Report of the auditor-general to Limpopo Provincial Legislature and the council of Mogalakwena Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mogalakwena Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with 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, **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 Mogalakwena Local Municipality as at 30 June 2021, 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 of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa (Act No. 04 of 2020) (DoRA).

Basis for qualified opinion

Property,plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for property, plant and equipment for an amount of R208 179 403 (2020: R 208 179 403) I was unable to confirm the restatement by alternative means. There is also a resultant impact on the surplus and accumulated surplus.

4. Included in the property, plant and equipment of R5 052 524 333 is an amount of R24 396 421 for prior year completed projects not accurately adjusted. Consequently, property, plant work in progress is overstated by R24 396 421. There is also a resultant impact on the surplus and accumulated surplus.

5. The municipality did not assign unique identifying codes for infrastructure assets nor did it unbundle assets in the asset register . As a result, I was unable to obtain sufficient appropriate audit evidence relating to the existence and completeness of community, electrical,land and building and water assets. Consequently, I was unable to determine whether any further adjustments were necessary to property, plant and equipment stated at R5 052 524 333 (2020: 5 052 269 448) in note 4 to the financial statements. I was unable to verify these by alternative means.

6. The municipality did not have adequate systems in place to maintain records of property, plant and equipment in accordance with GRAP 17, Property, plant and equipment. I identified land as well as water network assets belonging to the municipality that was not included in the underlying accounting records and financial statements. Consequently, property plant and equipment stated at R5 052 524 333 (2020: 5 052 269 448) in the financial statements is understated.

7. I was unable to obtain sufficient appropriate audit evidence for journals processed against property, plant and equipment amounting to R174 357 111 as the municipality did not provide the underlying supporting documents. I could not confirm these journals by alternative means. Consequently, I was unable to determine whether any adjustment to property, plant and equipment stated at R5 052 524 333 in the financial statements was necessary.

8. The municipality did not adequately assess impairment of property, plant and equipment in accordance with GRAP 21 and GRAP 26, *Impairment of non-cash-generating assets* and *Impairment of cash generating assets* respectively. Consequently, property plant and equipment stated at R5 052 524 333 (2020: 5 052 269 448) in the financial statements is understated.

9. Property, plant and equipment was materially misstated by R 56 419 450 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Movable asset stated at R 374 647 389 was overstated by R12 650 450.
- PPE erroneously expensed by R12 433 966
- Work in progress opening balance understated by R12 174 303
- Movable asset understated by R5 852 234
- Work in progress prior year work paid but not received for R13 308 477

10. During 2020, the municipality did not recognize certain infrastructure assets in accordance with GRAP 17, Property, plant and equipment. Certain infrastructure assets were understated by R22 754 584 and repairs and maintainance overstated by R27 041 851. My audit opinion for the period ended 30 June 2020 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures. There is also a resultant impact on the accumulated surplus.

11. During 2020 I was unable to obtain sufficient appropriate audit evidence for the disposal of property, plant and equipment amounting to R209 680 954 as the municipality did not provide the underlying supporting documents. I could not confirm these balance by alternative means My audit opinion for the period ended 30 June 2020 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures. There is also a resultant impact on the non distributable reserve.

Investment Property

12. During 2020, I was unable to obtain sufficient appropriate audit evidence that the municipality accounted for investment property due to the status of the accounting records. My audit opinion for the period ended 30 June 2020 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures. There is a resultant impact on the surplus and accumulated surplus.

Impairment provision

13. During 2020 financial year the municipality did not assess debtors individually to correctly determine the impairment provision as required by GRAP 104, Financial Instruments. I was unable to determine what the impairment charge against receivables should have been if GRAP 104 was applied correctly in the previous year 2020, as it was impractical to do so. My audit opinion for the period ended 30 June 2020 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures. This has a consequencial impact on receivable.

14. I have identified differences of R 19 500 133 between the provision of impairment as per the annual financial statement and provision of impairment as per my re-computations based on the variables in the current year impairment methodology. Consequently, provision of impairment stated at R 1 090 126 964 is overstated by R 19 500 133 and the receivable started at R 75 621 501 is understated by R 19 500 133. This has a consequencial impact on receivable.

Payables from exchange transactions

15. During 2020, I was unable to obtain sufficient appropriate audit evidence for the reconciling item amounting to R117 687 025 with debit balance reducing Payable for exchange transactions as the municipality did not provide the underlying supporting documents. In the year under I could confirm an amount of R 97 391 457 I could therefore not confirm the balance of R 20 295 477 by alternative means. My audit opinion for the period ended 30 June 2020 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Consumer deposits

16. During 2020, I was unable to obtain sufficient appropriate audit evidence for consumer deposit amounting to R23 976 869 as the municipality did not provide the underlying supporting documents. My audit opinion for the period ended 30 June 2020 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Revenue from exchange transactions

17. The municipality did not recognise all amounts that meets the definition of a revenue in accordance with GRAP 1, Presentation of financial statements. The municipality did not account for revenue relating to service charge amounting to R34 835 495 (2020:R58 689 738). Consequently, Revenue from exchange transaction is understated by the same amounts.

Revenue from exchange and non-exchange transactions

18. Total revenue from was materially misstated by R25 047 853 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Government grant and subsidies stated at R 767 077 615 was understated by R 8 621 776
- Property rates stated at R81 764 812 was understated by R2 637 571
- Licenses and permits stated at R 10 684 735 was understated R724 389
- Sale of Goods,Rendering of Services,Rental income,Service charges: Water(Prepaid) and Other income stated at R 4 715 970 was understated by R393 641

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm total revenue by alternative means:

- Licenses and permits of R 10 684 735 as included in the disclosed balance of R10 684 735
- Revenue Journals of R 1 985 741

Consequently, I was unable to determine whether any further adjustment was necessary to total revenue.

Expenditure

19. During 2020 I was unable to obtain sufficient appropriate audit evidence for contracted services,bulk purchases, repairs and maintenance as the municipality did not provide the underlying supporting documentation. I was unable to confirm contracted services,bulk purchases, repairs and maintenance by alternative means. My audit opinion for the period ended 30 June 2020 was modified accordingly. My opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

20. During 2020 The municipality did not have adequate systems in place to ensure that expenditure is accounted for in the correct period in accordance with GRAP 1, Presentation of financial statements. Expenditure amounting to R29 168 428 relating to the 2018-19 and 2019-20 financial years which were incorrectly accounted for in the 2020 financial period. My audit opinion for the period ended 30 June 2020 was modified accordingly. My opinion on the current period's financial statements is also modified

because of the possible effect of this matter on the comparability of the current period's figures.

21. Included in the general expenses of R91 991 553 is an amount of R23 796 154 for goods not received.

Prior period error note

22. I have identified material differences of R 272 271 205 between prior year adjustment disclosed for property, plant and equipment of R95 783 375 as per note 46 to the financial statements and the amount of R368 054 580 per the underlying records. Consequently, prior year adjustment disclosed for property, plant and equipment in note 46 is understated by R272 271 205

Cash flow Statement

23. The municipality did not prepare its cash flow statement in terms of GRAP 2, Cash flow statement, as amounts disclosed in the cash flow statements could not be reconciled to the underlying records. The financial statements were misstated due to the material misstatements in the net cash flow from operating activities with R123 068 904.

Context for the opinion

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

Emphasis of matters

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

Restatement of corresponding figures

28. As disclosed in note 47 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2021.

An uncertainty relating to the future outcome of exceptional litigation or regulartory action

29. With reference to note 44 to the financial statements, the municipality is the defendant in a land-claim lawsuit. The municipality is opposing the claim, as it believes that the claim is fraudulent. 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.

Material losses – electricity

30. As disclosed in note 34 to the financial statements, material electricity losses of R215 157 083 (2019-2020: R203 849 194) was incurred, which represents 25% (2019-2020: 22%) of total electricity purchased. Non-technical losses amounted to R53 730 592 (2019-2020: R42 965 669) and were due to ageing infrastructure and illegal connections.

Material losses – water

31. As disclosed in note 34 to the financial statements, material water losses of R38 024 968 (2019-2020: R22 028 076) was incurred, which represents 19% (2019-2020: 29%) of total water purchased. Non-technical losses amounted to R3 524 492 (2019-2020: R2 958 086) and were due to water pipe leaks, burst pipes, estimated billing caused by non-functioning water meters.

Other matter paragraphs

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

Unaudited supplementary schedules

32. In terms of section(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

33. 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 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.
34. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

35. 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.

36. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

37. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

38. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

39. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the municipality's annual performance report for the year ended 30 June 2020:

Development priorities]3	Pages in the annual performance report
KPA 2 – Basic service delivery and infrastructure development	x – x

40. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators

and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

41. The material findings on the usefulness and reliability of the performance information of the selected development priority are as follows:

Key Performance Area (KPA) 2 – Basic service delivery and infrastructure development

Various indicators

42. I was unable to obtain sufficient appropriate audit evidence for the measures taken to improve performance as reported in the annual performance report for the indicators listed below. Limitations were placed on the scope of my work as no supporting evidence could be provided. I was unable to confirm the the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements and the reported measures taken to improve performance.

Indicator description	Planned target	Reported achievement
14. Length of km of roads regravelled	450km	0
15. Area of road square meters patched	4000m^2	3381,61m^2

Reported achievement did not agree with the evidence provided, i.e. not accurate

Percentage of water loss

43. The achievement of 19% water losses was reported against target 25% in the annual performance report. However, some supporting evidence provided materially differed 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.

Various indicators

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

Indicator description	Reported achievement
5. . Number of fire inspections conducted	73

8. Number of water meter audit conducted by 30 June 2021	250
13. Length of km of roads bladed	286,4km
15. . Area of road square meters patched	3381,61m^2
16. Number of cubic meter of storm water drainage maintained	751m^3
18. Number of electricity meter audit conducted	606

Other matters

45. I draw attention to the matters below.

Achievement of planned targets

46. Refer to the annual performance report on pages xxx to xx for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs xxx to xxx of this report.

Adjustment of material misstatements

47. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 2: Basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Financial statements, performance information and annual reports

50. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets/ current assets/ liabilities/ revenue/ expenditure/ disclosure items

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

Procurement and contract management

51. Sufficient appropriate audit evidence could not be obtained for contract management, deviations and quotations were awarded in accordance with the legislative requirements as information requested were not made available.

52. 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 by SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

53. Some of the tenders which achieved the minimum qualifying score for functionality criteria were not evaluated further in accordance with 2017 Preferential Procurement Regulation 5(7).

54. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).

55. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 Preferential Procurement Regulation 8(5).

56. 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 met the listing requirements as precsribed by the SCM policy, in contravention of SCM Regulations 16(b) and 17(1)(b).

57. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are 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.

58. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are 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.

59. 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.

60. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA.

61. 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.

Expenditure management

62. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred / accounted for creditors / accounted for payments made, as required by section 65(2)(b) of the MFMA.

63. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R583 819 945, as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA

64. Reasonable steps were not taken to prevent irregular expenditure amounting to R154 526 159 as disclosed in note 52 to the annual financial statements, as required by section 62(1)(d) of the MFMA.

65. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R3 589 209, as disclosed in note 51 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Consequence management

66. Some of the 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.

67. Some of the 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 / municipal budget and reporting regulations 75(1).

68. Some of the 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 / municipal budget and reporting regulations 75(1).

Strategic planning and performance management

69. The performance management system and related controls were not maintained as it did not describe how the performance monitoring, review, reporting and improvement processes should be conducted and managed as required by municipal planning and performance management regulation 7(1).

Revenue management

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

71. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 97(h) of the MFMA.

72. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 97(h) of the MFMA.

Asset management

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

74. An effective system of internal control for assets was not in place as required by section 63(2)(c) of the MFMA.

Other information

75. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected development priority presented in the annual performance report that have been specifically reported in this auditor's report.

76. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

77. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priority presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

78. 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 require 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

79. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Summary

80. Management did not prepare regular accurate and complete financial and performance reports that are supported and evidenced by reliable supporting documents.

81. The municipality developed an action plan to address internal and external audit findings, however the action plan did not ensure that root causes that resulted in material findings are resolved

82. The municipality did not review and monitor compliance with legislation. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Material irregularities

83. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

Material irregularities identified during the audit

84. The material irregularities identified are as follows:

Payment for work not done

85. The accounting officer was notified of the material irregularity on 14 December 2019 and the following actions were taken to resolve the material irregularity:

- The accounting officer instituted a preliminary investigation into the matter on 12 February 2020. The preliminary investigation revealed that two officials were directly involved. The municipality issued letters of suspensions in May 2020 for the duration of the investigation.

- In light of the seriousness of the matter the accounting officer appointed a service provider to conduct a formal investigation The investigation into the matter was conducted over a period of three months from June to August 2020. The investigation confirmed that a financial loss had indeed occurred and confirmed the identified officials as responsible. The investigation recommended that the officials be charged with act of misconduct.

- A disciplinary hearing was planned in March for the one official but there was a delay that was caused by the resignation of the accounting officer in March 2021. One official s disciplinary action was held on the 18th May 2021 whilst the other official took early retirement in January 2021. As the officials are no longer in the employment of the municipality the disciplinary proceedings were withdrawn. Attorneys were appointed on the 15 February 2021 for the recoveries of the money from the supplier. There is intention to recover the monies from the retired employee if unable to recoup it from the supplier.

- Court summons were issued the 08 November in the high court Polokwane were the municipality is lodging a claim of recovery and is informing the supplier and the resigned employees to file an intention to defend within 10 days and and a further 20 days to plea a notice of a strike out with or without a counter offer.The summons were delivered to the officials on the 1st and 2nd of February 2022 and no proof was furnished that the summon was furnished to the supplier at the date of this report.

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

Auditor - General

Polokwane

11 February 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

Financial statements

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

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

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

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