Report of the auditor-general to Eastern Cape Provincial Legislature and the council on the Walter Sisulu Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Walter Sisulu Local Municipality set out on pages … to … which comprise the statement of financial position as at 30 June 2023, 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 the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Walter Sisulu Local Municipality as at 30 June 2023, 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 2022 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not recognise property, plant and equipment (PPE) in accordance with GRAP 17, *Property, plant and equipment*. Land and buildings that should have been derecognised as they no longer meet the requirements of the standard were incorrectly recognised as PPE. Furthermore assets are included at incorrect amounts in the accounting records and incorrectly classified. As a result, PPE is overstated by R62 million, accumulated surplus is overstated by R58,3 million, and investment property is understated by R3,8 million, depreciation overstated by R0,3 million and payables from exchange transactions is overstated by R0,2 million. In addition, a prior period error was identified in the current year. Land and buildings that should have been derecognised as they no longer meet the requirements of the standard are incorrectly recognised as PPE. Furthermore, assets were incorrectly classified. Consequently the corresponding figure for PPE is overstated by R62,1 million, accumulated surplus is overstated by R58,3 million and investment property understated by R3,8 million.

4. Furthermore, I was unable to obtain sufficient appropriate audit evidence that PPE for the current year had been properly accounted for. This was due to the poor status of the accounting records which did not enable physical verification of the assets. I was unable to confirm the PPE balance by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the PPE disclosed at R845 million (2021-22: R856,4 million) in the financial statements.

Investment property

5. The municipality did not recognise investment property in accordance with GRAP 16, *Investment property.* Land and buildings that should have been derecognised as they no longer met the requirements of the standard were incorrectly recognised as investment property. In addition, properties that did not belong to the municipality were included in the municipality's records. As a result, Investment property is overstated by R22,9 million and accumulated surplus were overstated by R22,9 million. Furthermore, a prior period error was identified in the current year. Land and buildings that should have been derecognised as they no longer met the requirements of the standard were incorrectly recognised as investment property. Consequently, the corresponding figure for investment property and accumulated surplus are overstated by R22,9 million respectively.

6. Furthermore, I was unable to obtain sufficient appropriate audit evidence that investment property for the current year had been properly accounted for. This was due to the poor status of the accounting records which did not enable physically verification of assets. I was unable to confirm the investment property balance by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the investment property disclosed at R109,4 million (2021-22: R109,5 million) in the financial statements.

Receivables from exchange transactions

7. The allowance for impairment of receivables was not calculated in accordance with GRAP 104, *Financial Instruments.* A general rate was applied for all the debtors in calculating the impairment provision, without assessing the credit risk for a group or subgroup of receivables. In addition, not all receivables were assessed for impairment, receivables who were approved for rebate have outstanding balances, and bad debt written-off were recorded at incorrect amount. Consequently, the allowance for impairment included in the receivables from exchange transactions is understated and the receivables from exchange transactions is overstated by R209,6 million respectively. In addition, a prior period error was identified in the current year. A general rate was applied for all the receivables in calculating the impairment allowance, without assessing the credit risk for a group or subgroup of receivable. In addition, not all receivables were assessed for impairment. Consequently, the corresponding figure for receivables from exchange transactions as disclosed in note 3 to the financial statements is overstated and debt impairment is understated by R122,8 million respectively.

8. Furthermore, I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for receivables from exchange transactions due to the poor status of the accounting records. I could not confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to receivables from exchange transactions stated at R177,6 million (2021-22: R115,7 million) in the financial statements.

Receivables from non-exchange transactions

9. The allowance for impairment of receivables was not calculated in accordance with the Standards of GRAP 108, *Statutory receivables.* A general rate was applied for all the receivables in calculating the impairment allowance, without assessing the credit risk for a group or subgroup of receivables. Consequently, the allowance for impairment included in the

receivables from non-exchange transactions is understated and the receivables from non-]exchange transactions is overstated by R26,6 million respectively. In addition, a prior period error was identified in the current year due to general rate was applied for all the debtors in calculating the impairment allowance and some of the receivables not assessed for impairment. Consequently, the corresponding figure for receivables from non-exchange transactions disclosed in note 4 to the financial statements is overstated and allowance for impairment is understated by R85,1 million respectively.

I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for receivables from non-exchange transactions due to the poor status of the accounting records. I could not confirm the receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to receivables from non-exchange transactions stated at R54,6 million (2021-22: R36,8 million) in the financial statements.

Irregular expenditure

10. The municipality did not identify and disclose all irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. Expenditure was incurred in contravention of the supply chain management (SCM) requirements resulted in irregular expenditure. I was unable to determine the full extent of the irregular expenditure that should have been disclosed as it is impractical to do so. Accordingly, I could not determine the adjustment required to the irregular expenditure disclosed at R6,3 million in note 47,3 to the financial statements.

Capital commitments

11. I was unable to obtain sufficient appropriate audit evidence for commitments disclosed in note 49 to the financial statements due to the poor status of accounting records. Some of contracts did not have supporting information. I was unable to confirm these commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments, stated at R17,7 million in note 49 to the financial statements.

Prior period error

12. Not all prior period errors are disclosed in note 43 to the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors*. The nature and the amount of the correction for some financial statement items affected, disclosures notes and the amounts of the correction at the beginning of the earliest previous period are not disclosed.

Segment reporting

13. The segment reporting was not disclosed in accordance with the requirements of GRAP 18, *Segment reporting*. The municipality incorrectly transferred figures from the accounting records to the financial statements. As a result, segment reporting is misstated by R4,7 million. In addition, a prior period error was identified in the current year. This was due to a material error in segment reporting note for the prior year. Consequently, the corresponding figure for segment reporting of capital expenditure as disclosed in note 60 is misstated by R17,5 million.

14. Furthermore, I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for segment reporting due to the poor status of the accounting records. I could not confirm the segment reporting by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to segment reporting for both current and prior year as disclosed in note 60 to the financial statements.

Corresponding figures

Revenue from exchange transactions

15. The municipality incorrectly restated the corresponding figure of interest earned on outstanding debtors, as required by GRAP 9, *Revenue from exchange transactions*. The interest recalculated to address prior year misstatement did not meet recognition criteria. As a result, the corresponding figure for interest earned on outstanding debtors is overstated by R25 million and receivables from exchange transactions is overstated by R25 million in note 28 to the financial statements.

Payables from exchange transactions

16. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions as disclosed in note 14 to the financial statements due to the poor status of accounting records. The accounting records were restated without adequate supporting evidence. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the corresponding figure of payables from exchange transactions, stated at R554,5 million in note 14 to the financial statements. This also has an impact on the accumulated surplus for the prior year.

Cash flow statement

Net cash flows from operating activities

17. The municipality did not correctly prepare and disclose the net cash flows from operating activities as required by GRAP 2, *Cash flow statements.* This is due to multiple errors in determining cash flows from operating activities of the corresponding figures. 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 were necessary to the corresponding cash flows from operating activities as stated at R31,7 million in the financial statements.

Context for opinion

18. 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.

19. 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.

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

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. I draw attention to note 58 to the financial statements, which indicates that there is uncertainty over the municipality's ability to continue as a going concern due to its current liabilities exceeding current assets. As stated in note 58, these events or conditions, along with the other matters as set in note 58, indicates that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

24. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipality for the year ended, 30 June 2023.

Material losses

25. As disclosed in note 3 to the financial statements, material losses of R65,9 million were incurred as a result of a write-off of irrecoverable trade debtors.

26. As disclosed in note 47.4 to the financial statements, material electricity losses of R9,7 million (2021-22: R9,6 million) was incurred, which represents 19% (2021-22: 19%) of total electricity purchased.

Other matters

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

Unaudited disclosure notes

28. 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 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.

Unaudited supplementary schedules

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

Responsibilities of the accounting officer for the financial statements

30. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards GRAP and the requirements of the MFMA, 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.

31. 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.

Auditor-general's responsibilities for the audit of the financial statements

32. 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.

33. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

34. 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.

35. I selected the following development priority presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected a 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
Infrastructure and basic service delivery		Eradicate current infrastructure backlogs and improve access to municipal services

36. 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.

37. 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 for the measures taken to improve performance.

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

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

Infrastructure and basic service delivery

Various indicators

40. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Planned target	Reported achievement
Number of kms of access roads regravelled	8km	8,9km
Number of street lights installed	200	238
Percentage of planned electrical maintenance performed	100%	25%
Number of kms of gravel roads upgraded to paved roads	3km	0,9km
Number of kms of stormwater maintained	9km	20,0186

Other matters

41. I draw attention to the matters below.

Achievement of planned targets

42. 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.

Material misstatements

43. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Infrastructure and basic service delivery. Management did not correct the misstatements and I reported material findings in this regard.

Report on compliance with legislation

44. 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.

45. 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.

46. 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.

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

Annual financial statements

48. 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 and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

49. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R50,7 million, as disclosed in note 47.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

50. 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.

51. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R36,1 million as disclosed in note 47.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

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

Asset management

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

Revenue management

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

Conditional grants

55. Performance in respect of programmes funded by the Municipal Infrastructure Grant (MIG) was not evaluated within two months after the end of the financial year, as required by section 12(5) of Dora.

56. Performance in respect of programmes funded by the Integrated National Electrification Programme (Municipal) Grant (INEP) was not evaluated within two months after the end of the financial year, as required by section 12(5) of Dora.

Strategic planning and performance management

57. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting and

improvement processes should be conducted, organised and managed, as required by municipal planning and performance management reg 7(1).

Procurement and contract management

58. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

59. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

60. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.

61. 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.

62. Some of the contracts were awarded to bidders based on points given for legislative requirement that were not stipulated/ differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.

63. The preference point system was not applied 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.

64. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with CIDB Regulations 17.

65. The invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2). Similar non-compliance was also reported in the prior year.

66. The performance of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

67. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

Other information in the annual report

68. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the

financial statements, the auditor's report and those selected development priority presented in the annual performance report that have been specifically reported in this auditor's report.

69. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

70. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information 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.

71. 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

72. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

73. Leadership did not adequately perform their oversight responsibilities relating to the general control environment as evidenced by repeat issues raised during the audit. The financial disciplines relating to the daily, weekly and monthly processing and reconciliation of transactions were not embedded as a culture in the control environment of the municipality. This resulted in inaccurate, incomplete and inadequate financial and performance reporting.

74. Leadership's tolerance for control deviations was also evident in the application of the municipality's own SCM policy as deviations from this policy were identified. In addition, leadership did not exercise consequence management where there were deviations from internal control requirements.

75. Risk management activities designed and implemented were not effective to mitigate the risks of material misstatements and non-compliance with the legislation at the municipality. Management did not give the internal audit unit adequate support to provide assurance on internal controls. Consequently, the adequacy of the work of the audit committee was negatively affected.

Material irregularities

76. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities (MIs) 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

77. The material irregularities identified are as follows:

Interest paid on accounts not settled within 30 days

78. The municipality is not settling its electricity purchases debt when it is due. This resulted in the municipality being charged significant amount of interest. The municipality is contravening section 65 (2)(e) of MFMA. This has resulted in the municipality incurring a loss of R22,3 million in the financial year 2020. The municipality is still continuing to incur material interest on electricity bulk purchases account on a monthly basis.

79. I notified the accounting officer of the material irregularity on 6 June 2022 and invited him to make a written submission on the actions taken. The municipality did not hold anyone accountable for this material non-compliance as it has been facing financial constraints. The municipality is disputing a portion of the outstanding debt to electricity supplier. Nersa is mediating between the two parties and discussion are in progress. The municipality has been approved to participate in the municipal debt relief MFMA circular 124. The municipality is required to meet the following conditions to benefit:

- Council approves the application from the municipality to electricity supplier
- The municipality must monthly pay and maintain its electricity bulk current account within 30 days of receiving the relevant invoice
- The municipality must submit supporting evidence to the National Treasury and electricity supplier of the respective payment(s) within 1 day of making any such payment
- The municipality must submit reconciled electricity supplier proof of payment to the National Treasury
- The municipality must table and adopt a funded MTREF aligning to the National Treasury's Budget Funding Guidelines with effect from 2023-24
- If the municipality's MTREF is not funded, it must table and adopt a credible Budget Funding Plan as part of the MTREF budget cost-reflective tariffs should be implemented
- Electricity collection:

(a) All consumers are delivered a monthly bill and account

(b) Payments are allocated in order: 1: Property rates; 2: Refuse; 3: Electricity

(c) Services are disconnected if payment is not made

(d) 80 per cent average quarterly collection of property rates and service charges with effect from 1 April 2023 and 85 per cent average quarterly collection with effect from 1 April 2024 during any quarter

(e) Progressively implement smart prepaid meters, with all new connections from 2023-24 being smart prepaid meters

80. The municipality has met the following conditions of the circular:

- Submitted an application to National Treasury to be considered for write-off on 9 June 2023
- Approved financial recovery plan approved on 11 October 2023.

81. The matter will be followed up in the next financial year.

Status of previously reported material irregularities

Landfill site not properly managed, resulting in pollution

82. Disposal activities, site operations and treatment processes at the maize field waste landfill site, which is under the municipality's control, did not always comply with licence conditions. The non-compliance has been occurring between 2013 and 2021 when the court found the municipality guilty for contravening the act. These include the minimum requirements for waste disposal by landfill, such as landfill operation, landfill operation monitoring and rehabilitation, closure and end-use.

83. All waste types, including those not allowed in terms of the licence, were disposed at the site. This caused significant pollution and the degradation of the environment, which could lead to serious health, safety and injury risks to site workers and nearby communities.

84. I notified the accounting officer of the material irregularity on 4 August 2022 and invited him to make a written submission on the actions taken. The accounting officer responded with a written submission on 24 August 2022, it was concluded that appropriate action is taken in response to being notified of the material irregularity. The accounting officer did not set time when the MI will be resolved. Progress made from last actions:

- Management is in the process of appointing a panel of service providers who will provide yellow fleet to ensure regular compaction of waste in the landfill site. Tenders are being adjudicated and the process to be finalised by 31 March 2024
- Council has, on 8 October 2023, approved the site identified for development of the new landfill site in Maizefield farm
- There is a security guards operating 24 hours to control access to the landfill site
- The EPWP participants are deployed once a week to ensure that illegal waste dumping is removed.

85. The accounting officer in the response of the 16 November 2023 raised a concern that the progress in some areas is hampered by the lack of funding which may result in this MI taking long to be resolved.

86. The matter will be followed up in the next financial year.

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 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.

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 [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 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	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), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
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	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
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)

Legislation	Sections or regulations
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)