

# Report of the auditor-general to the Gauteng Provincial Legislature and the council of the Merafong City Local Municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Merafong City Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, 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 Merafong City Local Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the Standard 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

#### Service Charges

3. The municipality estimated the consumption on service charges for electricity, water, sewer and sanitation charges to bill clients, as a result the consumption utilised to bill customers is inaccurate. I was unable to determine the impact on the service charges amount of R806 519 667. Consequently, I was unable to determine the impact on consumer debtors from exchange stated at R215 908 566, inventory consumed stated at R353 611 336 and note 39, water and electricity losses stated at R150 421 298 and R222 528 280 respectively.

### Context for opinion

4. 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.
5. 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.

6. 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**

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.
8. I draw attention to note 54 to the financial statements, which indicate several conditions exist that might influence the municipality's ability to continue as a going concern. As stated in note 54, these events or conditions, along with the other matters as set forth in the note 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**

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

### **Material debt Impairments on receivables and consumer debtors from exchange and non-exchange**

10. As disclosed in note 10 to the financial statements, the consumer debtors from non-exchange transactions balance have been significantly impaired. The allowance for impairment of consumer debtors from non-exchange transactions is R2 660 176 518 (2022-23: R1 969 053 090) as a result of the irrecoverable monies owed to the municipality from property rates and penalties revenue.
11. As disclosed in note 12 to the financial statements, the receivables from non-exchange transactions balance have been significantly impaired. The allowance for impairment of receivables from non-exchange transactions is R115 002 316 (2022-23: R81 085 936) as a result of the irrecoverable monies owed to the municipality from traffic fines revenue.
12. As disclosed in note 15 to the financial statements, the consumer debtors from exchange transactions balance have been significantly impaired. The allowance for impairment of consumer debtors from exchange transactions is R3 085 002 981(2022-23: R2 594 939 131) as a result of the irrecoverable monies owed to the municipality by consumers.

### **Material Impairment losses**

13. As disclosed in note 36 of the financial statements, material impairment losses of R50 675 566 was incurred as a result of impairments to property, plant and equipment.

### **Material uncertainties relating to contingent liabilities**

14. With reference to note 49 to the financial statements, the municipality is the defendant in various lawsuits. The municipality is opposing the claims, as it believes that the claims are not valid. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

## **Other matter**

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

### **Unaudited disclosure notes**

16. In terms of section 125(2) (e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

## **Responsibilities of the accounting officer for the financial statements**

17. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA 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.

18. 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**

19. 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.

20. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xx - xx, forms part of our auditor's report.

### **Report on the audit of the annual performance report**

21. 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 goal presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

22. I selected the following goal presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a goal that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Goal	Page numbers	Purpose
To provide basic service delivery	XX	To provide basic service delivery, Putting people and their concerns first.

23. I evaluated the reported performance information for the selected goal 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.

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

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

26. The material finding on the reported performance information for the selected goal is as follows:

## To provide basic service delivery

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

Indicator	Target	Reported achievement
Percentage of unaccounted electricity losses	52%	47,72%
Percentage of unaccounted water losses	40%	42,57%

## Other matters

28. I draw attention to the matters below.

### Achievement of planned targets

29. The annual performance report includes information on reported achievements against planned targets and measures taken to improve performance.

30. 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 reasons for any underachievement of targets are included in the annual performance report on pages xx to xx.

### Basic Service Delivery

<i>Targets achieved: 37%</i>		
<i>Budget spent: Not available per goal</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Percentage of households in Nersa-licensed area with access to basic level of electricity services	90%	55,57%
Percentage of street lights maintenance plan implementation	100%	88,61%
Percentage of unaccounted electricity losses	52%	47,72%
Number of illegal connections and by-passing of pre-paid meters corrected	1 400	779
Percentage of households with access to basic level of sanitation	100%	50,05%
Percentage of waste water treatment works maintenance plan implemented	100%	51,25%
Percentage of reported sewer blockages/spillages fixed within 24 hours	100%	89,58%

Percentage of formal households with access to basic solid waste removal	100%	52,61%
Percentage of solid waste recycling	28%	9,51%
Number of extension of services to households without refuse removal services	200	0
Percentage of households with access to basic level of water services	100%	65,70%
Percentage of compliance to water quality standards	100%	99,90%
Percentage of reported burst water pipes repaired within 24 hours	100%	95,83%
Percentage of unaccounted water losses	40%	42,57%
Number of water restriction devices installed to indigents households	70	0
Upgrading & rehabilitation of Wedela Waste Water Treatment Works (WWTW)	100%	0%
Structural rehabilitation of 007 Reservoir	100%	0%
Kokosi Ext 6 sewer & water meters	100%	0%
Foundation stabilisation of Addata reservoir	100%	34%
Replacement of manhole covers in Merafong	100%	0%
Khutsong North water & sewer reticulation (Stage 4)	100%	12,12%
Khutsong North water & sewer reticulation (Stage 3)	100%	41,58%
Khutsong South installation of alternative bulk water supply	100%	0%
Khutsong rehabilitation of sinkholes	100%	71%
2 X 20 MVA Frikkie Substation 44/11 (change control to plover) Ward 12	100%	0%
Merafong solar high-mast lights & solar streetlights Ward	100%	67,40%
Khutsong electricity	100%	20%

### Material misstatements

31. I identified material misstatements in the annual performance report submitted for auditing.

These material misstatements were in the reported performance information for provide basic

service delivery. Management subsequently corrected some of the misstatements, and I reported a material finding in this regard.

## Report on compliance with legislation

32. 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.
33. 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.
34. 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.
35. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial statements

36. 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 property, plant and equipment, investment property, consumer debtors, 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.

### Expenditure management

37. Money owed by the municipality was not always paid within 30 days/an agreed period, as required by section 65(2) (e) of the MFMA.
38. Reasonable steps were not taken to prevent irregular expenditure amounting to R209 249 496 as disclosed in note 58 to the annual financial statements, as required by section 62(1) (d) of the MFMA. The majority of the irregular expenditure was caused by contravention of SCM regulation 19(a).
39. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R144 406 479, as disclosed in note 57 to the annual 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 on overdue accounts.

40. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 030 054 567, as disclosed in note 56 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the approved budget.

### **Procurement and contract management**

41. 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 by SCM Regulation 17(1) (a) and (c). Similar non-compliance was also reported in the prior year.
42. Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
43. 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).
44. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year.
45. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43. Similar non-compliance was also reported in the prior year.
46. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services as required by section 2(1) (a) of the Preferential Procurement Policy Framework Act.
47. Some of the contracts were awarded to bidders based on preference points that were not calculated in accordance with the requirements of section 2(1) (a) of the Preferential Procurement Policy Framework Act and its regulations.
48. Some of the contracts 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 and 2017 Preferential Procurement Regulations 11 and/or 2022 Preferential Procurement Regulation 4(4) and 5(4).
49. 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. Similar limitation was also reported in the prior year.
50. 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.

## Revenue management

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

## Consequence management

52. Irregular and fruitless and wasteful 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.

## Other information in the annual report

53. 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 goals presented in the annual performance report that have been specifically reported on in this auditor's report.
54. 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.
55. 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 goal presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
56. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and 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

57. 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.
58. 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.
59. The accounting officer and senior management did not adequately implement action plans designed to prevent recurring non-compliance with laws and regulation, findings on financial and performance management. Furthermore, consequence management for deviating from

policies and procedures relating to compliance with laws and regulations were not implemented.

60. The accounting officer and senior management did not ensure there was adequate review processes for the financial statement and performance report submitted for audit to ensure the information submitted is of the right quality, is accurate and complete.

### **Material irregularities**

61. 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**

62. The material irregularities identified are as follows:

#### **Pollution of water resource not prevented at Welverdiend Waste Water Treatment Works**

63. The municipality did not take reasonable measures at the Welverdiend waste water treatment works (WWTW) to prevent pollution and degradation of the environment and water resources 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 Welverdiend waste water treatment works has not been functional for a number of years due to neglected maintenance that has led to the discharge of inadequately treated effluent into the Wonderfonteinspruit and environment adjacent to the wastewater works.
64. This has resulted in continued spilling and discharge of raw and untreated sewerage into Wonderfonteinspruit and environment adjacent to the wastewater works. The Wonderfonteinspruit and its extended water course flows through farms and water is used for agricultural purposes by nearby farmers along the extended water network. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.
65. The accounting officer was notified of the material irregularity on 11 July 2024 and invited to make a written submission on the actions taken and to be taken to address the matter.
66. The accounting officer has taken the following actions to address the material irregularity:
- Appointed a security company to safeguard assets of the Welverdiend WWTW in April 2023 for a period of three years.
  - Appointed a consulting firm in April 2024 to provide consulting services relating to the refurbishment of the Welverdiend WWTW.
  - Submitted a business plan for additional funding to refurbish the WWWT to the Department of Water and Sanitation in August 2024.

- While awaiting feedback on the funding business plan submitted, the accounting officer appointed a contractor in October 2024 for the upgrading and rehabilitation of the WWTW.

67. I will follow up on the progress on the implementation of these actions during my next audit.

#### Full and proper records not kept

68. Reasonable steps were not taken in the 2021-22 and 2022-23 financial year to ensure that full and proper records were kept as required by section 62(1) (b) of the MFMA. The non-compliance contributed to a repeat disclaimed audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to the material uncertainty regarding its ability to continue operations. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

69. The accounting officer was notified of the material irregularity on 31 January 2024 and invited to make a written submission on the actions taken and to be taken to address the matter.

70. The actions taken by the accounting officer to resolve the material irregularity were as follows:

- Appointment a service provider in December 2023 for a period of five years to assist the municipality with financial systems services.
- A chief financial officer was appointed in December 2023 to stabilise the finance unit and ensure implementation of daily and monthly controls relating to financial transactions and financial reporting.
- An updated organisation structure approved by council in November 2023 allowed the accounting officer to appoint a deputy chief financial officer and manager financial reporting in April 2024 to assist with implementation of daily and monthly controls relating to financial transactions and financial reporting.
- Appointed a legal firm in February 2024 to conduct an investigation into circumstances that led to repeat disclaimer of opinions issued in the 2021-22 and 2022-23 financial years.
- As per the outcome of the investigation finalised in August 2024, written warning letters were issued to eleven employees in October 2024 found responsible for repeat disclaimer of opinions issued in the 2021-22 and 2022-23 financial years.
- To enhance a culture of accountability, the accounting officer committed to include records management as a key performance indicator in performance agreements of all executive managers with effect from 2024-25 financial year.
- An updated records management policy that clearly outlines roles and responsibilities of each official of the municipality will be tabled at a council for approval before end of January 2025.
- Records and document management will be included in the performance agreements of all employees as a key performance indicator with effect from 2025-26 financial year.

71. The material irregularity is resolved.

## **Status of previously reported material irregularities**

### **Pollution of water resource and degrading of the environment not prevented at Khutsong waste water treatment works**

72. The municipality did not take reasonable measures at the Khutsong wastewater treatment works to prevent pollution and degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. The Khutsong wastewater treatment works has not been functional since 2016 due to neglected maintenance that has led to the discharge of inadequately treated effluent into the Padda River and blockage of the inlet pipe which has resulted in pipe burst and rapid formation of sink holes within the Khutsong area.
73. This has resulted in continued spilling and discharge of raw and untreated sewerage into the Padda River and environment adjacent to the wastewater works. The Padda river and its extended water course flows through the town of Khutsong North and Khutsong South and is used for consumption, farming and agricultural purposes by the communities of the town and the farmers along the extended water network. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.
74. The accounting officer was notified of the material irregularity on 23 May 2023.
75. The accounting officer has taken the following actions to address the material irregularity:
- Appointed a security company to safeguard assets of the Khutsong WWTW in April 2023 for a period of three years.
  - Appointed a project consultant for the rehabilitation of sinkholes in the Khutsong area in September 2023 and a final design report was finalised in February 2024.
  - Had committed to finalise the service level agreement with the contractor in September 2023 to enable resumption of repairs and maintenance of the WWTW, however due to lack of funding, the process could not be finalised.
  - Submitted the project business plan for funding to the Department of Water and Sanitation in October 2023. The Department of Water and Sanitation allocated R29 000 000 in June 2024 for the refurbishment of the Khutsong WWTW in the 2024-25 financial year.
  - A consultant appointed in April 2024 to finalise an assessment that will inform the extent of work required for the rehabilitation of the WWTW in September 2024.
  - A contractor was appointed in October 2024 for the upgrading and rehabilitation of the WWTW.
76. I will follow up on the progress on the implementation of these actions during my next audit.

### **Failure to review work performed by consultants**

77. Officials of the municipality did not take all reasonable steps within their area of responsibility to ensure that the system of financial management and internal control established for the municipality carried out diligently when reviewing the work performed by consultants between April 2022 and September 2022, as required by section 78(1)(a) of the MFMA.

78. Failure to review work performed by consultants resulted in payments amounting to R1 032 340 made for work not done, which, if not recovered, is likely to result in a material financial loss. The financial loss is disclosed in note 53 of the financial statements for the period ended 30 June 2022.
79. The accounting officer was notified of the material irregularity on 17 April 2023 and due to change in accounting officer, the notification was re-issued on 18 May 2023.
80. The actions taken by the accounting officer to address the material irregularity were as follows:
- Terminated the agreement with the service provider in February 2023.
  - After expiry of the previous service provider's contract relating to the management of the financial system, appointed a new service provider in December 2023.
  - Established a contract management system and allocated personnel in the supply chain management unit to evaluate and monitor the work of appointed consultants to prevent a re-occurrence.
  - Financial statements for 2022-23 financial year were prepared by officials of the municipality.
  - Withheld payment to the consultants amounting to R66 895,30 in September 2022.
  - Appointed a chief financial officer in December 2023 to stabilise the finance unit and ensure implementation of daily and monthly controls relating to financial transactions and financial reporting.
  - An updated organisation structure approved by council in November 2023 allowed the accounting officer to appoint a deputy chief financial officer and manager financial reporting in April 2024 to assist with implementation of daily and monthly controls relating to financial transactions and financial reporting.
  - Had committed to appoint a service provider in October 2023 to enable finalisation of the investigation into the matter before end of December 2023, however, due to financial constraints, a service provider was only appointed in January 2024.
  - Based on the recommendation of the investigation completed in April 2024, council approved the write off of R965 444,70 as irrecoverable in June 2024 based on the cost versus benefit analysis performed and warning letters were issued to employees found responsible for payments made for work not done.
81. The material irregularity is resolved.

*Auditor-General*

Johannesburg

30 November 2024



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure to the auditor's report**

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

### **Auditor-general's responsibility for the audit**

#### **Professional judgement and professional scepticism**

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected key performance are and on the municipality's compliance with selected requirements in key legislation.

#### **Financial statements**

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## **Communication with those charged with governance**

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 – paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 – definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
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)

Legislation	Sections or regulations
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)

