

Report of the auditor-general to Limpopo Provincial Legislature and the council on Modimolle-Mookgophong Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Modimolle-Mookgophong 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 statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Modimolle-Mookgophong Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (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, 2020 (Act No 4 of 2020) (DoRA).

Basis for qualified opinion

Payables from exchange transactions

3. The municipality did not reconcile and allocate unallocated deposits of R14 834 816 to the correct financial statement items. In addition, I was unable to obtain sufficient appropriate audit evidence that trade payables and unallocated deposits had been properly accounted for, due to the status of the accounting records, non-submission of information, inadequate controls in reconciling deposits and differences between the underlying records and financial statement items. I was unable to confirm these payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade payables and unallocated deposits stated at R821 129 393 and R97 002 312 (2020: R692 117 891 and R95 511 732), respectively, in note 15 to the financial statements. Since the payables from exchange balance is included in the determination of net cash flows from operating activities reported in the cash flow statement, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R79 695 638 (2020: R47 437 198) in the financial statements.
4. The municipality did not recognise all outstanding tax control transactions meeting the definition of a liability in accordance with GRAP 1, *Presentation of financial statements*. Consequently, tax control and employee related cost were understated by R23 688 023 in the financial statements.

Cash and cash equivalents

5. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents, due to an inadequate reconciliation, the poor status of the accounting records and non-submission of information in support of the cash and cash equivalents. I was unable to confirm the cash and cash equivalents balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalents stated at R12 410 977 (2020: R37 316 801) in note 9 to the financial statements. Since the cash and cash equivalents balance is included in the determination of net cash flows from operating activities reported in the cash flow statement, I was unable to determine whether any adjustments were necessary in cash flows from operating activities stated at R79 695 638 (2020: R47 437 198) in the financial statements.

Property, plant and equipment

6. The municipality's underlying accounting records did not facilitate easy identification and location of items of property, plant and equipment. As a result, items of land amounting to R391 357 294 could not be physically verified. Consequently, I was unable to determine whether any adjustment was necessary to land stated at R466 252 084 in the financial statements.
7. I identified a significant number of items of land and infrastructure belonging to the municipality that were not included in the underlying accounting records. Land and infrastructure were understated by R16 282 235 (2020: R215 933 322 – land) and R141 060 499, respectively, and accumulated surplus were overstated by R157 342 734 (2020: R215 933 322), in the financial statements.
8. During 2020, I was unable to obtain sufficient appropriate audit evidence to confirm transfers from work-in-progress to completed infrastructure amounting to R22 447 867, and to confirm this by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to infrastructure stated at R635 857 483 in the financial statements. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the transfers for the current period.
9. During 2020, I was unable to obtain sufficient appropriate audit evidence to substantiate impairment (loss/reversal) and to confirm this by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to impairment stated at R7 988 168 in the financial statements. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the impairment for the current period.

Service charges

10. The municipality did not record all revenue transactions, as internal controls was not established to confirm that all revenue was levied. Consequently, service charges and receivables from exchange transactions were understated by R15 024 467 (2020: R235 604 206). Additionally, there was an impact on the surplus for the period.

Property rates and fines, penalties and forfeits

11. The municipality applied the incorrect property values in the calculation of property rates, as internal controls was not established to confirm rates were levied against correct property valuations. Consequently, property rates and receivables from non-exchange transactions were overstated by R9 285 692. Additionally, all traffic fines were not recognised at year-end. Consequently, fines and receivables from non-exchange transactions were understated by R8 789 059. There was an impact on the surplus for the period.

Receivables from non-exchange transactions

12. The municipality did not calculate the provision for impairment of traffic fines in accordance with GRAP 104, *Financial instruments*. The municipality did not develop a policy for the management and reporting of traffic fines to consider impairment. Consequently, the allowance for impairment included in the receivables from non-exchange is understated by R170 343 350 in note 5 to the financial statements.

Receivables from exchange transactions

13. The municipality did provide an indigent subsidy to non-qualifying indigents. Consequently, receivables from exchange is understated by R13 623 235, service charges is understated by R4 177 112 and accumulated surplus is understated by R9 446 122 in the financial statements. There was an impact on the surplus for the period.

Irregular expenditure

14. The municipality did not include all irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. This was due to expenditure transactions made in contravention of the supply chain management requirements, which resulted in irregular expenditure of R10 520 997 (2020: R35 513 061).

Contingencies

15. I was unable to obtain sufficient appropriate audit evidence for contingenc, due to non-submission of information in support of contingencies. I was unable to confirm the contingencies by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contingencies stated at R135 420 353 in the financial statements.

Debt impairment

16. During 2020, I was unable to obtain sufficient appropriate audit evidence that debt impairment was properly accounted for and to confirm by alternative means. Consequently, I was unable

to determine whether any adjustment was necessary to debt impairment stated at R16 667 371 in the financial statements. My opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of debt impairment for the current period.

Context for the opinion

17. 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.
18. 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.
19. 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/ financial sustainability

20. I draw attention to the matter below. My opinion is not modified in respect of this matter.
21. I draw attention to the statement of financial position to the financial statements, which indicates that as 30 June 2021 the municipality's current liabilities exceeded its current assets by R239 585 653. This event or condition, along with other matters as set forth in Note 49, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Other matter

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

Unaudited disclosure notes

23. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA 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

24. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and DoRA, and for such internal control as the accounting officer determines is necessary to enable

the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

25. 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

26. 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.
27. 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

28. 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 key performance area presented in the annual performance report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.
29. I was engaged to evaluate 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 key performance area presented in the municipality's annual performance report for the year ended 30 June 2021:

Key performance area	Pages in the annual performance report
Basic service delivery	x – x

30. 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.

31. The material findings on the usefulness and reliability of the performance information of the selected key performance area are as follows:

Basic service delivery

Various indicators

32. The reported achievement for the indicators listed below was not consistent with the planned indicator and target.

Planned indicator	Planned target	Reported achievement
Percentage of households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (water)	100% households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (water) by end of June 2021	Target not achieved, only 89% qualified
Percentage of households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (sanitation)	100% households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (sanitation) by end of June 2021	Target not achieved, only 57% qualified
Percentage completion refurbishment of Mabatlane WwTw (phase 2)	100% construction completed by June 2021	Target not achieved, however the project is at a practical completion on stage
Percentage completion refurbishment of Roedtan/Thusang WwTw	100% construction completed by June 2021	Target achieved
Percentage completion refurbishment of the Nyl sewer pump station	100% construction completed by June 2021	Target not achieved
Percentage completion refurbishment of Extension 6 sewer pump station (Modimolle)	100% construction completed by June 2021	Target achieved
Percentage completion rehabilitation of the Frikkie Geyser Dam Phase	100% construction completed by June 2021	Target achieved
Percentage augmentation of existing water supply Roedtan	100% completed augmentation of existing water supply Roedtan by end of June 2021	Target not achieved

Planned indicator	Planned target	Reported achievement
Percentage augmentation of existing water supply Modimolle	100% completed augmentation of existing water supply Modimolle by end of June 2021	Target not achieved
Percentage augmentation of existing water supply Mookgopong	100% completed augmentation of existing water supply Mookgopong by end of June 2021	Target not achieved
Percentage augmentation of existing water supply Vaalwater	100% completed augmentation of existing water supply Vaalwater by end of June 2021	Target not achieved
Upgrading of Joe Slovo sewer outfall	Complete Joe Slovo outfall by end of June 2021	Target not achieved
Upgrading of main sewer outfall in Mookgopong ext 6	Complete main sewer outfall in Mookgopong Ext 6 by end of June 2021	Target not achieved
Upgrading of the alma main sewer outfall ward 2	Complete alma main sewer outfall ward 2 by end of June 2021	Target not achieved

Various indicators

33. The source information and method of calculation for achieving the planned indicators below was not clearly defined. In addition, the planned target for those indicators was not specific in clearly identifying the nature and required level of performance.

Planned indicator	Planned target
Percentage of households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (water)	100% households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (water) by end of June 2021
Percentage of households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (sanitation)	100% households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (sanitation) by end of June 2021

Various indicators

34. The evidence for achieving the planned indicators below was not clearly defined. In addition, the planned target for those indicators was not specific in clearly identifying the nature and required level of performance and measurable.

Planned indicator	Planned target
Upgrading of Joe Slovo sewer outfall	Complete Joe Slovo outfall by end of June 2021
Upgrading of main sewer outfall in Mookgopong ext 6	Complete main sewer outfall in Mookgopong Ext 6 by end of June 2021
Upgrading of the alma main sewer outfall ward 2	Complete alma main sewer outfall ward 2 by end of June 2021

Various indicators

35. Measures taken to improve performance against targets were not reported in the annual performance report for the below indicators.

Planned indicator	Planned target	Reported achievement
Percentage of households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (water)	100% households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (water) by end of June 2021	Target not achieved, only 89% qualified
Percentage of households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (sanitation)	100% households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (sanitation) by end of June 2021	Target not achieved, only 57% qualified
Target not achieved, at 96%, project at a practical completion Percentage completion refurbishment of Modimolle WwTw (Phase 2)	100% construction completed by June 2021	Target not achieved, at 96%, project at a practical completion

Various indicators

36. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against the targets in the annual performance report for the below indicators. This was due to limitations placed on the scope of my work. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine

whether any adjustments were required to the reported measures taken to improve performance.

Planned indicator	Planned target	Reported achievement
Percentage completion refurbishment of Mookgopong WwTw (Phase 2)	100% construction completed by June 2021	Target not achieved, at 85% completed
Percentage completion refurbishment of Mabatlane WwTw (phase 2)	100% construction completed by June 2021	Target not achieved, however the project is at a practical completion on stage
Percentage completion upgrading of main sewer outfall Jay Naidoo (Phase 2)	100% construction completed by June 2021	Target not achieved, 70% completed
Percentage completion refurbishment of the Nyl sewer pump station	100% construction completed by June 2021	Target not achieved
Percentage completion refurbishment of Mabaleng WwTw	100% construction completed by June 2021	Target not achieved, 20% physical progress
Percentage completion upgrading of the Industrial sewer outfall in Modimolle	100% construction completed by June 2021	Target not achieved, 92%
Percentage augmentation of existing water supply Roedtan	100% completed augmentation of existing water supply Roedtan by end of June 2021	Target not achieved
Percentage augmentation of existing water supply Modimolle	100% completed augmentation of existing water supply Modimolle by end of June 2021	Target not achieved
Percentage augmentation of existing water supply Mookgopong	100% completed augmentation of existing water supply Mookgopong by end of June 2021	Target not achieved
Percentage augmentation of existing water supply Vaalwater	100% completed augmentation of existing water supply Vaalwater by end of June 2021	Target not achieved
Upgrading of Joe Slovo sewer outfall	Complete Joe Slovo outfall by end of June 2021	Target not achieved
Upgrading of main sewer outfall in Mookgopong ext 6	Complete main sewer outfall in Mookgopong Ext 6 by end of June 2021	Target not achieved

Planned indicator	Planned target	Reported achievement
Upgrading of the alma main sewer outfall ward 2	Complete alma main sewer outfall ward 2 by end of June 2021	Target not achieved

Various indicators

37. The achievements reported in the annual performance report for the listed indicators did not agree to the supporting evidence provided.

Indicator description	Planned target	Reported achievement	Audited value
Percentage completion refurbishment of Mookgopong WWTw (Phase 2)	100% construction completed by June 2021	Target not achieved, at 85% completed	87% completed
Percentage completion upgrading of the Industrial sewer outfall in Modimolle	100% construction completed by June 2021	Target not achieved, 92%	90%

Various indicators

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

Indicator description	Planned target	Reported achievement
Percentage of households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (water)	100% households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (water) by end of June 2021	Target not achieved, only 89% qualified
Percentage completion refurbishment of Modimolle WWTw (Phase 2)	100% construction completed by June 2021	Target not achieved, at 96%, project at a practical completion

Various indicators

39. I was unable to obtain sufficient appropriate audit evidence for the achievement in the annual performance report for the indicators listed below. Limitations were placed on the scope of my

work as the actual level of achievement for the year was not quantified. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.

Indicator description	Planned target	Reported achievement
Percentage completion refurbishment of Mabatlane WwTw (phase 2)	100% construction completed by June 2021	Target not achieved, however the project is at a practical completion on stage
Percentage completion refurbishment of Roedtan/Thusang WwTw	100% construction completed by June 2021	Target achieved
Percentage completion refurbishment of the Nyl sewer pump station	100% construction completed by June 2021	Target not achieved
Percentage completion refurbishment of Extension 6 sewer pump station (Modimolle)	100% construction completed by June 2021	Target achieved
Percentage completion rehabilitation of the Frikkie Geyser Dam Phase	100% construction completed by June 2021	Target achieved
Percentage augmentation of existing water supply Roedtan	100% completed augmentation of existing water supply Roedtan by end of June 2021	Target not achieved
Percentage augmentation of existing water supply Modimolle	100% completed augmentation of existing water supply Modimolle by end of June 2021	Target not achieved
Percentage augmentation of existing water supply Mookgopong	100% completed augmentation of existing water supply Mookgopong by end of June 2021	Target not achieved
Percentage augmentation of existing water supply Vaalwater	100% completed augmentation of existing water supply Vaalwater by end of June 2021	Target not achieved
Upgrading of Joe Slovo sewer outfall	Complete Joe Slovo outfall by end of June 2021	Target not achieved
Upgrading of main sewer outfall in Mookgopong ext 6	Complete main sewer outfall in Mookgopong Ext 6 by end of June 2021	Target not achieved

Indicator description	Planned target	Reported achievement
Upgrading of the alma main sewer outfall ward 2	Complete alma main sewer outfall ward 2 by end of June 2021	Target not achieved

Various indicators

40. The achievements below were reported in the annual performance report for the listed indicators. 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 confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements.

Indicator description	Reported achievement
Percentage of households with access to free basic services to all qualifying people in the municipal's area of jurisdiction (sanitation)	Target not achieved, only 57% qualified
Percentage completion upgrading of main sewer outfall Jay Naidoo (Phase 2)	Target not achieved, 70% completed

Other matter

41. I draw attention to the matter below.

Achievement of planned targets

42. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs Xx to Xx of this report.

Report on the audit of compliance with legislation

Introduction and scope

43. 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.

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

Annual financial statements

45. 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.

A material misstatement of expenditure 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.

Procurement and contract management

46. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.

Expenditure management

47. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by the non-compliance in terms of the supply chain management regulations.

48. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R131 631 710, as disclosed in note 51 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by an inadequate budget process.

Revenue management

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

Asset management

50. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Strategic planning and performance management

51. A performance management system was not adopted, as required by municipal planning and performance management regulation 8.

Other information

52. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected key performance area presented in the annual performance report that have been specifically reported in this auditor's report.
53. 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.
54. 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 key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
55. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

56. 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.
52. There is still a slow response from senior management to improve the internal controls, prepare and submit credible financial statements and performance report.
53. The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall processes of reporting on predetermined objectives.
54. Leadership did not establish a proper information technology governance framework that supports and enables the entity to improve performance. In addition, the information technology systems were not reliable to ensure availability, accuracy and protection of information.
55. Though an improvement was visible in providing appropriate audit evidence, instances of inadequate record keeping was still present in financial and performance reporting.

56. Controls over daily and monthly processing, following up and reconciling of transactions were not implemented. Control accounts are not reconciled and monthly bank reconciliations not performed.
57. The municipality did not have a dedicated and skilled asset manager. Filling key positions and providing training on the salary and financial system was not prioritised.
58. Risks were not sufficiently mitigated to address challenges at the municipality as evidenced by audit matters identified during the prior year's audit process.

Auditor-General.

Polokwane

13 December 2021



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 key performance area 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 accounting officer
 - 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 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

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.