Report of the auditor-general to the Gauteng Provincial Legislature and the council on the City of Johannesburg Metropolitan Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the City of Johannesburg Metropolitan Municipality set out on pages xx to xx, which comprise the appropriation statement, 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 information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the City of Johannesburg Metropolitan 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 Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 56 of 2008 (MFMA) and the Division of Revenue Act, 5 of 2022 (Dora).

Basis for opinion

3. 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.

4. 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.

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

Key audit matters

6. I have determined that there are no key audit matters to communicate in this auditor's report.

Emphasis of matters

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

Contingencies – litigations/claims

8. With reference to note 45 to the financial statements, the municipality is the defendant in various claims and lawsuits. 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.

Material losses/ impairments - debtors

9. As disclosed in note 10 of the financial statements, material losses of R11 805 603 000 (2021-22: 11 014 744 000) was incurred as a result of a write-off of irrecoverable trade debtors.

10. As disclosed in note 59 of the financial statements, material losses of R2 645 376 821 000 (2021-22: R2 554 894 000)was incurred as a result of a write-off of irrecoverable traffic fines debtors.

Material impairments - property, plant and equipment

11. As disclosed in note 14 to the financial statements, material impairments of R1 394 752 000 (2022: R31 774 000) was incurred as a result of delayed projects.

Restatement of corresponding figures

12. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2023.

Other matter

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

Unaudited disclosure notes

14. 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

15. 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.

16. 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

17. 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.

18. 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

19. 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 strategic priorities presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Strategic Priorities	Page numbers	Purpose
Energy Mix	xx	Develop a comprehensive plan to transition the city to a more diverse and sustainable energy mix, including increased investment in renewable energy sources and energy efficiency initiatives.
Sustainable Service Delivery	xx	Focus on delivering high- quality and reliable services to all residents, with a particular emphasis on historically underserved areas, and work to reduce waste and improve efficiency.
Infrastructure Development and Refurbishment	xx	Prioritize key infrastructure projects, such as road repairs, water and sanitation upgrades, and public transportation improvements, and work to ensure that all projects are completed on time and within budget.
Job Opportunity & Creation	xx	Develop a plan to create new jobs, particularly in sectors such as green energy, technology, and infrastructure,

Strategic Priorities	Page numbers	Purpose
		and ensure that all job creation efforts are equitable and inclusive.
Sustained Economic Growth	xx	Work to attract new businesses and investment to the city, particularly in sectors such as green energy, technology, and infrastructure, and prioritize policies that promote inclusive economic growth.
Green Economy	xx	Develop a plan to promote the growth of the green economy, including increased investment in green manufacturing and job creation, renewable energy, energy efficiency initiatives, and sustainable agriculture and food security.

21. I evaluated the reported performance information for the selected strategic priorities 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.

22. 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 for the measures taken to improve performance

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

24. The material findings on the reported performance information for the selected strategic priorities are as follows:

Sustainable service delivery, Energy mix and Infrastructure development & refurbishment

Various indicators

25. Based on audit evidence, some supporting evidence provided differed materially from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.

Indicator	Target	Reported Achievement
Percentage of all 312 informal settlements provided with Integrated waste management services	100%	100%
Improved cleanliness levels city-wide	Level 2	Level 2

Job opportunity and creation, Sustained economic growth and Green economy

Indicator: Number of Participants enrolled in technical, and artisan related skills

26. An achievement of 526 was reported against a target of 200. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the target was not achieved.

Indicator: Rand value of investment and business facilitated

27. An achievement of R11.36 billion was reported against a target of R35 billion. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

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 provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

30. The municipality plays a key role in delivering services to South Africans. 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.

Sustainable service delivery, Energy mix, Infrastructure development & refurbishment

Targets achieved: 67%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Number of additional households provided access to basic water at minimum LoS1 in informal Settlements	1 479	1 453
Percentage of Total water losses	21%	33,4%
Percentage total electricity losses	21%	29,66%
Kilometres of open storm water drains converted to underground systems	2.7km	0.17km
Number of informal settlements provided with permanent infrastructure in line with Phase 3 of UISP	10	3
Number of In-situ serviced sites	1 400	970
Number of title deeds issued to the beneficiaries	3 000	1 588

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 Sustainable service delivery, Energy mix, Infrastructure development & refurbishment, Job opportunity and creation, Sustained economic growth and Green economy strategic priorities. Management did not correct all of the misstatements and I reported material findings 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 fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of appropriation statement, cash flow statement, property, plant and equipment, trade and other payables, depreciation, related parties and deviation from supply chain management regulations and financial instruments identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

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

38. Reasonable steps were not taken to prevent irregular expenditure amounting to R821 657 000 as disclosed in note 48 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by the non-compliance with Regulation 36.

39. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R8 489 000, as disclosed in note 47 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 charged by suppliers.

40. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R2 065 265 000, 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 overspending on key votes.

Procurement and contract management

41. 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). Similar non-compliance was also reported in the prior year.

42. Some of the performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

43. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention

of MFMA 112(1)(j) and SCM Regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM Regulation 38(1).

44. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e).

Consequence management

45. 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.

46. 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.

47. 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.

Other information in the annual report

48. 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 strategic priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

49. 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.

50. 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 strategic priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

51. 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

52. 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.

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

54. The accounting officer did not adequately exercise oversight responsibility, by holding senior management accountable for implementation of preventative controls relating to the financial and performance management as well as the compliance with laws and regulations.

55. Senior management did not adequately implement action plans designed to prevent the recurring instances of non-compliance. Consequence management relating to deviating from policies and procedures relating to compliance with laws and regulations were not implemented adequately, consistently and effectively.

Material irregularities

56. 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

57. The material irregularities identified are as follows:

Procurement of software licenses not utilised

58. The municipality entered into an agreement for the software licences in July 2019; however, some software licences have not been used. Further, the municipality continues to incur maintenance costs on unused software licences. The result is non-compliance with section 62(1)(a) of the MFMA.

59. The non-compliance is likely to result in a material financial loss the extent of which is still to be quantified by the accounting officer.

60. The accounting officer was notified of the material irregularity on 30 November 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter.

61. The accounting officer has taken the following actions to address the material irregularity:

- The accounting officer withheld the processing of payments of outstanding invoices to the service provider from June 2022 of R43, 7 million pending negotiations and verification of unused software licenses.

- The contract renewal process has been put on hold pending finalisation of ongoing engagements with the service provider to determine renewal requirements which will prevent a re-occurrence.

- The accounting officer has discussed and agreed with the service provider to provide credits for software not being used and to terminate their future use.
- The accounting officer has initiated engagements with the service provider to provide options to repurpose, terminate or convert licenses into credits that can be re-used by the municipality and the process is expected to be finalised by June 2023.

62. I will follow up on the implementation of the planned actions during my next audit.

Payment for specialised fire and rescue vehicles including equipment for emergency management services that were not delivered

63. The municipality paid for specialised fire and rescue vehicles including equipment for emergency management services in November 2019 that were not delivered resulting in non – compliance with section 78(1)(a) of the MFMA

64. The non-compliance is likely to result in a material financial loss of R62, 5 million if not recovered.

65. The accounting officer was notified of the material irregularity on 18 April 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter.

66. The accounting officer has taken the following actions to address the material irregularity:

- The implicated official was suspended in November 2019 with full pay while the investigation was on going. Investigation was finalised in September 2020, thereafter the disciplinary process was initiated.

- In May 2021 sanctions were imposed against the implicated official

- The accounting officer established an inspection team that will inspect and confirm delivery of vehicles procured before payments are made. The inspection team consists of employees from various departments within the municipality.

- The accounting officer has lodged a claim in July 2023 against the service provider to recover the remaining value of the eight vehicles that were not delivered noting that 12 of the 20 vehicles were subsequently delivered by the service provider.

- The accounting officer is following up on the claim that has been lodged with the liquidators of the service provider as the company is being liquidated,

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

Expanded social packages register not updated for deceased beneficiaries

68. The municipality did not update the expanded social packages register for citizens who receive subsidised basic services for beneficiaries who passed away between 2006 and 2022 resulting in non – compliance with section 64(2) (b) of the MFMA

69. The non-compliance is likely to result in a material financial loss the extent of which is still to be quantified by the Accounting Officer.

70. The accounting officer was notified of the material irregularity on 22 May 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter.

71. The accounting officer has taken the following actions to address the material irregularity:

- The Accounting Officer appointed a service provider in November 2022 to provide data sourcing and profiling services for a period of three years as and when required.
- In January 2023, the Accounting Officer procured the data sourcing and profiling services giving access to the database at the Department of Home Affairs.
- The Accounting Officer performs monthly checks of the details in the expanded social packages register against the data sourcing and profiling services to confirm if the status of beneficiaries has changed.
- The current data sourcing and profiling services allow for cross checks with the national population register which assists in identifying deceased individuals before granting of the expanded social package benefits.
- The Accounting Officer will finalise the overall assessment of the expanded social packages register in August 2023.

72. I will follow up on the implementation of the planned actions during my next audit

Investment into a prohibited bank

73. During 2018-19 financial year, the municipality invested with a branch of a foreign bank which does not meet the definition of a bank in terms of the Banks Act which resulting in non-compliance with the municipal investment regulation 6.

74. The non-compliance is likely to result in a material financial loss of R1,8 million if not recovered.

75. The accounting officer was notified of the material irregularity on 23 May 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter.

76. The accounting officer has taken the following actions to address the material irregularity:

- While the Accounting Officer is finalising the appointment of a permanent group treasury compliance submissions officer submissions officer responsible for amongst other functions, compliance reviews, two officials within the municipality have been delegated the responsibility of handling the group treasury compliance submissions with effect from June 2023.

- The Accounting Officer initiated the recruitment process in July 2023 to fill the position of group treasury compliance submissions and it is anticipated that the position will be filled by January 2024.

- Engagements with the affected branch of a foreign bank are on-ongoing and upon finalisation of these, full investments will be withdrawn.

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

Investment into a prohibited bank

78. During 2018-19 financial year, the municipality invested with a branch of a foreign bank which does not meet the definition of a bank in terms of the Banks Act which resulting in non-compliance with the municipal investment regulation 6.

79. The non-compliance is likely to result in a material financial loss of R1,1 million if not recovered.

80. The accounting officer was notified of the material irregularity on 23 May 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter.

81. The accounting officer has taken the following actions to address the material irregularity:

    - While the Accounting Officer is finalising the appointment of a permanent group treasury compliance submissions officer submissions officer responsible for amongst other functions, compliance reviews, two officials within the municipality have been delegated the responsibility of handling the group treasury compliance submissions with effect from June 2023.

    - The accounting officer initiated the recruitment process in July 2023 to fill the position of group treasury compliance submissions and it is anticipated that the position will be filled by January 2024.

    - Engagements with the affected branch of a foreign bank are on-ongoing and upon finalisation of these, full investments will be withdrawn.

82. I will follow up on the implementation of the planned actions during my next audit.

Status of previously reported material irregularities

Payments made for airtime and data loaded on sim cards but not utilised

83. The municipality entered a contract with the service provide on 31 January 2019 for airtime and data. The sim cards were delivered in April 2019. The municipality did not utilize airtime and data loaded on sim cards between April 2019 and August 2019. This resulted in non-compliance with section 62(1) (a) of MFMA.

84. The non-compliance is likely to result in a material financial loss of R6 428 186 if not recovered. The amount is disclosed in note 44 as a comparative to the 2021-22 annual financial statements.

85. The accounting officer was notified of the material irregularity on 05 August 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter.

86. The accounting officer has taken the following actions to address the material irregularity:

- To prevent the re-occurrence, the Accounting Officer established a contract management committee in January 2022 to monitor all contracts within the municipality to ensure that all goods and services received by the municipality are utilised. Furthermore, a monthly checklist for contract management has been implemented with effect from August 2022.
- Accounting Officer instituted an investigation in September 2022 to determine officials responsible, which was expected to be finalised in December 2022. However, because new information was discovered during the investigation, the investigation was finalised in June 2023.
- The accounting officer plans to take disciplinary actions against implicated officials based on the outcome of the investigation.

87. I will follow up on the implementation of the planned actions during my next audit.

Construction of a fire station at Protea Glen Extension 13 without prior authorization

88. The municipality commenced construction of a fire station at Protea extension 13 in 2012-13 financial year without obtaining authorisation from the Gauteng Department of Agriculture and Rural Development. Due to its failure to obtain the authorisation, the municipality failed to comply with section 24(F) (1) of the National Environmental Management Act which resulted in a penalty being imposed by Gauteng Department of Agriculture and Rural Development.

89. The non-compliance is likely to result in a material financial loss of R2 500 000 if not recovered. The amount is disclosed note 44 as a comparative to the 2021-22 annual financial statements.

90. The accounting officer was notified of the material irregularity on 15 December 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter.

91. The accounting officer has taken the following actions to address the material irregularity:

- The accounting officer instituted a disciplinary process against the implicated official which commenced in May 2022 and, based on the outcome of the disciplinary process performed, the official was recommended for dismissal and dismissed in July 2022.
- The Emergency Management Services department was capacitated with two more employees during the 2021-22 financial year to prevent a re-occurrence.
- The accounting officer appointed a law firm in December 2022 to review the service level agreement between the municipality and the service provider who was responsible for the construction of the fire station to determine if the service provider can be held accountable for failing to carry out their responsibilities and to perform a cost-benefit analysis to establish if it is viable to recover the financial loss suffered.
- A letter of demand was issued to the service provider in June 2023 to pay the R2 500 000 within15 business working days

92. I will follow up on the implementation of the planned actions during my next audit.

Failure to correctly deduct and withhold employee tax on gratuity payments

93. The South African Revenue Service (SARS) conducted a payroll taxes audit for the City of Johannesburg core department during 2018-19. Findings emanating from the SARS audit referenced an underpayment of employee's tax for final gratuities, leave and bonus payments on terminations to the value of R9 183 080 for the periods 2014 to 2017 due to the municipality incorrectly treating it as severance benefit payments. The municipality was found to have contravened section 2(1) of the fourth schedule to the Income Tax Act no. 58 of 1962 (Income Tax Act) and the underpayment resulted in SARS penalties and interest charged amounting to R6 303 048.

94. The non-compliance is likely to result in a material financial loss of R15 486 128, 45 if not recovered. The amount is disclosed note 44 as a comparative to the 2021-22 annual financial statements.

95. The accounting officer was notified of the material irregularity on 18 March 2021

96. The actions taken to resolve the MI were as follows:

- Accounting Officer instituted an internal investigation in 2020-21 to determine the responsible officials – the investigation was finalised in September 2021.

- Based on the outcome of the investigation, caution letters were issued to the identified officials in March 2022.

- To prevent a re-occurrence, manual application of tax directives were discontinued during 2021-22 and the payroll unit was capacitated with competent individuals from June 2022.

- Training was provided by SARS to the officials within the payroll unit in February 2022.

- The accounting officer initiated the process to recover overpayments made to the 12 employees who are still in the employ of the municipality, and the last payment recovery is scheduled for April 2027 based on the amounts owed by employees still in the employ of the municipality and debt acknowledgements signed. The Accounting Officer has recovered R0,06 million as at June 2023.

97. All actions to resolve the MI have been taken.

AUDITOR - GENERAL

Johannesburg

30 November 2023

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 strategic priorities and on the '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.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
MFMA	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), 32(6)(a), Sections 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), Sections 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), Sections 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), Sections 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), Sections 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
SCM Regulations	Regulations 5, 44, 46(2)(e), 46(2)(f), 12(1)(c), 16(a), 17(a)& (c), 17(a) & 17(b), 13(c), 43, 19(a) &(b), 36(1)(a), 12(3), 27(2)(a)&(e), 22(1)(b) & 22(2), 28(1)(a)(i), 21(b), 29(1) (a) & (b), 29(5)(a)(ii) & (b)(i), SCM reg. 13(c), 43, 38(1) (c.), 38(1)(d)(ii) & (g)(iii), 38(1)(e.), 38(1)(g)(i), 38(1)(g)(ii), 32
Municipal budget and reporting regulation	Regulations 71(1), 71(2), 72
Municipal investment regulations, 2005	Regulations 6, 7, 12(2), 12(3)
DoRA	Sections 16(1), 11(6)(b), 12(5), 16(3)
NEMWA	Section 20(b)
Environmental Conservation Act (ECA)	Section 20(1)
National Water Act (NWA)	Section 22(1)(b)
MSA	Sections 56(a), 57(6)(a), 66(1)(a), 67(1)(d), 57(2)(a), 74(1), 96(b), 29(1)(b)(ii), 26(h), MSA 42, MSA 25(1), 25(1), 26(a), 26(c), 26(i), 41(1)(a), 43(2), 41(1)(b), 93B(a), 93B(b), 34(a) and 41(1)(c)(ii), 34(b), 38(a), 3(4)(b) and 15(1)(a)(ii), 3(5)(a), 3(6)(a), 3(3) MSA schedule 1: Code of conduct for councillors section 5(2), 7(1) & (2);

Legislation	Sections or regulations
	MSA schedule 2: Code of conduct for municipal staff members section 5(1) and 5A(1) & (2)." "SCM reg. 46(2)(e); MSA schedule 1: Code of conduct for councillors section 5(2), 7(1) & (2); MSA schedule 2: Code of conduct for municipal staff members section 5(1) and 5A(1) & (2)."
Municipal performance regulations for municipal managers and managers directly accountable to municipal managers	Regulations 2(3)(a), 4(4)(b), 8(3)
Regulations on appointment and conditions of employment of senior managers	Regulations 17(2), 36(1)(a), 2(1)(e), 2(3)(a)
Municipal Property Rates Act	Section 3(1)
Municipal planning and performance management regulations	Regulations 15(1)(a)(i), 9(1)(a), 10(a), 12(1), 8, 7(1)
Financial misconduct regulations	Regulations 5(2), 5(3), 5(4), 6(8)(b), 10(1), 5(6), 8(4)
PRECCA	Section 34(1)
Disciplinary regulations for senior managers	Regulations 8(4) 5(6), 5(2), 5(3), 5(4)
PPR 2017	Regulations 8(5), 8(2), 9(1), 5(6), 5(7), 5(1) & 5(3), 6(8), 7(8), 10(1)&(2) & 11(1), 6(1) and 7(1)
PPR 2022	Regulations 4(1) and 5(1), 4(4) & 5(4)
PPPFA	Sections 2(1)(a), 2(1)(a), 2(1)(f)