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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Moqhaka Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the 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 Moqhaka Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 05 of 2022 (Dora).

Basis for qualified opinion

Service charges

3. The municipality did not recognise revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions* as some consumers were not billed for service charges during the year. Consequently, service charges disclosed in note 21 to the financial statements were understated by R169 553 924 and receivables from exchange transactions disclosed in note 6 to the financial statements were understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Property, plant and equipment

4. The municipality did not correctly account for the impairment loss on assets in accordance with GRAP 26, *Impairment of cash-generating assets* as the municipality did not assess the physical condition of its infrastructure assets in all instances. Consequently, impairment loss on assets disclosed in note 44 to the financial statements was understated by R49 557 496 and property plant and equipment disclosed in note 12 to the financial statements was overstated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Inventories

5. The municipality did not correctly account for inventories in accordance with iGRAP 18, *Recognition and derecognition of land*, as the municipality incorrectly recognised owner-occupied vacant land not held for re-sale as inventory. Consequently, inventories disclosed in note 4 to the financial statements were overstated by R19 442 549 and property, plant and equipment disclosed in note 12 to the financial statements were understated by the same amount. In addition, the

municipality did not implement adequate systems to record consumable inventory stock on hand in accordance with GRAP 12, *Inventory* as not all inventory stock items could be physically verified. Consequently, inventories were overstated by R23 450 312 and consumables stores included as part of general expenditure disclosed in note 42 to the financial statements were overstated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Provisions

6. The municipality did not correctly classify the rehabilitation of landfill sites and rehabilitation cost of quarries included as part of provisions in note 17 to the financial statements in accordance with GRAP 1, *Presentation of financial statements* as the municipality incorrectly recognised the rehabilitation costs for the landfill sites and a quarry that reached the end of its useful life as a non-current liability. Consequently, the non-current portion of the rehabilitation of landfill sites and the rehabilitation cost of quarries included as part of note 17 to the financial statements was overstated by R68 889 630 and R7 875 223 respectively and the current portion of the rehabilitation of landfill sites and the rehabilitation cost of quarries was understated by the same amounts.

Repairs and maintenance

7. The municipality did not correctly classify repairs and maintenance in accordance with GRAP 1, *Presentation of financial statements* as the municipality incorrectly recorded general expenditure and contracted services as repairs and maintenance. Consequently, repairs and maintenance as disclosed in note 36 to the financial statements was overstated by R20 846 435, general expenditure disclosed in note 42 to the financial statements was understated by R354 719 and contracted services disclosed in note 41 to the financial statements was understated by R20 491 715.

Distribution losses

8. The municipality did not correctly account for the water distribution losses as required by section 125(2)(d)(i) of the MFMA as material differences were identified between the water distribution losses calculations and the consumption billed according to service charges. Consequently, water distribution losses disclosed in note 53 to the financial statements were understated by R36 206 561.

Fruitless and wasteful expenditure

9. The municipality did not include all instances of fruitless and wasteful expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. This was due to payments made on infrastructure projects that could not be verified. Consequently, I was unable to determine the full extent of the understatement of fruitless and wasteful expenditure as stated at R61 001 447 in note 48 to the financial statements, as it was impracticable to do so.

Context for opinion

10. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

11. 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.

12. 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

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

14. Note 55 to the financial statements indicates that the municipality incurred a net loss of R372 523 214 during the year ended 30 June 2023 and, as of that date, the municipality's current liabilities exceeded its current assets by R1 210 622 032. In addition, the payables from exchange transactions for periods longer than 30 days amounted to R1 035 790 696 as at 30 June 2023, which was long overdue. These events or conditions, along with other matters as set forth in note 55, 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

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

Unauthorised expenditure

16. As disclosed in note 49 to the financial statements, unauthorised expenditure of R359 021 522 (2022: R104 156 372) was incurred due to the overspending of the budget.

Irregular expenditure

17. As disclosed in note 47 to the financial statements, the municipality incurred irregular expenditure of R97 477 869 (2022: R120 483 256), due to non-compliance with supply chain management (SCM) requirements.

Material losses

18. As disclosed in note 53 to the financial statements, material electricity distribution losses of R84 159 822 (2022: R75 705 534) were incurred by the municipality, which represents 17,18% (2022: 16,24%) of total electricity purchased, mainly due to line losses, tampering and theft.

Material impairments

19. As disclosed in notes 6 and 7 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R775 800 835 (2022: R656 751 410) and R44 918 166 (2022: R33 016 327) respectively.

20. As disclosed in note 53 to the financial statements, material losses of R138 713 763 was incurred as a result of a write-off of irrecoverable receivables from exchange transactions and receivables from non-exchange transactions

Material uncertainty relating to claims against the municipality

21. With reference to note 58 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing the claims. The ultimate outcome of the matters could not be determined and no provision for any liabilities that may result was made in the financial statements.

Restatement of corresponding figures

22. As disclosed in note 51 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality, and for the year ended, 30 June 2023.

Other matters

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

Unaudited disclosure notes

24. 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.

Reponsibilities of the accounting officer for the financial statements

25. 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.

26. 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

27. 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.

28. 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

29. 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 key performance area (KPA) presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

30. I selected the following KPA presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected the KPA that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

KPA	Page numbers	Purpose
Basic service delivery	XX	To provide and maintain basic services (i.e. water, sanitation, electricity, roads, waste management) to the community of the municipality.

31. I evaluated the reported performance information for the selected KPA 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.

32. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance.

33. The material findings on the usefulness and reliability of the reported performance information for the selected KPA are as follows.

Basic service delivery

Percentage reduction in water losses in the municipal distribution area

34. An achievement of 21% was reported against a target of 30%. However, the audit evidence showed the actual achievement to be 34%. Consequently, the actual achievement against the target was lower than reported.

Other matters

35. I draw attention to the matters below.

Achievement of planned targets

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

Material misstatements

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

Report on compliance with legislation

38. 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.

39. 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.

40. 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.

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

Annual financial statements

42. 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 liabilities, revenue, expenditure, cash flow statement and disclosure items identified by the

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

43. 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.

Expenditure management

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

45. Reasonable steps were not taken to prevent irregular expenditure amounting to R97 477 869 as disclosed in note 47 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM legislation.

46. 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 and penalties levied due to the late payments to suppliers.

47. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R359 021 522, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of the budget.

Procurement and contract management

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

49. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and who met the listing requirements as prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(1)(b).

50. Some of the goods and services of 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).

51. 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. The limitations were identified in the procurement processes for the following key projects:

    - Maokeng/Nyakallong: Upgrading of community and sports facility.

- Maokeng (Constantia): Construction of sewer pipeline Caswell at Caswell Koekoe street.

52. 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. A similar limitation was also reported in the prior year. The limitations were identified in the procurement processes for the following key projects:

    - Maokeng/Nyakallong: Upgrading of community and sports facility.
    - Maokeng (Constantia): Construction of sewer pipeline Caswell at Caswell Koekoe street.

53. 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. A similar limitation was also reported in the prior year. The limitations were identified in the procurement processes for the key projects:

    - Maokeng/Nyakallong: Upgrading of community and sports facility.
    - Maokeng (Constantia): Construction of sewer pipeline Caswell at Caswell Koekoe Street

Consequence management

54. 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.

55. Irregular expenditure 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.

56. 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.

Utilisation of conditional grant

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

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

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

60. 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.

Other information in the annual report

61. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected KPA presented in the annual performance report that have been specifically reported on in this auditor's report.

62. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

63. 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.

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 financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

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

67. Instability in senior management positions, including the position of municipal manager and chief financial officer resulted in management not implementing adequate oversight controls or implementing effective consequence management. As a result, misstatements were not prevented or detected and corrected, which resulted in the modification of the auditors' opinion, the findings reported on performance information and non-compliance with laws and regulations.

68. The leadership's lack of accountability for sound financial management had a negative impact on the municipality's financial sustainability, overspending of the budget, irregular and fruitless and wasteful expenditure not being prevented.

69. Consequence management was not effective as the council did not investigate all instances of unauthorised, irregular and fruitless and wasteful expenditure to determine whether any person was liable for the expenditure.

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 material irregularities as previously reported in the auditor's report.

Material irregularities identified during the audit

71. The material irregularities identified are as follows:

Annual financial statements not submitted for auditing (2022/2023)

72. The annual financial statements for the year ending 30 June 2023 were not submitted to the Auditor-General for auditing within two months after the end of the financial year (31 August 2023), 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 2023 being delayed or not implemented.

73. The accounting officer was notified of this material irregularity on 8 November 2023 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 29 February 2024.

74. Therefore, the material irregularity has been resolved.

State of previously reported material irregularities

Eskom not paid within prescribed period

75. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom or the bulk purchase of electricity were paid within the prescribed period after receiving the relevant invoice or statement, as required by section 65(2)(e) of the MFMA. As a result of the late payment, the municipality incurred interest of R17 815 284 for the financial year ended 30 June 2022. 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.

76. The accounting officer was notified of the material irregularity on 28 November 2022. The accounting officer did not take appropriate action to address the material irregularity. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 30 June 2024 with progress reports every 2 months:

    (a) Appropriate action should be taken to commence with implementation of the financial plan to address the financial problems of the municipality that are preventing it from paying Eskom within 30 days, as required by MFMA section 65(2)(e). The financial plan should include realistic timeframes and milestones to be achieved and include as a minimum strategy to:

- Increase revenue.
- Increase the collection of revenue.
- Efficiently manage the available resources of the municipality by accurate budgeting, budget management and cost cutting; and
- Negotiate a reasonable payment arrangement with Eskom and properly budget for the amounts to be paid.

77. I will follow up on the implementation of the recommendations after the due date.

Pollution of water resource not prevented – Kroonstad wastewater treatment works

78. The Kroonstad wastewater treatment works has not been operating effectively and in need of maintenance and repair work. This resulted in continued spilling and discharge of raw/untreated sewage into the adjacent environment, including the groundwater, Vals River and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resource from occurring, continuing, or recurring, as required by section 28(1) of the National Environmental Management Act 107 of 1998 (NEMA) and section 19(1) of the National Water Act 36 of 1998 (NWA). 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.

79. The accounting officer was notified of the material irregularity on 31 October 2022. The accounting officer did not take appropriate action to resolve the material irregularity. On 27 February 2024 I referred the material irregularity to the Department of Water and Sanitation for investigation as provided for in section 5(1A) of the PAA.

Pollution of water resource not prevented – Viljoenskroon wastewater treatment works

80. The Viljoenskroon wastewater treatment works has not been operating effectively and in need of maintenance and repair work. This resulted in continued spilling and discharge of raw/untreated sewage into the adjacent environment, including the groundwater, Olifantsdrift River and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resource from occurring, continuing, or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. 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.

81. The accounting officer was notified of the material irregularity on 31 October 2022. The accounting officer did not take appropriate action to resolve the material irregularity. On 27 February 2024 I referred the material irregularity to the Department of Water and Sanitation for investigation as provided for in section 5(1A) of the PAA.

Other reports

82. 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.

83. During 2022-23, the Council initiated a forensic investigation into allegations of collusion during the appointment processes of a prepaid electricity vendor and its financial impact between 1 November 2019 and 1 October 2022 that could result in financial losses to the municipality. At the date of this report, the investigation was still in progress and a final report was not available.

84. The directorate for Priority Crime Investigation investigated four cases of fraud and corruption in the municipality. At the date of the report, for one of these cases, a final proclamation was published for the investigation into a physical security services contract at the municipality for the period 1 January 2019 to date, and for the others, the particulars of any investigations were not provided.

85. The directorate for Priority Crime Investigation investigated a case in which one of the accused is now deceased and charges against three other accused were provisionally withdrawn since 1 October 2021. At the date of this report, the investigation into the irregular award of a protection and security service was still in progress.

Auditor-General

Bloemfontein

17 April 2024

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

The selected legislative requirements are as follows:

Legislations	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b)

Legislations	Sections or regulations
	Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a) Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)