

Report of the auditor-general to the Free State Legislature and the council on the Masilonyana Local Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Masilonyana Local Municipality, set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, the statement of financial performance, statement of changes in net assets and cash flow statement, for the year ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment due to unexplained differences between the fixed asset register, the general ledger and the financial statements. In addition, the asset classes recorded in the asset register could not be confirmed. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment, stated at R919 568 377 (2023: R981 374 580) in note 3 to the financial statements.
4. The municipality did not disclose work in progress included in property, plant and equipment in note 3 to the financial statements in accordance with GRAP 17, Property, plant and equipment as the municipality did not disclose projects where the construction or development has been halted in the notes to the financial statements. Lastly, the municipality incorrectly disclosed the work-in-progress as a separate line item in the notes to the financial statements, in contravention of the accounting standard. Consequently, I was unable to determine the full extent of the misstatement to the work-in-progress stated at R70 314 065 (2023: R61 755 655) in note 3 to the financial statements.

Receivables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for the receivables from exchange transactions due to unexplained differences between the debtors' sub-system, general ledger and financial statements. The municipality also could not provide adequate supporting evidence to confirm the other receivables 1 included in receivables from exchange transactions in note 10 to the financial statements. In addition, the municipality did not include sufficient information in the debtor's age analysis to verify the trade debtors recorded therein. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to

receivables from exchange transactions, stated at R641 838 691 (2023: R438 983 257) in note 10 to the financial statements.

6. The municipality did not disclose the receivables from exchange transactions in accordance with GRAP 1, Presentation of financial statements and GRAP 104, Financial instruments as the municipality did not disclose receivables from exchange transactions according to their aging, nature and type. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.

VAT payables

7. I was unable to obtain sufficient appropriate audit evidence for VAT payables due to unexplained differences between the general ledger and the financial statements. I was unable to confirm the VAT payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to VAT payables, stated at R382 518 101 (2023: R368 139 167) in note 7 to the financial statements.

VAT receivables

8. I was unable to obtain sufficient appropriate audit evidence for the VAT receivables due to unexplained differences between the general ledger and the financial statements. I was unable to confirm the VAT receivables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the VAT receivables, stated at R148 567 130 (2023: R139 013 511) in note 12 to the financial statements.

Receivables from non-exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for the receivables from non-exchange transactions due to unexplained differences between the debtor's sub-system, general ledger and financial statements. The municipality also could not provide adequate supporting evidence to confirm the other receivables from non-exchange revenue 1 included in receivables from non-exchange transactions in note 11 to the financial statements. I was unable to confirm the receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from non-exchange transactions, stated at R398 636 584 (2023: R352 149 123) in note 11 to the financial statements.
10. The municipality did not disclose the receivables from non-exchange transactions in accordance with GRAP 1, *Presentation of financial statements* and GRAP 108, *Statutory receivables* as the municipality did not disclose the receivables from non-exchange transactions according to their aging, nature, and type. Consequently, I was unable to determine the full extent of the misstatements to receivables from non-exchange transactions stated at R398 636 584 (2023: R352 149 123) in note 11 to the financial statements.

Unspent conditional grants and receipts

11. I was unable to obtain sufficient appropriate audit evidence for unspent conditional grants and receipts due to unexplained differences between the general ledger and the financial statements. I was unable to confirm the unspent conditional grants and receipts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to unspent conditional grants and receipts, stated at R174 425 631 (2023: R156 857 139) in note 14 to the financial statements.

Cash and cash equivalents

12. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to unexplained differences between the general ledger and the financial statements. I was unable to confirm the cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the cash and cash equivalents, stated at R123 630 796 (2023: R109 775 621 overdraft) in note 13 to the financial statements.

Payables from exchange transactions

13. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to unexplained differences between the general ledger and the financial statements. I was unable to confirm the payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the payables from exchange transactions, stated at R111 975 317 (2023: R97 692 530) in note 6 to the financial statements.

14. The municipality did not disclose trade payables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements* as the municipality did not disclose trade payables from exchange transactions in accordance with their nature and type. Consequently, I was unable to determine the full extent of the misstatements to trade and other payables stated at R111 975 317 (2023: R97 692 530) in note 06 to the financial statements.

Provisions

15. I was unable to obtain sufficient appropriate audit evidence for the environmental rehabilitation and provision 1 included in provisions in note 15 to the financial statements, due to unexplained differences between the general ledger and financial statements. I was unable to confirm the environmental rehabilitation and provision 1 by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the environmental rehabilitation and provision 1 included in provisions, stated at R65 208 236 (2023: R62 388 073) in note 15 to the financial statements.

16. I was unable to obtain sufficient appropriate audit evidence for the employee benefit costs included in provisions in note 15 to the financial statements due to unexplained differences between the general ledger and financial statements. I was unable to confirm the employee benefit costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the employee benefits costs included in provisions, stated at R4 077 000 (2023: R4 077 000) in note 15 to the financial statements.

17. The municipality did not disclose employee benefit costs in accordance with GRAP 25, *Employee benefits* as municipality did not disclose the characteristics of its defined benefit plans, risks associated and how its defined benefit plans may affect the amount, timing and uncertainty of the municipality's future cash flows. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.

Inventories

18. The municipality did not account for inventories in accordance with GRAP 12, *Inventories* as the municipality did not verify the inventory balances because they did not perform an annual stock count. In addition, the municipality did not disclose inventories in accordance with GRAP 3, *Accounting policies, change in accounting estimates and errors* as the municipality did not

disclose the nature of the change in accounting policy, the adjustment amount for each financial statement line item for the current and corresponding financial years, and the amount of the adjustment relating to financial years before those presented, in the financial statements. Consequently, I was unable to determine the full extent of the understatement to inventories, stated at (R811 156) (2023: (R10 158 218)) in note 9 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the surplus for the year and accumulated surplus.

Government grants and subsidies

19. I was unable to obtain sufficient appropriate audit evidence for the government grants and subsidies due to unexplained differences between the general ledger and financial statements. I was unable to confirm whether the government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the government grants and subsidies stated at R236 434 627 (2023: R42 541 000) in note 21 to the financial statements.
20. The municipality did not disclose government grants and subsidies in accordance with GRAP 23, *Revenue from non-exchange transactions* as the municipality did not split government grants and subsidies between the conditional and unconditional grants. In addition, the municipalities did not disclose amounts of receivables recognised in respect of non-exchange revenue and the amounts of liabilities recognised for refunds arising from non-exchange revenue. Furthermore, the government grants and subsidies recorded in the statement of financial performance did not agree with the notes to the financial statements. Consequently, I was unable to determine the full extent of the misstatement for government grants and subsidies stated at R236 434 627 in note 21 to the financial statements, as it was impracticable to do so.
21. During 2023, the municipality did not recognise government grants and subsidies in accordance with GRAP 23, *Revenue from non-exchange transactions* due to the differences identified between the amounts recorded in the financial statements and the amounts allocated in the Division of Revenue Act 5 of 2022 (Dora). Consequently, government grants and subsidies were understated by R122 226 183, and consumer debtors and receivables from non-exchange transactions were also understated by the same amount. Additionally, there was an impact on the surplus for the year and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the government grants and subsidies for the current period.

Service charges

22. I was unable to obtain sufficient appropriate audit evidence for service charges included in revenue in notes 16 and 17 to the financial statements due to unexplained differences between the revenue sub-system and financial statements. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges included in revenue stated at R110 757 383 (2023: R37 604 000) in notes 16 and 17 to the financial statements.

Interest received

23. I was unable to obtain sufficient appropriate audit evidence for interest received due to unexplained differences between the revenue sub-system and financial statements. I was unable to confirm the interest received by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the interest received stated at R87 786 517 (2023: R170 031) in the financial statements.
24. The municipality did not account for interest received revenue in accordance with GRAP 9, *Revenue from exchange transactions* and GRAP 23, *Revenue from non-exchange transactions* as the municipality did not separately recognise interest received between exchange and non-exchange transactions. Consequently, I was unable to determine the full extent of the misstatement to interest received, stated at R87 786 517 in the financial statements, receivable from exchange transactions stated at R641 838 691 in note 10 to the financial statements and receivables from non-exchange transactions, stated at R398 636 584 note 11 to the financial statements, as it was impracticable to do so.

Property rates

25. I was unable to obtain sufficient appropriate audit evidence for property rates due to unexplained differences between the revenue sub-system and financial statements. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to property rates stated at R100 601 309 (2023: R63 792 438) in note 20 to the financial statements.
26. The municipality did not disclose property rates in accordance with GRAP 1, *Presentation of financial statements* and GRAP 23, *Revenue from non-exchange transactions* as the municipality did not disclose property rates according to their nature. Consequently, I was unable to determine the full extent of the misstatements to property rates, stated at R100 601 309 (2023: R63 792 438) in note 20 to the financial statements.

Employee related costs

27. I was unable to obtain sufficient appropriate audit evidence for employee related cost due to unexplained differences between the payroll report and financial statements. I was unable to confirm the employee related costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee related costs, stated at R119 529 788 (2023: R111 662 477) in note 22 to the financial statements.
28. The municipality did not disclose employee related costs in accordance with GRAP 1, *Presentation of financial statements* as the municipality did not disclose employee related costs according to their nature and type. Consequently, I was unable to determine the full extent of the misstatements to employee related costs, stated at R119 529 788 (2023: R111 662 477) in note 22 to the financial statements.

Bulk purchases

29. I was unable to obtain sufficient appropriate audit evidence for electricity – Eskom included in bulk purchases in note 29 to the financial statements, due to invoices and payment details that were not provided for audit. I was unable to confirm the electricity – Eskom were recorded by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to electricity – Eskom included in bulk purchases, stated at R63 881 652 (2023: R31 093 671) in note 29 to the financial statements.

30. The municipality also did not account for water bulk purchases in accordance with GRAP 1, *Presentation of financial statements* as no water bulk purchases were recognised for the current and corresponding periods. Consequently, bulk purchases were understated by R11 757 320. I was also unable to determine the full extent of the misstatement to the corresponding figures for water bulk purchases stated at RNil, in note 29 to the financial statements. Additionally, there was an impact on surplus for the year and accumulated surplus.

Depreciation and amortisation

31. I was unable to obtain sufficient appropriate audit evidence for depreciation and amortisation due to unexplained differences between the general ledger and financial statements. I was unable to confirm the depreciation and amortisation by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to depreciation and amortisation, stated at R33 077 108 (2023: R32 973 718) in note 25 to the financial statements.

Contracted services

32. I was unable to obtain sufficient appropriate audit evidence for contracted services expenditure due to unexplained differences between the general ledger and financial statements. I was unable to confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contracted services expenditure, stated at R32 298 059 (2023: R23 386 045) in note 30 to the financial statements.

General expenses

33. I was unable to obtain sufficient appropriate audit evidence for general expenses due to unexplained differences between the general ledger and financial statements. I was unable to confirm the general expenses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to general expenses, stated at R21 219 007 (2023: R13 666 630) in note 28 to the financial statements.

34. The municipality did not disclose general expenses in accordance with GRAP 1, *Presentation of Financial Statements*, as the nature of the general expenses is not clearly disclosed in the notes to the financial statements. o Consequently, I was unable to determine the full extent of the misstatements to general expenses stated at R21 219 007 in note 28 to the financial statements.

Net cash flow from operating activities

35. The municipality did not correctly prepare and disclose the net cash flows from operating activities as required GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. The municipality also did not disclose the cash generated from operations in the notes to the financial statements. 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 to cash flows from operating activities as stated at R115 693 882 (2023: (R256 513 116)) to the financial statements were necessary.

Net cash flow from Investing activities

36. The municipality did not correctly prepare and disclose the net cash flows from investing activities as required by GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from investing activities. I was unable to determine the full extent of the

errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from investing activities as stated at (R17 624 524) (2023: (R22 718 695)) to the financial statements were necessary.

Cash flow statement

37. The municipality did not correctly prepare the cash flow statement as required by GRAP 2, *Cash Flow Statement* as differences were identified between cash and cash equivalents at the beginning of the year included in the cash flow statement compared to the Statement of Financial Position for the current and corresponding figures. These differences also impacted the cash and cash equivalents at the end of the year included in the cash flow statement. Consequently, I was unable to determine whether any adjustments to the cash flow statement as stated at R355 903 080 (2023: (R279 231 811)) to the financial statements were necessary.

Financial instruments

38. The municipality did not disclose the financial instruments for the current and corresponding periods in accordance with GRAP 104, *Financial instruments* as the municipality did not disclose the carrying amount of each of the categories of financial instruments, their fair values and credit and liquidity risks. Consequently, I have not included the omitted information in this auditor's report for the current and corresponding periods as it was impracticable to do so.

Going concern

39. The municipality did not disclose the going concern in accordance with GRAP 1, *Presentation of financial statements*. This was because the municipality did not disclose the identified events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern, management's evaluation of the significance of the events and management's plan to mitigate the effect of these events. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.

Related parties

40. The municipality did not disclose related parties in accordance with GRAP 20, *Related party disclosures*, as the remuneration of management were not disclosed in note 36 to the financial statements. Consequently, I was unable to determine the full extent of the misstatements to related parties disclosed in note 36 to the financial statements, as it was impracticable to do so.

Statement of comparison of budget and actual amounts

41. The municipality did not disclose the statement of comparison of budget and actual amounts in accordance with GRAP 24, *Presentation of budget information in financial statement* and the municipality did not disclose the reasons for all material variances between the budget and actual disclosures in the notes to the financial statements, as required. As no statement of comparison of budget and actual amounts were included in the financial statements, Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so

Segment reporting

42. The municipality did not disclose segment information in accordance with GRAP 18, *Segment Reporting*, this was because no segment disclosures were included in the financial statements

as required by the accounting standard. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.

Contingencies

43. The municipality did not account for contingencies in accordance with GRAP 19, *Provisions, contingent liabilities and contingent assets*. This was because the municipality did not disclose all claims brought against the municipality, while in other instances, the municipality did not estimate all costs required to settle the potential liabilities, as required by the accounting standard. Consequently, I was unable to determine the full extent of the misstatements to contingencies disclosed in note 35 to the financial statements, as it was impracticable to do so.

Unauthorised expenditure

44. The municipality did not disclose unauthorized expenditure for the current and corresponding period in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.

Irregular expenditure

45. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure due to the status of accounting records. I was unable to confirm irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure stated at R112 403 079 (2023: R100 473 399) in note 38.2 to the financial statements.

Fruitless and wasteful expenditure

46. I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure due to the status of accounting records. I was unable to confirm fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure stated at R39 757 006 (2023: R32 927 108) in note 38.1 to the financial statements.

Commitments

47. I was unable to obtain sufficient appropriate audit evidence for commitments due to the status of accounting records. I was unable to confirm commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to commitment stated at R118 718 088 (2023: R123 883 099) in note 34 to the financial statements.

Additional disclosure in terms of the municipal finance management act

48. The municipality did not disclose the additional disclosure in terms of the MFMA in the notes to the financial statements. This was because the municipality did not disclose particulars of equitable share funds of R19 001 000 that was withheld during the year, as required by section 123(f) of the MFMA.

49. The municipality did not disclose the additional disclosure in terms of the MFMA in the notes to the financial statements, remuneration to councillors and the municipal manager that was not aligned to the framework of the Remuneration of Public Office Bearers Act and the remuneration to the municipal manager and other senior managers regulations, including the

statement that payments were within the upper limits, as required in section 124(1)(a) of the MFMA.

50. The municipality did not disclose the additional disclosure in terms of the MFMA in the notes to the financial statements, details of arrears owed by individual councillors to the municipality for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors, as required by section 124(1)(b) of the MFMA.
51. The municipality did not disclose the additional disclosure in terms of the MFMA in the notes to the financial statements, the salaries, allowances and benefits of the municipal manager, the chief financial officer, every senior manager and such categories of other officials, as required by section 124(1)(c) of the MFMA.
52. The municipality did not disclose the additional disclosure in terms of the MFMA in the notes to the financial statements, details of the total amount of contributions to organised local government for the financial year, and the amount of any contributions outstanding as at the end of the financial year, as required by section 125(1)(b) of the MFMA.
53. The municipality did not disclose the additional disclosure in terms of the MFMA in the notes to the financial statements, the total amounts paid in audit fees, taxes, levies, duties and pension and medical aid contributions, and whether any amounts were outstanding as at the end of the financial year, as required by section 125(1)(b) of the MFMA.
54. The municipality did not disclose the additional disclosure in terms of the MFMA in the notes to the financial statements, details of respect of each bank account held by the municipality during the relevant financial year, the name of the bank where the account is or was held, and the type of account; year opening and year end balances in each of these bank accounts, as required by section 125(2)(a) of the MFMA.

Prior period errors

55. The municipality did not disclose the prior period errors in accordance with GRAP 3, *Accounting policies, changes in accounting estimates and errors* as the municipality did not disclose the nature of the errors, the amount of correction for each financial statement line item affected and correction amounts processed at the beginning of the earliest previous period. Consequently, I have not included the omitted information in this auditor's report as it was impractical to do so.

Distribution losses

56. The municipality did not disclose the electricity and water losses in accordance with section 125(2)(d) of the MFMA for the current and corresponding periods. Consequently, I was unable to determine the full extent of the understatement of electricity and water distribution losses for the current and corresponding periods, as it was impracticable to do so.

Other matter

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

Unaudited disclosure notes

58. 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

59. The accounting officer is responsible for the preparation and fair presentation of the financial statements 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 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.

60. 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

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

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

Report on the annual performance report

63. 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 information against predetermined objectives for selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

64. I selected the following material performance indicators related to infrastructure development and service delivery presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- Quarterly reports on the % of sewer blockages reported and addressed within a 24-hour period per town by 30 June 2024.
- Manage and implement the Winburg outfall sewer project by 30 June 2024.

- Manage and implement the refurbishment of Theunissen Wastewater Treatment Works by 30 June 2024.
- Manage and implement the Brandfort/Majwemasweu: Refurbishment of sewer house connections for 220 units in Mountain View project by 30 June 2024.
- Completed process audit report per water treatment facility by 30 June 2024.
- Reports on the % of water leakages reported and addressed within a 24-hour period per Town by 30 June 2024.
- Quarterly reports prepared on electricity maintenance and repairs of Theunissen, Brandfort, Winburg, and Verkeerdevlei by 30 June 2024.
- Quarterly reports of the percentage of households with basic refuse removal services by 30 June 2024.
- Quarterly reports on all landfill sites complying 50% of their WML conditions by 30 June 2024.

65. I was engaged to evaluate the reported performance information for the selected material performance indicators relating to KPA 1 – Infrastructure development and service delivery against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using these criteria provides useful and reliable information and insights to users of the report on the municipality's planning and delivery on its mandate and planned objectives. My objective was to perform procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

66. 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 presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance

67. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

68. The material findings on the reported performance information for the selected material indicators are as follows:

Various indicators

69. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and could not verify the methods and processes used to measure the achievements and adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

Performance indicator	Planned target	Reported achievement
1. Quarterly reports on the % of sewer blockages reported and addressed within a 24-hour period per town by 30 June 2024.	Ensure compliance to service level standards	Not stated, only reported evidence not submitted
2. Quarterly reports of the percentage of households with basic refuse removal services by 30 June 2024	Prepare and submit reports of households with basic refuse removal services	Not stated
3. Quarterly reports on all landfill sites complying 50% of their WML conditions by 30 June 2024	Quarterly reports on the management of all landfill sites	Not stated
4. Quarterly reports prepared on electricity maintenance and repairs of Theunissen, Brandfort, Winburg, and Verkeerdevlei by 30 June 2024	Prepare and report of electricity maintenance and repairs of Theunissen, Brandfort, Winburg, and Verkeerdevlei signed by the HOD	Not stated
5. Reports on the % of water leakages reported and addressed within a 24hour period per Town by 30 June 2024	Ensure compliance to service level standards	Not stated
6. Manage and implement the Winburg outfall sewer project by 30 June 2024	Ensure compliance to service level standards	Not stated

Performance indicator	Planned target	Reported achievement
7. Manage and implement the Refurbishment of Theunissen Wastewater Treatment Works by 30 June 2024	Ensure compliance to service level standards	Not stated
8. Manage and implement the Brandfort/Majwemasweu: Refurbishment of sewer house connections for 220 units in Mountain View project by 30 June 2024	Ensure compliance to service level standards	Not stated
9. Completed process audit report per water treatment Facility by 30 June 2024	Supply at least 50% of the water demand to all towns before the end of 2023/24 financial year.	Not stated

Other matter

70. I draw attention to the matter below.

Achievement of planned targets

71. 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.

72. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved, as reported in the annual performance report. The measures taken to improve performance were not reported in the annual performance report on pages xx to xx.

Basic service delivery

Targets achieved: Underminable/unknown Budget spent: Underminable/unknown

The budget spent is not available as the municipality's actual spending is not aligned with their key performance areas (programmes). The targets achieved could not be determined as the achievements were reported as "POE not submitted" or "POE submitted" or "Not stated."

Key service delivery indicator not achieved	Planned target	Reported achievement
1. Registration of all wastewater treatment plants by 30 June 2024	Ensure compliance to regulations and standards of 2023/24 financial year.	POE not submitted
2. Quarterly reports on the % of sewer blockages reported and addressed with 1 a 24-hour period per 30 June 2024	Ensure compliance to regulations and standards of 2023/24 financial year.	POE submitted
3. Development of a technical and submission for funding for refurbishment of Theunissen Water Treatment Works Phase 2 and replacement of the 10 km AC pipe by 30 June 2024	Supply at least 50% of the water demand to all towns before the end of 2023/24 financial year	POE submitted
4. Manage and implementation of the Winburg water conservation and water demand management project by 30 June 2024	Supply at least 50% of the water demand to all towns before the end of 2023/24 financial year	Report is submitted
5. Refurbish and upgrade the Winburg portable water from Sedibeng Project by (multi-year project) by 30 June 2024	Supply at least 50% of the water demand to all towns before the end of 2023/24 financial year	POE not submitted
6. Quarterly report of the development of water safety plan for all water supply systems by 30 June 2024	Supply at least 50% of the water demand to all towns before the end of 2023/24 financial year	POE submitted
7. Development of water services development plan (WSDP) by 30 June 2024	Supply at least 50% of the water demand to all towns before the end of 2023/24 financial year	POE submitted
8. Reports on the % of water leakages reported and addressed within a 24-hour period per Town by 30 June 2024	Ensure compliance to service level standards	Report is submitted
9. Quarterly reports of grading of 5 km roads at Theunissen by 30 June 2024	Prepare and submit quarterly report of roads repaired	Report is submitted

Key service delivery indicator not achieved	Planned target	Reported achievement
10. Quarterly reports of grading of 5 km Roads at Winburg by 30 June 2024	Prepare and submit quarterly report of roads repaired	Report is submitted
11. Quarterly reports grading of 5 km roads at Brandfort by 30 June 2024	Prepare and submit quarterly report of roads repaired	Report is submitted
12. Quarterly reports prepared on electricity maintenance and repairs of Theunissen, Brandfort, Winburg, and Verkeerdevlei by 30 June 2024	Prepare and report of electricity maintenance and repairs of Theunissen, Brandfort, Winburg, and Verkeerdevlei signed by the HOD	POE submitted
13. Development and submission of technical report for Winburg/ Makeleketla electrification of 580 stands. By 30 September 2023	Completion of INEP projects	Report is submitted
14. Complete Brandfort/Majwemasweu: Construction of 6 high mast lights by 30 November 2023	Completion of MIG projects	Report is submitted
15. Brandfort/Majwemasweu: Fencing of community cemetery and construction of ablution facilities by 31 December 2023	Completion of MIG projects	Report is submitted
16. Winburg/Makeleketla: Fencing of Molapo cemetery and construction of ablution facilities by 30 September 2023	Completion of MIG projects	Report is submitted
17. Monthly financial WSIG reports submitted to DWS by 30 June 2024	Prepare and submit reports signed by the accounting officer to DWS	Report is submitted
18. Monthly financial MIG reports submitted to COGTA by 30 June 2024	Prepare and submit reports signed by the accounting officer to COGTA	POE is submitted
19. Monthly EPWP reports prepared and submitted to Public Works by 30 June 2024	Prepare and submit monthly reports on EPWP to Public Works	Report is submitted

Material misstatements

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

Report on compliance with legislation

74. 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.
75. 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.
76. 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.
77. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, annual performance report, annual report

78. 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 a disclaimer audit opinion.
79. The annual financial statements were not submitted to the Auditor-General for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
80. The annual financial statements were not submitted to the Auditor-General within two months after the end of the financial year and council did not investigate the reasons for the failure to submit annual financial statements and take appropriate steps to ensure that the financial statements were submitted to the Auditor-General, as required by section 133(1)(c)(i) and (ii) of the MFMA.
81. The 2023-24 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

Strategic planning and performance management

82. 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 regulation 7(1).

Expenditure management

83. I was unable to obtain sufficient appropriate audit evidence that money owed by the municipality had always been paid within 30 days, as required by section 65(2)(e) of the MFMA.

84. I was unable to obtain sufficient appropriate audit evidence that payments and withdrawals from the municipality's bank accounts were approved by the accounting officer as required by section 11(1) of the MFMA.

85. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, authorisation and payment of funds, as required by section 65(2)(a) of the MFMA.

86. An adequate management, accounting, and information system was not in place which recognised expenditure when it was incurred and accounted for creditors and accounted for payments made, as required by section 65(2)(b) of the MFMA.

87. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by spending of conditional grants

88. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charges on overdue accounts.

Human resources management

89. I was unable to obtain sufficient appropriate audit evidence that appropriate systems and procedures to monitor, measure and evaluate performance of staff were developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.

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

Revenue management

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

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

93. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

94. I was unable to obtain sufficient appropriate audit evidence that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

95. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

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

Procurement and contract management

97. Sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements as documentation in support of the procurement process could not be obtained.

98. Sufficient appropriate audit evidence could not be obtained that goods and services within the prescribed transaction values for formal written price quotations were procured using price quotations as required by SCM regulation 17(1)(a) and (c).

Consequences management

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

100. Irregular expenditures incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

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

102. Allegations of financial misconduct against senior managers were not always investigated, as required by disciplinary regulations for senior managers 5(3) and section 171(4) of MFMA.

103. Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.

Conditional grants

104. I was unable to obtain sufficient appropriate audit evidence that the municipal infrastructure grant (MIG) was spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Division of Revenue Act (Act 5 of 2023) (Dora).

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

106. Performance in respect of programmes funded by the water services infrastructure grant (WSIG) was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

107. I was unable to obtain sufficient appropriate audit evidence that the WSIG was spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Division of Revenue Act (Act 5 of 2023).

Internal control deficiencies

108. 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.

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

110. The accounting officer did not adequately exercise oversight responsibilities regarding financial and performance reporting and compliance monitoring and related internal controls, due to inadequate review and monitoring by line management and senior management.

111. The accounting officer did not ensure that service delivery to the community was verified which is evident from the lack of proper record-keeping at the entity. Reasonable steps were not taken to ensure that full and proper records were kept for performance information as well as for procurement and contract management.

112. Management did not review and monitor compliance with applicable legislation, which resulted in a high number of contraventions of legislation being reported. This was mainly due to a lack of supporting evidence being provided to confirm the municipality's compliance with legislation.

113. Adequate consequence management was not implemented by the council and accounting officer, due to a lack of investigations on fruitless and wasteful and irregular expenditure. In the absence of investigations, this had created a culture of transgressions. Accountability is not emphasised by the council and accounting officer, resulting in employees not being held accountable for failure to deliver on their responsibilities to the municipality.

114. The accounting officer did not ensure that the municipality's risk management structures such as the risk management committee, were not effective during the year in discharging its terms of reference. The accounting officer also did not establish a municipal IT steering committee to oversee IT related matters.

115. The council did not ensure that governance structures such as the internal audit, audit committee and municipal public accounts committee, were adequately monitored to discharge their terms of reference and mandates that contributed to its ineffectiveness.

Material irregularities

116. 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

117. The material irregularities identified are as follows:

Annual performance report not prepared for the 2022-23 financial year

118. An annual performance report for the year ending 30 June 2023 were not prepared, as required by section 46 of the Municipal Systems Act No. 32 of 2000. The non-preparation of an annual performance report is likely to result in substantial harm to the municipality, as it will disrupt its operations (planning, budgeting, reporting and monitoring of actual performance and service delivery) and impact the ability of the municipality and the extended accountability ecosystem to execute their management, accountability, oversight and governance functions.
119. I notified the accounting officer of the material irregularity on 5 August 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer submitted the 2023-24 annual performance report for auditing on 30 November 2024, which include the actual performance for the 2022-23 financial year.
120. Therefore, the material irregularity has been resolved.

Annual financial statements not submitted for auditing (2023-24)

121. The annual financial statements for the year ending 30 June 2024 were not submitted to the auditor-general for auditing within two months after the end of the financial year (31 August 2024), as required by section 126(1)(a) of the MFMA. The non-submission of the annual financial statements for auditing, and the subsequent non-tabling of the annual report, is likely to result in substantial harm to the municipality, as there is a lack of accountability and transparency for the fiscal and financial affairs of the municipality. This is due to the legislative processes that follow after the submission of the annual financial statements relating to the financial year ending 30 June 2024 being delayed or not implemented.
122. The accounting officer was notified of this material irregularity on 11 September 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer submitted the annual financial statements for auditing on 6 December 2024.
123. Therefore, the material irregularity has been resolved.

Status of previously reported material irregularities

Full and proper records not kept (2017-18) – Infrastructure assets, services charges, conditional grants and bulk purchases

124. In my 2018-19 auditor's report, I reported that the municipality did not take reasonable steps in the 2017-18 financial year to ensure that full and proper records were kept of infrastructure assets, service charges, conditional grants and bulk purchases, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a disclaimed audit opinion, as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.
125. The lack of full and proper records is likely to result in substantial harm to the municipality, as it contributed to the material uncertainty regarding its ability to continue operations, as disclosed in note 45 to the 2017-18 financial statements. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

126. The accounting officer was notified of the material irregularity on 11 June 2021. The accounting officer could not provide sufficient and appropriate evidence of the actions that have been taken in response to being notified of the material irregularity, as the planned actions to address the poor record-keeping and financial problems were not adequate.

127. I recommended that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 13 April 2022:

- The reasons and circumstances behind the non-compliance with section 62(1)(b) of the MFMA should be investigated for the purpose of taking appropriate corrective actions and improving controls to eliminate weaknesses.
- Based on the reasons and circumstances identified, appropriate action should be taken to develop and begin implementing an action plan to address poor record-keeping so that full and proper records of the municipality's financial affairs are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan should include anticipated timeframes, and should address the following key areas as a minimum:
 - (a) Complete assets register of all of the municipality's infrastructure assets, including work-in-progress.
 - (b) Billing information and reconciliations to support revenue from service charges.
 - (c) Register and payment vouchers to support payments made from conditional grant funding, including reconciliations.
 - (d) Payment vouchers, creditor statements and creditor reconciliations for bulk purchases.

128. I further recommended that the accounting officer should take appropriate action to develop and begin implementing an action plan to address the municipality's financial problems, as required by section 135(1) and 135(3)(a) of the MFMA, by 13 July 2022. The plan should describe the anticipated timeframe and milestones to be achieved, and should include as a minimum strategy:

- (a) increasing the collection of revenue.
- (b) optimising costs for bulk purchases.
- (c) efficiently managing the municipality's available cash.
- (d) entering into payment arrangements with major suppliers.
- (e) repairing and maintaining infrastructure assets.

129. The accounting officer has not adequately implemented the above recommendations. I notified the accounting officer on 7 August 2023 of the following remedial actions to address the material irregularity, which must be implemented by 7 March 2024 with a progress report after three months:

- The non-compliance with section 62(1)(b) of the MFMA must be investigated to determine the reasons and circumstances that led to the non-compliance for purpose of taking appropriate corrective actions and to address control weaknesses.

- Based on the reasons and circumstances identified, appropriate action must be taken to continue with the development and implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan must include anticipated timeframes and address the following key areas as a minimum:
 - (a) Complete assets register of all of the municipality's infrastructure assets, including work-in-progress.
 - (b) Billing information and reconciliations to support revenue from service charges.
 - (c) Register and payment vouchers to support payments made from conditional grant funding, including reconciliations; and
 - (d) Payment vouchers, creditor statements and creditor reconciliations for bulk purchases.
- I further recommended that the accounting officer must take appropriate action to continue with the development and implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA. The plan must describe the anticipated timeframe and milestones to be achieved and include as a minimum a strategy to:
 - (a) Increase the collection of revenue.
 - (b) Optimise costs in respect of bulk purchases.
 - (c) Efficiently manage the available resources of the municipality.
 - (d) Enter into payment arrangements with major suppliers; and
 - (e) Repair and maintain infrastructure assets.

130. On 10 March 2024, the accounting officer's response on the actions implemented was received. I evaluated the accounting officer's responses and substantiating documentation received on the implementation of the remedial action. As some of the actions taken to address the material irregularity were still in progress and not yet completed, I granted the accounting officer an additional four months up to 19 October 2024 to implement the remedial actions, with a progress report by 19 August 2024.

131. The accounting officer provided a progress report on 30 August 2024 but failed to submit a final response with substantiating document by 19 October 2024. On 11 November 2024 the accounting officer submitted an unsigned remedial action plan with substantiating documentation. My assessment of the implementation of the remedial action was delayed due to the late submission of the 2023-24 annual financial statements, which was only received on 6 December 2024. I have subsequently completed my assessment and concluded that appropriate action has not been taken to implement the remedial action and to address the material irregularity. I am in the process of making a decision on the further action to be taken.

Pollution of water resource not prevented – Winburg Wastewater Treatment Works

132. The Winburg wastewater treatment works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spilling and discharge of raw/untreated sewerage into the adjacent environment, including the groundwater, Laaispruit river and its extended watercourse. The municipality did not take

reasonable measures to prevent pollution or degradation from occurring, continuing or recurring, as required by section 28(1) of the National Environmental Management Act 107 of 1998 and section 19(1) of the National Water Act 36 of 1998. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

133. The accounting officer was notified of this material irregularity on 28 April 2022 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the Department of Water and Sanitation (DWS) on 27 February 2024 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by DWS on 15 April 2024 and the investigation is currently in progress.

Other reports

134. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

135. The municipal council resolved on 30 June 2022 that a financial disciplinary board perform an investigation into allegations of procurement irregularities for the processes followed for the loan agreement entered into by the municipality. As of 24 August 2023, the disciplinary board had completed its investigation and recommendations were submitted to the council for adoption. At the date of our audit report, the recommendations provided were still under consideration by the municipal council.

136. The Special Investigating Unit (SIU) of the South African Police Service (SAPS) was investigating allegations of alleged abuse of the municipal supply chain processes by municipal officials, unauthorised deviations, and the disposal of municipal sites without adequate processes and approvals, which covered the period since 21 October 2021. In addition, the Hawks were also investigating procurement irregularities at the municipality. These proceedings were still in progress at the date of this auditor's report.

Bloemfontein

Auditor-General

31 March 2025

Bloemfontein



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. 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

2. 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 KPAs and on the municipality's compliance with selected requirements in key legislation.

Financial statements

3. 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

4. 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.
5. 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

6. 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), Sections 29(1), 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), 63(2)(a), 63(2)(c), Sections 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), Sections 65(2)(e), 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, 171(4)(a), Sections 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), Regulations 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)
MSA: Municipal Staff Regulations	Regulations 7(1), 31
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), Regulations 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), Regulations 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), Regulations 38(1)(g)(iii), 43, 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), 34(a), 34(b), 38(a), Sections 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 54A(1)(a), 56(1)(a), Sections 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), Regulations 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	Regulations 17(2), 36(1)(a)

Legislation	Sections or regulations
Employment of Senior Managers, 2014	
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Division of Revenue Act 5 of 2023	Sections 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	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), 7(1), Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)