

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Matjhabeng Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Matjhabeng Local Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with 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 10 of 2020 (Dora).

Basis for qualified opinion

Service charges

3. I was unable to obtain sufficient appropriate audit evidence for service charges as the municipality did not have adequate processes and controls to accurately account for the billing of water and electricity consumption. The municipality did not read meters regularly, which resulted in water and electricity consumption being estimated for extended periods. I was unable to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges, stated at R1 274 441 276 (2020: R1 250 283 501) in note 20 to the financial statements.

Payables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for trade payables and salary control account included in payables from exchange transactions due to a lack of proper record keeping and inadequate reconciliation of control accounts by the municipality. I was unable to confirm trade payables and the salary control account by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade payables and salary control account, stated at R567 531 028 (2020: R435 699 497) and R123 003 091 respectively in note 18 to the financial statements. In addition, the municipality did not account for all trade payables in terms of GRAP 1, *Presentation of financial statements*. I identified differences between the accounting records and supplier statements, resulting in the overstatement of trade payables by R106 409 776. There was a resultant impact on contracted services, deficit for the period and the accumulated deficit.

Investment property

5. The municipality did not recognise investment property in accordance with GRAP 16, *Investment property*. The fair value of the municipality's investment properties did not reflect market conditions at the reporting date. In addition, properties not registered in the name of the municipality were incorrectly recognised as investment properties. I was unable to quantify the misstatement of investment property, stated at R1 094 907 529 in note 3 to the financial statements, as it was impracticable to do so.

Contracted services

6. The municipality did not correctly recognise expenditure for contracted services in accordance with GRAP 1, *Presentation of financial statements*. Expenditure transactions were not classified in terms of their nature, and some transactions were recorded in the incorrect financial year, which resulted in contracted services being overstated by R131 578 216, general expenses being understated by R96 900 935 and repairs and maintenance being understated by R34 677 281.

General expenses

7. The general expenses was materially misstated by R44 402 570 due to the cumulative effects of individual immaterial uncorrected misstatement in the following items:
 - Consumables stated at R93 146 343 was misstated by R26 439 476
 - Motor vehicle expenses stated at R157 608 544 was overstated by R17 963 094

Context for the opinion

8. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
9. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.
12. Note 49 to the financial statements indicates that the municipality incurred a net loss of R1 321 405 650 during the year ended 30 June 2021 and, as of that date, the municipality's current liabilities exceeded its current assets by R7 337 619 450. The municipality has been deducting pension, medical aid and pay as you earn from employee's salaries, but did not pay

over R72 483 562 (2020: R75 475 868) of these amounts deducted to the relevant third parties, as disclosed in note 53. In addition, the municipality owed Eskom R3 964 044 474 (2020: R3 339 427 253) and the water board R4 307 438 655 (2020: R3 683 781 220) as at 30 June 2021, which was long overdue. These events or conditions, along with other matters as set forth in note 49, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

14. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Unauthorised expenditure

15. As disclosed in note 50 to the financial statements, the municipality incurred unauthorised expenditure of R1 274 087 422 (2020: R1 499 069 612) due to overspending of the budget.

Irregular expenditure

16. As disclosed in note 52 to the financial statements, the municipality incurred irregular expenditure of R447 392 722 (2020: R345 951 659) due to non-compliance with supply chain management (SCM) requirements. In addition, the total extent of the irregular expenditure for the year ended 30 June 2021 is still under investigation.

Fruitless and wasteful expenditure

17. As disclosed in note 51 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R105 472 288 (2020: R281 932 415) mainly due to interest and penalties charged for late payments.

Material losses

18. As disclosed in note 34 to the financial statements, material electricity losses of R127 890 866 (2020: R116 350 948) was incurred, which represents 24% (2020: 22%) of total electricity purchased, mainly due to tampering and theft.

19. As disclosed in note 34 to the financial statements, material water losses of R363 540 187 (2020: R497 835 691) was incurred, which represents 56% (2020: 76%) of total water purchased, mainly due to leakages, burst water pipes, line losses, tampering and theft.

Material uncertainty relating to claims against the municipality

20. With reference to note 44 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The

ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

Other matter

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

Unaudited disclosure notes

22. 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.

Responsibilities of the accounting officer for the financial statements

23. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
24. 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

25. 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.
26. 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

Introduction and scope

27. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance areas

(KPAs) presented in the annual performance report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.

28. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance areas presented in the municipality's annual performance report for the year ended 30 June 2021:

KPA	Pages in the annual performance report
KPA 2 – basic services and infrastructure investment	x – x

29. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
30. The material findings on the usefulness and reliability of the performance information of the selected development priorities are as follows:

KPA 2 – basic services and infrastructure investment

Various indicators

31. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

Indicator description	Planned target	Reported achievement
Percentage of manhole covers replaced	100%	100%
Number of investigated and registered water meters	2 000	99
Kilometres cleaning of lined storm canals according to maintenance plan	7,1km	10,059km
Percentage of stolen catch pit and manhole lids repaired or replaced	100%	100%

Various Indicators

32. I was unable to obtain sufficient appropriate audit evidence for the reported achievement and the related measures taken to improve performance as reported in the annual performance report for the indicators listed below. I was unable to confirm the reported achievement and the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and the reported measures taken to improve performance.

Indicator description	Planned target	Reported achievement
Percentage progress on the refurbishment of Kutlwanong Waste Water Treatment Works	30%	23%
Percentage completed refurbishment of Theronia Waste Water Treatment Works	100%	91%
Percentage completed upgrade and refurbishment of Thabong T8 pump station to address new developments	100%	99%
Percentage progress of old galvanised steel pipes replaced	100%	98%
Percentage progress on water meter connection of water meter connections made	20%	0%
Percentage progress on the zonal meters and valves installed	100%	0%
Percentage construction of main storm water system in Nyakallong	100%	0%

33. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the indicators listed below. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. In addition, I was unable to obtain sufficient appropriate audit evidence for the achievement and the related measures taken to improve performance as reported in the annual performance report for the indicators listed below. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below.

Indicator description	Planned target	Reported achievement
Percentage completed upgrade and refurbishment of Kutlwanong outfall sewer	100%	72%
Number of water meters replaced	1000	1463
Kilometers of worn-out water pipelines replaced	5km	0,388km

34. I was unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions for the indicator listed below. This was due to insufficient measurement definitions and processes. As a result, I was also unable to obtain sufficient appropriate audit evidence for the achievement reported in the annual performance report as well as the reasons for the variances between the planned targets and the reported achievements of the listed indicators. I was unable to validate the existence of the systems or to confirm the reasons for the variances and the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below.

Indicator description	Planned target	Reported achievement
Percentage cleaning of unlined storm water canals according to maintenance plan	8km	4,640km
Percentage cleaning of closed storm water canals according to maintenance plan	2km	2,332km

Other matters

35. I draw attention to the matters below.

Achievement of planned targets

36. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 31 to 34 of this report.

Adjustment of material misstatements

37. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 2 – basic services and infrastructure investment. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

38. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

39. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements

40. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets and expenditure identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided, but the uncorrected material resulted in the financial statements receiving a qualified opinion.

Expenditure management

41. Reasonable steps were not taken to prevent irregular expenditure of R447 392 722 disclosed in note 52 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM requirements.
42. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R105 472 288, as disclosed in note 51 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on late payments to suppliers.
43. Reasonable steps were not taken to prevent unauthorised expenditure of R1 274 087 422w as disclosed in note 50 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending the approved budget.

Strategic planning and performance

44. The performance management system and related controls were inadequate as they did not describe how the performance measurement and improvement processes should be organised and managed, as required by municipal planning and performance management regulation 7(1).

Revenue management

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

Asset management

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

Utilisation of conditional grants

47. The municipal infrastructure grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the Dora.

Consequence management

48. Some unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
49. Some irregular expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
50. Some fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Procurement and contract management

51. Sufficient appropriate audit evidence could not be obtained that some contracts and quotations were awarded in accordance with the legislative requirements as bid documents were not submitted for audit.
52. Some goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
53. Some 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.
54. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) Preferential Procurement Policy Framework Act 5 of 2000 and its regulations.
55. Some invitations to tender for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation (PPR) 8(2). Similar non-compliance was also reported in the prior year.
56. Sufficient appropriate audit evidence could not be obtained that some of the commodities designated for local content and production were procured from suppliers who submitted a declaration on local production and content, as required by the 2017 PPR 8(5).
57. Sufficient appropriate audit evidence could not be obtained that commodities designated for local content and production were procured from suppliers who met the prescribed minimum threshold for local production and content, as required by the 2017 PPR 8(5).
58. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM regulation 5.
59. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA.
60. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA.

Other information

61. 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 the KPAs presented in the annual performance report that have been specifically reported in this auditor's report.

- 62. 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.
- 63. 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 KPA presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 64. 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

- 65. 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.
- 66. Leadership did not effectively oversee financial and performance reporting, compliance and related internal controls, as they were slow in responding to the outcome of the previous year's audit. This resulted in previously reported internal control weaknesses not being adequately addressed
- 67. Management did not adequately prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information as material misstatements were identified on the submitted financial statements and the annual performance report.
- 68. Management did not adequately review and monitor compliance with applicable laws and regulations, as instances of material non-compliance with laws and regulations were identified.
- 69. The municipality's governance structures did not adequately discharge their responsibilities. The Internal audit unit was not adequately resourced and functioning.

Material irregularities

70. 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 the material irregularities reported in the previous year's auditor's report.

Material irregularities identified during the audit

71. The material irregularities identified are as follows:

Eskom not paid within 30 days

72. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchase of electricity were paid within 30 days of receiving the relevant invoice or statement, as required by section 65(2)(e) of the MFMA. The late payment resulted in interest of R255 516 913 being incurred for financial year ended 30 June 2019. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay the interest to Eskom.
73. The accounting officer was notified of the material irregularity on 4 May 2020 and was invited to make a written submission on the actions taken and that will be taken to address this matter. The following actions have been taken or is in progress to resolve the material irregularity:
- The outstanding balance due to Eskom is currently subject to legal proceedings between Eskom and the municipality. Therefore an agreement could not yet be reached on a payment plan.
 - The municipal public accounts committee (MPAC) investigated the fruitless and wasteful expenditure relating to the interest incurred and concluded that no person can be held responsible for the loss as it was due to the financial position of the municipality and cash flow constraints. The MPAC investigation report was tabled in council on 29 October 2020.
74. I will follow up on the outcome of the legal proceedings and progress regarding a payment arrangement with Eskom during my next audit.

Late payment of employees taxes

75. The municipality did not pay over money deducted from employees within seven days after the end of the month during which the amounts were deducted or withheld from employees in respect of their liability for normal tax, as required by section 2(1) of the fourth schedule of the Income Tax Act 58 of 1962. The late payment resulted in a material financial loss for the municipality due to interest of R650 640 and penalties of R1 881 783 incurred for the period 1 April 2019 to 30 June 2020.
76. The accounting officer was notified of this material irregularity on 15 April 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The following actions have been taken or is planned to resolve the material irregularity:

- The municipality engaged with the South African Revenue Service (Sars) to offset the VAT refund against the paye liability, resulting in the settlement of the overdue account.
- The investigation of the fruitless and wasteful expenditure relating to the interest and penalties incurred will be performed by the MPAC to determine if any official should be held liable for the loss.

77. I will follow up on the implementation of the investigation and planned actions during my next audit.

Status of previously reported material irregularities

Payment for attenuation dam not constructed at Nyakallong storm water system phase 1

78. A contract of R13 744 408 for the construction of the Nyakallong storm water system was awarded to a contractor on 12 April 2017. Two variation orders amounting to R3 268 705 were approved in 2017 and 2019. During a site visit, it was confirmed that the project was incomplete, the contractor abandoned the project site and the work performed was not of the required quality. Payments, estimated at R7 214 719, were made for an attenuation dam after the consulting engineer certified it had been completed. However, my site visit confirmed that the attenuation dam was not constructed. Section 65(2)(a) of the MFMA was contravened, as an effective system of expenditure control for the approval and payment of funds was not maintained. The overpayments made on the project are likely to result in a material financial loss for the municipality, if not recovered.

79. The accounting officer was notified of the material irregularity on 5 May 2020. The accounting officer could not provide sufficient and appropriate evidence of the actions that had been taken in response to being notified of the material irregularity. I referred the material irregularity to the Directorate for Priority Crime Investigation (DPCI) on 9 June 2021 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the DPCI on 23 June 2021 and the investigation is currently in progress.

Other reports

80. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. 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.

81. There was an ongoing investigation by the South African Police Service (SAPS) into allegations of unauthorised amendments to the supplier banking details on the municipality's accounting system. The investigation covers the specific incident that occurred on 13 May 2016. The outcome was unknown as the investigation was in progress at the date of this auditor's report.

82. There was an ongoing investigation into allegations of forgery of a signature of a municipal official that resulted in a payment being made without a service having been rendered to the

municipality. This investigation is being conducted by the SAPS and covers a specific incident that occurred on 11 November 2015. The outcome was unknown as the investigation was in progress at the date of this auditor's report.

83. There was an ongoing investigation by the DPCI into allegation of payroll fraud as the IP-address of the official was compromised and unauthorised access was obtained, which resulted in alteration of banking details of various employees. The investigation covers the specific incident that occurred on 22 January 2020. The outcome was unknown as the investigation was in progress at the date of this auditor's report.

Bloemfontein

20 December 2021



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. 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 KPA and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. 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 by the accounting officer
 - conclude on the appropriateness of the accounting officer’s 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 Matjhabeng Local 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

3. 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.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and communicate 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.