# 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

### Adverse 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 2023, statement of financial performance, statement of changes in net assets, cash flow statement, statement of comparison of budget and actual and appropriation statement amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the Modimolle-Mookgophong Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (DoRA).

### Basis for adverse opinion

#### Property, plant and equipment

3. The municipality did not have adequate systems in place to maintain records of Land in accordance with GRAP 17, *Property, plant and equipment*. I identified items of Land belonging to the municipality that were not included in the underlying accounting records and financial statements. I was also unable to obtain sufficient appropriate audit evidence for the amounts disclosed as additions to property plant and equipment due to the status of accounting records. I could not confirm the additions by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to property, plant and equipment stated at R459 287 721 (2022: R459 287 721) in note 12 to the financial statements.

4. 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 and infrastructure assets could not be physically verified. I could not confirm land and infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to land and infrastructure assets stated at R459 287 721 (2022: R459 287 721) and R645 477 350 (2022: R611 532 463) respectively in note 12 to the financial statements.

5. Assets completed and ready for use were incorrectly classified as work in progress contrary to the requirements of GRAP 17, *Property, plant and equipment* resulting in work in progress

disclosed in note 12 to the financial statements being overstated by R27 358 740(2022: R118 473 866) and infrastructure and community assets disclosed in note 12 to the financial statements being understated by R27 358 740. I was unable to quantify the misstatement of the depreciation amount as the municipality did not determine useful lives for these completed assets.

6. The municipality did not have adequate systems to assess and evaluate the condition of property, plant and equipment items for impairment in accordance with GRAP 26, *Impairment of cash generating assets.* Consequently, property, plant and equipment was overstated by R24 788 725 (2022: R43 740 673) and impairment understated by the same amount. There was a resultant impact on the surplus for the period and on the accumulated surplus.

### Cash and cash equivalents

7. I was unable to obtain sufficient appropriate audit evidence that cash and cash equivalents for the current year had been properly accounted for, due to the status of accounting records. I was unable to confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to cash and cash equivalents stated at R36 900 042 (2022: R23 027 473) in the financial statements.

### Other statutory receivables - Traffic fines

8. The provision for impairment of debtors was not calculated in accordance with the standards of GRAP 104, *Financial Instruments* as the municipality did not consider the gross balance of statutory receivables to calculate the debt impairment provision. Consequently, the provision for impairment included in other statutory receivables was understated by R379 360 072, the carrying amount of other statutory receivables was understated by an amount of R21 564 842 and the unauthorised expenditure was understated by an amount of R105 517 586 in notes 5 and 52 to the financial statements.

### Payables from exchange transactions

9. The municipality did not correctly account for the trade payables, accrued leave pay and unallocated deposits in accordance to GRAP 104, *financial instruments* as I have identified the differences between the underlying records and the source documentations. Consequently, trade payables and accrued leave pay were understated by R9 330 158 and R8 654 971 respectively and unallocated deposits was overstated by R10 760 258 in note 16 to the financial statements.

### Provisions

10. A change in accounting estimate was adjusted for retrospectively and was incorrectly accounted for as a prior period error contrary to GRAP 3, *Accounting Policies, Changes in Accounting Estimates and Errors.* Consequently, the corresponding figure for Provisions in note 20 to the financial statements was understated by R15 226 871.

### Revenue from exchange transactions

11. I was unable to obtain sufficient appropriate audit evidence for service charges revenue included in revenue from exchange transactions due to a lack of proper record keeping on

electricity billing. I could not confirm whether all the electricity billing had been recorded by alternative means. In addition, the municipality could not reconcile the billing reports to the financial statements wherein service charges revenue was understated by R11 583 756. I was unable to confirm these services charges by alternative means. Consequently, I was unable to determine whether any further adjustments to service charges revenue stated at R336 839 846 in note 22 to the financial statements were necessary. There was a resultant impact on the surplus for the period and the accumulated surplus.

12. During 2022, the municipality did not recognise all revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions,* as the municipality did not bill for all services rendered to consumers. I identified the differences between the annual financial statements and billing reports. Consequently, the corresponding figure of service charges revenue disclosed in note 22 to the financial statements was understated by R17 559 089, while the prior year surplus and accumulated surplus were understated with the same amount and receivables from exchange transactions was understated by the same amounts.

    Furthermore, the municipality did not have adequate systems to maintain records for service charges as they incorrectly classified non-indigents consumers as indigents. I was unable to determine to full extent of the understatement in service charges, as it was impracticable to do so. There was also a resultant impact on surplus for the period.

    My audit opinion on the financial statements for the period ended 30 June 2022 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 revenue from exchange transactions for the current period.

### Revenue from non-exchange transactions

13. The municipality applied incorrect tariff rates in the calculation of property rates, as internal controls were not established to ensure that the correct categorisations of properties are correctly loaded on the system to ensure correct application of tariff rates for billing to consumers. Consequently, revenue from property rates and receivables from non-exchange transactions were overstated by R11 055 365. There was a resultant impact on the surplus for the period and the accumulated surplus.

14. Traffic fines that met the definition of revenue in accordance with GRAP 23, *Revenue from non-exchange transactions,* were not fully recognised as revenue was not measured at the fair value of the consideration received or receivable, as required by the standard. Consequently, revenue from traffic fines was understated by R123 862 933 and other statutory receivables was understated by the same amount. There was a resultant impact on the surplus for the period and the accumulated surplus.

15. During 2022, revenue from non-exchange transactions was materially misstated by R12 407 659 due to the cumulative effect of individually immaterial uncorrected misstatements in the following item:

    - Property rates stated at R117 631 989 was overstated by R7 322 510.

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm revenue from non-exchange by alternative means:

- Fines, penalties and forfeits of R5 085 149 as included in the disclosed balance of R173 818 176.

Consequently, I was unable to determine whether any further adjustment was necessary to revenue from non-exchange.

My audit opinion on the financial statements for the period ended 30 June 2022 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 revenue from non-exchange transactions for the current period.

### Expenditure

16. The municipality did not correctly account for depreciation in accordance to GRAP 17, *Property, Plant and Equipment,* as I have identified the differences on the useful lives of assets between the assets register and the source documentations. Consequently, property, plant and equipment was overstated by R13 882 928 and depreciation understated by the same amount. There was a resultant impact on the surplus for the period and on the accumulated surplus.

17. During 2022, I was unable to obtain sufficient appropriate audit evidence for general expenses and bulk purchases and to confirm the expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to general expenses and bulk purchase stated at R64 307 685 and R222 305 636 in annual financial statements. In addition, total expenditure was materially misstated by R9 116 983 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

    - Finance cost stated at R19 251 801 was overstated by R5 599 000
    - Depreciation and amortisation stated at R38 527 490 was overstated by R3 517 983

    My audit opinion on the financial statements for the period ended 30 June 2022 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 expenditure.

### Irregular expenditure

18. Not all irregular expenditure incurred in the current financial year was disclosed in note 53 to the financial statements, as required by section 125(2)(d) of the MFMA. Expenditure was incurred in contravention of the supply chain management requirements, resulting in irregular expenditure. I was unable to determine the full extent of the irregular expenditure that occurred during the current and prior year as it was impracticable to do so.

    During 2022, 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 being understated by R11 611 997.

My audit opinion on the financial statements for the period ended 30 June 2022 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 irregular expenditure for the current period under review.

### Contingent liabilities

19. During 2022, the municipality did not record all contingencies in accordance with GRAP 19- Provisions, contingent liabilities and continent assets, as internal controls were not established to confirm that all contingencies were disclosed.

    My audit opinion on the financial statements for the period ended 30 June 2022 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 contingent liabilities for the current period under review.

### Commitments

20. During 2022, the municipality did not record all commitments in accordance with GRAP 1- Presentation of financial statements, as internal controls were not established to confirm that all commitments were disclosed. Consequently, commitments were understated by R45 045 977. My audit opinion on the financial statements for the period ended 30 June 2022 was modified accordingly. My opinion on the current year financial statements was also modified because of the effect of this matter on the comparability of the commitment for the current period.

### Cash flow

21. The municipality did not correctly prepare and disclose the net cash flows from operating activities as required Standards of GRAP 2, *Cash flow statements.* This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R101 743 246 (2022: R60 386 650) in the financial statements were necessary.

### Prior period errors

22. Not all prior period errors were disclosed in note 49 to the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors.* The nature and the amount of the correction for some financial statement items are affected, and the amount of the correction at the beginning of the earliest previous period was not disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence for those prior period errors disclosed in note 49 to the financial statements, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in the financial statements.

### Segment reporting

23. Not all amounts of each segment item reported where a measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. The amounts allocated to reported segment deficit, assets and liabilities were not allocated on a reasonable basis as required by GRAP 18, *Segment reporting*. Consequently, I was unable to determine whether any adjustments to Segment Reporting in note 59 to the financial statements were necessary.

### Unauthorised expenditure

24. The presentation of unauthorised expenditure categories and the analysis thereof were not recognised in accordance with GRAP 1, *Presentation of financial statements*. I identified differences between the unauthorised expenditure categories and the analysis of categories in note 52 to the financial statements. Consequently, I was unable to determine whether any further adjustments were necessary to the unauthorised expenditure.

## Context for the opinion

25. 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.

26. 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.

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

## Material uncertainty relating to going concern

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

### Material uncertainty relating to going concern/financial sustainability

29. The statement of financial position to the financial statements, indicates that as 30 June 2023 the municipality's current liabilities exceeded its current assets by R699 720 597. This event or condition, along with other matters as set forth in note 50, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

## Emphasis of matters

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

### Material losses/Impairment

31. As disclosed in note 56 to the financial statements, material electricity losses of R42 511 223 (2022: R42 763 428) was incurred, which represents 18% (2022: 16%) of total electricity purchased. Technical losses was due to due to insufficient maintenance. Non-technical losses were due to theft, distribution losses and illegal tampering of electricity meters.

## Other matter

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

### Unaudited disclosure note

33. 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

34. 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.

35. 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

36. 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.

37. 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

38. 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 development priority presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

| Development priority | Page numbers | Purpose |
|---|---|---|
| Basic service delivery | [XX] | To ensure continuous and reliable supply of water, electricity, sanitation and refuse removal to all residents within the municipality. |

40. I evaluated the reported performance information for the selected development priority 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

41. 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.

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

43. I did not identify any material findings on the reported performance information for the selected development area – Basic service delivery.

## Other matters

44. I draw attention to the matters below.

### Achievement of planned targets

45. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievements and measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

### Material misstatements

46. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Basic service delivery. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

## Report on the audit of compliance with legislation

47. 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.

48. 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.

49. 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.

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

### Annual financial statements, annual performance report and annual report

51. 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.

52. Material misstatements of non-current assets, current assets, revenue, expenditure, disclosure items and liabilities 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 an adverse audit opinion.

53. The local community was not invited to submit representations on the 2021-22 annual report, as required by section 127(5) (a) (ii) of the MFMA.

54. The oversight report adopted by the council on the 2021-22 annual report was not made public, as required by section 129(3) of the MFMA.

### Procurement and contract management

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

56. Some of the goods and services with a transaction value of 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.

57. 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).

### Expenditure management

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

59. 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 extension of contracts over and beyond the recommended period and the non-compliance with supply chain management procedures.

60. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R132 948 494, as disclosed in note 52 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by inadequate budgeting for non-cash items.

61. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R84 955 427, as disclosed in note 54 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by non-payment and late payment of supplier invoices which resulted to interest and penalties charged.

62. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval / authorisation / withdrawal / payment of funds, as required by section 65(2)(a) of the MFMA.

### Revenue management

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

64. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

65. I was unable to obtain sufficient appropriate audit evidence that accounts for service charges were prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

### Asset management

66. 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.

### Consequence management

67. 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.

68. 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.

69. 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.

### Strategic planning

70. The performance management system and related controls were inadequate as it did not prevent the deficiencies on the reported achievement performance, as required by municipal planning and performance management regulation 7(1).

## Other information in the annual report

71. The accounting officer is responsible for the other information included in the annual report, which includes the audit committee's report. The other information referred to 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 on in this auditor's report.

72. 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.

73. 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 key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

74. 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

75. 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.

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

77. The municipality did not adequately review the financial statements and annual report against the supporting documentation, as material misstatements were identified through the audit process. These misstatements could have been prevented if effective review controls were implemented.

78. Management did not always provide the required supervision and review over daily and monthly recording and reconciliation of transactions to ensure that the municipality complies with applicable financial reporting.

79. Management did not adequately implement action plans to address the root causes of deficiencies identified in the previous year. This resulted in repeat matters being reported.

80. The municipality did not implement effective review and monitoring controls to ensure accurate performance reporting. In addition, adequate oversight of compliance with applicable legislation was not exercised, which resulted in material findings on performance information and non-compliance with key legislation.

Auditor-General

Polokwane

8 December 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 key performance area and on the municipality's compliance with selected requirements in key legislation.

### Financial statements

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

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

## Communication with those charged with governance

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

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

### Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

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

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