2022-23: R8,45 million). This has an impact on the receivables from exchange transactions.
13. The municipality did not measure revenue from the sale of water and sanitation in accordance with GRAP 9, *Revenue from exchange transactions*. The revenue from the sale of water and sanitation included an amount of R12,46 million (2022-23: R60,18 million) for estimated billing. The billing used the estimated consumption for a significant period of time exceeding 12 months. The municipality did not have adequate internal controls in place to ensure that the revenue billed is based on the recent actual meter readings, in compliance with the municipal by-laws. Furthermore, the municipality did not collect revenue as and when due to them. Consequently, service charges are understated by R89,14 million (2022-23: R20,76 million). This has an impact on the receivables from exchange transactions.

Contracted services

14. I was unable to obtain sufficient appropriate audit evidence to support contracted services, due to the poor status of accounting records and inadequate systems to confirm the receipt of these services. I could not confirm contracted services by alternate means. Consequently, I was unable to determine whether any further adjustments were necessary to the contracted services stated at R201,10 million (2022-23: R118,77 million) as per note 33 of the financial statements.
15. The municipality did not correctly classify some of the contracted services expenditure transactions. Consequently, the contracted service expenditure is overstated by R19,71 million.

General expenditure

16. I was unable to obtain sufficient appropriate audit evidence to support the general expenditure, due to the poor status of accounting records and inadequate systems to confirm the receiving of goods and services. I could not confirm general expenditure by alternate means. Consequently, I was unable to determine whether any further adjustments were necessary to the general expenditure stated at R196,95 million (2022-23: R237,60 million) as per note 35 of the financial statements.
17. The municipality did not correctly classify some of the general expenditure transactions, while some recorded transaction amount were not accurate. Consequently, the general expenditure is overstated by R38,15 million.

Net cash flow from operating activities

18. The municipality did not correctly prepare and disclose the net 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. I was not able 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 to cash flows from operating activities as stated at R158,71 million in note 37 of the financial statements were necessary.

Irregular expenditure

19. Not all irregular expenditure was included in note to the financial statements, as required by section 125(2) (d) of the MFMA. Payments made/expenditure incurred in contravention of supply chain management requirements, the irregular expenditure of R242,38 million (2022-23: R256,58 million) disclosed in note 41 of the financial statement being understated by R460,97 million (2022-23: R499,82 million).

20. The irregular expenditure was not accounted for in terms of requirements of section 125(2) (d) of the MFMA. The irregular expenditure was not correctly disclosed. Consequently, the irregular expenditure as disclosed in note 41 to the financial statement was understated by R84,99 million.

Context for opinion

21. 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 financial statements section of my report.

22. 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.

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

Material uncertainty relating to going concern

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

25. As disclosed in note 48 and 49 of the financial statements, the adverse liquidity risks, and low debt collection levels, places significant pressure on the financial viability of the municipality. These conditions indicate that a material uncertainty exists that may cast significant doubt on the ability of the municipality to manage cash flows and settle future debts that become due.

Emphasis of matters

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

Material losses - Water

27. As disclosed in note 52 of the financial statements, the municipality incurred water distribution losses of R36,66 million (2022-23: R23,56 million) representing 62% (2022-23: 50%). This was mainly due to water leaks caused by aging infrastructure and illegal connections.

Restatement of corresponding figures

28. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipality at, and for the year ended 30 June 2024.

Other matter

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

Unaudited disclosure note

30. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

31. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of 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 financial statements that are free from material misstatement, whether due to fraud or error.

32. In preparing the 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 financial statements

33. My objectives are to obtain reasonable assurance about whether the 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 financial statements.

34. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor’s report. This description, which is located at page 13, forms part of our auditor’s report.

Report on the audit of the annual performance report

35. 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.

36. I selected the following development priority presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a development priority that measures the municipality’s performance on its primary mandated functions and that is of significant national, community or public interest.

Development priority	Page numbers	Purpose
Development Priority 2: Basic delivery and infrastructure development	x-x	Provision of safe drinking water and sanitation services to the community to eradicate service delivery backlogs.

37. 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.

38. 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

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

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

KPI 2.9: Number of households provided with sanitation facilities with RDP standards

41. An achievement of 1 800 was reported against a target of 4 138. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the underachievement on the target was more than reported.

Other matters

42. I draw attention to the matters below.

Achievement of planned targets

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

44. 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: 20%</i>		
<i>Budget spent: 113%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
KPI 2.1: Number of water projects under construction	42	37
KPI 2.2: Number of sanitation projects under construction	4	3
KPI 2.4: Number of water projects completed	12	4
KPI 2.5: Number of sanitation projects completed	3	1

<i>Targets achieved: 20%</i>		
<i>Budget spent: 113%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
KPI 2.6: % Completion of Disaster Centre phase 1	100%	98%
KPI 2.8: No. of households to be provided with access to water within RDP standards	2219	373
KPI 2.9: No. of households provided with sanitation facilities with RDP standards	4138	1800
KPI 2.10: Number of treated wastewater samples taken to monitor green drop status	240	49
KPI 2.11: % compliance of wastewater samples to water use license conditions (green drop)	75%	41%
KPI 2.12: Number of treated water samples taken to monitor the blue drop status.	624	470
KPI 2.13: % of compliance to SANS 241 of Drinking Water (Blue drop)	95%	89%
KPI 2.15: % reduction of non-revenue water	1%	12%

Material misstatements

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

Report on compliance with legislation

46. 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.
47. 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.
48. 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.
49. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

50. 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 identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving an adverse audit opinion.

Expenditure management

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

52. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, as required by section 65(2)(a) of the MFMA.

53. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the irregular expenditure was caused by procurement processes not being followed.

54. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R842 866, as disclosed in note 42 of the annual 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 and penalties charged for late payments of supplier invoices.

Revenue management

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

56. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

57. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

58. 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.

Consequence management

59. Some of the cases of irregular expenditure that constituted a criminal offence were not reported to the South African Police Service, as required by section 32(6) of the MFMA.

Procurement and contract management

60. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by Supply Chain Management (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.
61. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5.
62. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. Similar limitation was also reported in the prior year.
63. Awards were made to providers who were in the service of other state institutions whose directors were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM Regulation 38(1).
64. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)).

Other information in the annual report

65. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the 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.
66. My opinion on the 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.
67. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the 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.
68. I did not identify material findings to report in the auditor's report. I have nothing to report in this regard.

Internal control deficiencies

69. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
70. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion, the material finding on the annual performance report, and the material findings on compliance with legislation included in this report.
71. The accounting officer and council did not exercise adequate oversight in the financial reporting, compliance with legislation, and internal controls.
72. Management did not implement adequate controls over daily and monthly processing and reconciling transactions.
73. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
74. Management did not perform adequate reviews and monitoring to ensure compliance with applicable legislation.

Material irregularities

75. 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

76. The material irregularities identified are as follows:

Uneconomical cost paid for the purchase of back-up electricity generator

77. The accounting officer failed to comply with section 62(1)(a) of the MFMA, which states that that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.
78. On the 19th of April 2023 the municipality took a decision to deviate from the normal procurement process and hire a 1000kva electricity backup generator for a three-month period commencing in May 2023 to July 2023. The total payments for the hiring of the generator over the three months period was R3,06 million (incl. vat), which included the delivery and installation costs. On the 30th of June 2023 the municipality took a further decision to deviate from the normal procurement process and take-over (purchase) this hired generator from the same service provider at a total cost of R6,44 million (incl. vat).
79. The non-compliance has resulted in an estimated material financial loss of R7 million (incl. vat) as at 01 August 2023 for the uMzinyathi District Municipality as the total costs paid for the

generator were higher than the average market price for a similar generator with the same specifications obtained from the open market.

80. The accounting officer was notified of the material irregularity on 13 February 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter.
81. The accounting officer responded that they planned to rely on the outcomes of the investigation to be conducted by the KZN Department of Cooperative Governance and Traditional Affairs (KZN CoGTA) regarding the acquisition of the electricity generator by the municipality, however there was no evidence of referral and terms of reference provided by accounting officer for the said investigation.
82. I determined that the accounting officer is not taking appropriate actions to resolve the material irregularity. I am in the process of making a decision on further actions to be taken

Poor internal controls and inadequate contract performance management on the fuel and oil supply expenditure on contract T2021-30

83. The accounting officer failed to comply with section 62(1)(a) of the MFMA, which states that that the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.
84. The municipality entered into a 12 month contract (T2021-30) with a service provider for the period 2 March 2021 to 28 February 2022, for the supply of fuel and maintenance of fuel tanks for an amount of R27,82 million. On 2 March 2022 the municipality extended this contract for a further 36 months, from 2 March 2022 to 28 February 2025. The contract value per the terms of the extension was R5 million per month, and the scope of the work was not changed. However, the municipality is now using various local petrol stations to fill up fuel using the service provider's account at these petrol stations. The supplier would then invoice the municipality each month for the total fuel.
85. The supplier invoices included fuel delivery costs, while the fuel was no longer being delivered to the municipal sites/fuel tanks, as the municipality was now using the local petrol stations. The supplier invoices were also based on fixed fuel quantities that could not be reconciled to the actual fuel used by the municipality as per the fuel order books. The fuel price tariffs per litre (calculated using amount charged per site versus the recorded quantities in the invoice) were also not in line with the market rates and the tariffs quoted in the initial contract T2021-30.
86. The non-compliance has resulted in a material financial loss of R8,16 million for fuel and delivery costs by 30 June 2023 and is likely to result in further material financial losses for the uMzinyathi District Municipality due to the fuel quantities and tariffs that could not be validated during the audit of fuel and oil expenditure for the current and prior periods, as disclosed in note 37 to the financial statements for the period ended 30 June 2023. These fuel and oil expenditure transactions are expected to continue till 28 February 2025 as per contract extension letter.

87. The accounting officer was notified of the material irregularity on 19 February 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter.
88. No actions were taken by the accounting officer to quantify and recover the financial loss suffered by the municipality while also preventing further losses associated with the fuel & oil supply contract. Additionally, no consequence management processes were undertaken by the accounting officer.
89. I determined that the accounting officer is not taking appropriate actions to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Auditor - General

Pietermaritzburg

30 November 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 financial statements and the procedures performed on reported performance information for the selected development priority and on the municipality's compliance with selected requirements in key legislation.

Financial statements

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

- identify and assess the risks of material misstatement of the 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 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 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 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.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	<p>Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure,</p> <p>Section 1 - Definition: service delivery and budget implementation plan,</p> <p>Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1),</p> <p>Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b),</p> <p>Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i),</p> <p>Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b),</p> <p>Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e),</p> <p>Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1),</p> <p>Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii),</p> <p>Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170,</p> <p>Sections 171(4)(a), 171(4)(b)</p>
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 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	<p>Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a),</p> <p>Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a),</p> <p>Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b),</p> <p>Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c),</p> <p>Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43,</p> <p>Regulations 44, 46(2)(e), 46(2)(f)</p>

Legislation	Sections or regulations
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(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)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 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	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(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), Regulations 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)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)