

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mantsopa 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, 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 this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Mantsopa Local Municipality as at 30 June 2024, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment due to material differences identified on additions to property, plant and equipment between the work-in-progress asset register and the financial statements. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the property, plant and equipment stated at R756 973 758 (2023: R779 249 554) in note 10 to the financial statements.
4. In addition, the municipality did not account for property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment* as some assets could not be physically verified and material differences were identified in the depreciation amounts recorded in the fixed asset register. Consequently, property, plant and equipment were understated by R6 272 646 (2023: R16 682 436) and depreciation and amortisation were understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Payables from exchange transactions

- I was unable to obtain sufficient appropriate audit evidence for trade payables, payments received in advance – debtors with credit balances, salary control accounts, retentions and unknown deposits included in payables from exchange transactions in note 12 to the financial statements, due to the non-submission of information in support of these payables. I was unable to confirm these payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the trade payables stated at R58 451 019 (2023: R52 620 206), payments received in advance – debtors with credit balances stated at R17 740 632 (2023: R20 065 841), salary control accounts stated at R18 753 314, retentions stated R16 131 293 (2023: R13 343 245) and unknown deposits stated at R17 935 545 (2023: R14 474 712) included in payables from exchange transactions stated at in note 12 to the financial statements.

Receivables from exchange transactions

- I was unable to obtain sufficient appropriate audit evidence for the receivables from exchange transactions as the municipality processed adjustments in the general ledger that could not be supported by adequate supporting evidence. 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 the receivables from exchange transactions stated at R205 254 809 (2023: R287 254 127) in note 4 to the financial statements, interest received on outstanding debtors from exchange transactions stated at R74 541 878 (2023: R61 484 468) in note 19 to the financial statements, and debt impairment stated at R227 954 812 in note 29 to the financial statements. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Receivables from non-exchange transactions

- I was unable to obtain sufficient appropriate audit evidence for the receivables from non-exchange transactions as the municipality processed adjustments in the general ledger that could not be supported by adequate supporting evidence. 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 R37 105 327 (2023: R16 285 091) in note 5 and interest received on outstanding debtors from non-exchange transactions stated at R570 265 (2023: R3 448 365), in note 19 to the financial statements, and debt impairment stated at R3 171 487 (2023: R2 670 169) in note 29 to the financial statements. Additionally, there was an impact on the deficit for the year and accumulated surplus.

VAT receivables

- I was unable to obtain sufficient appropriate evidence for VAT receivables due to the status of accounting records and the unsubstantiated material reconciling differences between the financial statements and supporting schedules. I was unable to confirm the VAT receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to VAT receivables, stated at R36 740 227 in note 7 to the financial statements.

Inventories

9. I was unable to obtain sufficient appropriate evidence for inventories due to the status of accounting records. I was unable to confirm the inventories by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to inventories, stated at R4 006 201 in note 2 to the financial statements.

Investment property

10. The municipality did not account for investment properties in accordance with GRAP 16, *Investment property*, as the municipality did not re-assess the useful lives of zero-value assets, even though these assets were still in use. Consequently, investment property was understated by R136 570 734 (2023: R128 572 632) in note 9 to the financial statements and impairment reversal/(losses) in note 35 to the financial statements, were understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.
11. In addition, the municipality did not account for investment property in accordance with GRAP 16, *Investment property*, as the municipality incorrectly classified the land of the community assets (incl. own buildings) as investment properties. Consequently, investment property was overstated by R6 251 156 and property plant and equipment was understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Unspent conditional grants

12. The municipality did not account for unspent conditional grants in accordance with GRAP 1, *Presentation of financial statements*, as the municipality did not record all conditional grants in the grant register. Consequently, unspent conditional grants in note 14 to the financial statements was understated by R4 644 400, and receivables from non-exchange transactions in note 5 to the financial statements being understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Employee benefit obligation

13. I was unable to obtain sufficient appropriate audit evidence for employee benefit obligation (non-current) due to unsubstantiated material reconciling differences between the financial statements and the employee cost payroll schedules. I was unable to confirm the employee benefit obligation (non-current) by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee benefit obligations (non-current) stated at R36 883 000 in note 13 to the financial statements.

Service charges

14. I was unable to obtain sufficient appropriate audit evidence for the service charges due to unsubstantiated material reconciling differences between the financial statements and the billing reports. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R142 358 705 (2023: R144 647 327) in note 17 to the financial statements.

Bulk purchases

15. I was unable to obtain sufficient appropriate audit for the electricity and water distribution losses included in bulk purchases in note 31 to the financial statements as the municipality could not provide adequate supporting evidence to confirm these distribution losses disclosed in the financial statements. I was unable to confirm the electricity and water distribution losses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the electricity distribution losses stated at R57 042 340 (2023: R55 373 637) and water distribution losses stated at R1 344 418 (2023: R2 739 701) included in bulk purchases in note 31 to the financial statements.

Property rates

16. I was unable to obtain sufficient appropriate audit evidence for property rates due to unsubstantiated material reconciling differences between the financial statements and the billing reports. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates stated at R38 058 025 in note 22 to the financial statements.

Employee related cost

17. I was unable to obtain sufficient appropriate supporting evidence for employee related costs due to unsubstantiated material differences between the general ledger and detailed payroll schedules. I was unable to confirm the employee related costs by alternative means. Consequently, I was unable to confirm the employee related costs stated at R122 075 424 in note 25 to the financial statements.

Repairs and maintenance

18. The municipality did not classify repairs and maintenance expenditure in accordance with GRAP 1, *Presentation of financial statements*. This was due to various expenditure transactions being incorrectly classified as repairs and maintenance. Consequently, repairs and maintenance expenditure in note 30 to the financial statements was overstated by R26 505 631 (2023: R8 190 949). I was unable to determine the full extent of the misstatements to the contra accounts, as it was impracticable to do so.

General expenditure

19. During 2023, the municipality did not account for general expenditure in accordance with GRAP 1, *Presentation of financial statements*. This was due to general expenditure being incorrectly classified. Consequently, general expenditure in note 32 was overstated by R9 181 272. Additionally, there was an impact on the deficit for the year and accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements was also modified because of the possible effect of this matter on the comparability of the general expenditure for the current period.

Commitments

20. I was unable to obtain sufficient appropriate audit evidence for commitments, as the municipality did not maintain accurate and complete records of the contractual information used to determine commitments. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments stated at R19 726 811 in note 40 to the financial statements.
21. During 2023, the municipality did not account for commitments in accordance with GRAP 17, *Property, plant and equipment* as the commitments relating to ongoing projects were not included and updated in the commitment register. Consequently, commitments disclosed in note 40 to the financial statements were understated by R19 766 876. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements was also modified because of the possible effect of this matter on the comparability of the commitments for the current period.

Prior-year adjustments

22. I was unable to obtain appropriate audit evidence for the prior period adjustments, as adequate supporting information was not provided. I was unable to confirm the prior-year adjustment disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior year adjustments disclosed in note 46 to the financial statements.

Budget differences

23. The municipality did not correctly disclose the budget differences in accordance with GRAP 24, *Presentation of budget information in financial statements*. This was due to the reasons for all material budget differences not being included in note 51 to the financial statements. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Context for opinion

24. 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.
25. 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.
26. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Irregular expenditure

28. As disclosed in note 45 to the financial statements, the municipality incurred irregular expenditure of R6 453 648 (2023: R5 021 275) due to contravention of the supply chain management (SCM) requirements.

Unauthorised expenditure

29. As disclosed in note 43 to the financial statements, the municipality incurred unauthorised expenditure of R8 187 061 (2023: R35 206 962) due to the grants not being spent for their intended purpose in the prior year.

Fruitless and wasteful expenditure

30. As disclosed in note 44 to the financial statements, fruitless and wasteful expenditure of R28 193 397 (2023: R17 082 738) was incurred due to interest charged on late payments to suppliers.

Contingencies

31. With reference to note 41 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 liability that may result was made in the financial statements.

Close call relating to going concern

32. Note 53 in the financial statements, which deals with the possible effects of the future implications on the municipality's prospects, performance, and cash flows.

Other matter

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

Unaudited disclosure notes

34. In terms of section 125(2)(e) of the MFMA, 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

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

37. 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.
38. 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 annual performance report

39. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
40. I selected the following material performance indicators related to basic 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.
 - Frequency of water quality tests conducted per month
 - Frequency of waste water quality tests conducted per month
 - Number of water services development plans reviewed by 30 June 2024
 - Annually reviewed integrated waste management plan approved by 30 June 2024
 - Frequency of refuse removal collected throughout Mantsopa areas by 30 June 2024
 - Percentage progress made on Manyatseng (Ext 10): Provision of water reticulation for 306 sites by June 2024
 - Percentage of progress made on the construction of phase 3 Ladybrand 3 ML reservoir and pipeline by 30 December 2023
 - Kilometres of roads reshaped by 30 June 2024
 - Storm-water channel cleaned by 30 June 2024

- Percentage of unplanned outages that are restored to supply within industry standard timeframes by 30 June 2024

I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

41. 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

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

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

[Manyatseng \(Ext 10\): provision of water reticulation for 306 sites](#)

44. An achievement of 93% provision of water reticulation was reported against a target of 100% provision of water reticulation. However, some supporting evidence was not provided for auditing or, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining whether the target had been achieved.

Other matters

45. I draw attention to the matters below.

Achievement of planned targets

46. 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.
47. 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 are included in the annual performance report on pages xx to xx.
48. Basic services and infrastructure development

Key service delivery indicator not achieved	Planned target	Reported achievement
Percentage progress made on Manyatseng (Ext 10): Provision of water reticulation for 306 sites by June 2024	100%	93%
Percentage of unplanned outages that are restored within industry standards timeframes by June 2024	100%	78%
Percentage of progress made on the construction of phase 3 Ladybrand 3 ML reservoir and pipeline by 30 December 2023	100%	21,5%
Percentage progress made on Tweespruit/Borwa: Upgrading of sports field (Phase 2) by 30 June 2024	100%	86%
Percentage progress made on Mahlatswetsa: Construction of sports facility by 30 June 2024	100%	87,34%
Number of MIG annual reports prepared to comply with MIG conditions by 30 June 2024	100	34
Kilometres of roads re-gravelled by 30 June 2024	20 km	1,7 km

Material misstatements

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

Introduction and scope

49. 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.
50. 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.
51. 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.
52. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

53. 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, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently not corrected. The uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Utilisation of conditional grants

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

Asset management

55. 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.
56. An effective system of internal control for assets (including an asset register) was not adequately implemented and maintained during the year, as required by section 63(2)(c) of the MFMA.

Procurement and contract management

57. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
58. Some of the goods and services within the prescribed transaction value for competitive bids 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.
59. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act 5 of 2000 and 2017 preferential procurement regulations 11 and 2022 preferential procurement regulation 4(4).
60. The performance of some contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was reported in the prior year.
61. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was reported in the prior year.

Expenditure management

62. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
63. Reasonable steps were not taken to prevent irregular expenditure amounting to R6 453 648 (2023: R5 021 275) as disclosed in note 45 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the SCM requirements.
64. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R28 193 397 (2023: R17 082 738), as disclosed in note 44 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by interest raised by Eskom and other service providers for non-payment.
65. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R8 187 061 (2023: R35 206 962), as disclosed in note 43 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by expenditure that was not in accordance with the requirements of the Dora.

Revenue management

66. An adequate management, accounting and information system that accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.
67. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
68. 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.
69. I was unable to obtain sufficient appropriate audit evidence that accounts for charges for municipal service charges were prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.
70. 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.

Human resource management

71. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act 32 of 2000.

Strategic planning and performance management

72. The performance management system and related controls were not maintained in all instances, as they did not describe how the performance monitoring, measurement, review and reporting processes should be conducted, as required by municipal planning and performance management regulation 7(1).

Other information in the annual report

73. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in key performance areas (KPA) presented in the annual performance report that has been specifically reported on in this auditor's report.
74. My opinion on the financial statements, the report on the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
75. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
76. 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

77. 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.
78. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
79. Ineffective monitoring and supervision by management and internal audit over financial and performance reporting resulted in material misstatements in the financial statements and the annual performance report. The internal controls within the municipality did not improve, as repeat findings were reported in the current year.
80. Slow corrective measures were taken by management and council to address the drivers of material financial and non-compliance with laws and regulations.
81. Management did not prioritise the review and monitoring of compliance with legislation, which resulted in repeat findings. This was due to a lack of consequence management, as officials were not held accountable for non-compliance to laws and regulations

Other reports

82. I draw attention to the following engagement conducted. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
83. During December 2020, the municipal information technology infrastructure was compromised and the supplier statements were altered, resulting in a fraudulent transaction and payment being made to an unknown third party. A case was opened at the South African Police Service and the investigation was ongoing at the date of this report.

Auditor General

Bloemfontein

30 January 2025



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 development priorities 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), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), Sections 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b) Sections 38(a), 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), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Division of Revenue Act 5 of 2023	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)

Legislation	Sections or regulations
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
MSA: Municipal Staff Regulations	Regulations: 7(1), 31