Report of the auditor-general to the Mpumalanga Provincial and the council on the Lekwa Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Lekwa Local Municipality set out on pages ... to.., which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actuals amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Lekwa Local Municipality as at 30 June 2025, and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (GRAP), the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) the Division of Revenue Act 24 of 2024 (Dora).

Basis for qualified opinion

Irregular expenditure

3. The municipality did not include all instances of irregular expenditure in the financial statements, as required by section 125(2)(d) of the MFMA, as the municipality did not have adequate systems to identify all prior year's irregular expenditure. I was unable to determine whether any further adjustments were necessary to the closing balance of irregular expenditure for the current and prior year. Consequently, I was unable to determine the full extent of the understatement of irregular expenditure stated at R1,07 billion (2023-24: R1,04 billion) in note 56 to the financial statements, as it was impracticable to do so.

Receivables from exchange transactions

4. The provision for impairment of debtors was not calculated in accordance with the Standards of GRAP 104, *Financial Instruments.* A general rate was applied for all the debtors in calculating the impairment provision, without assessing the credit risk for a group or subgroup of debtors. Additionally, the data used to calculate the impairment included accounts belonging to the municipality. Consequently, I was unable to determine the impact on debt impairment stated at R182,18 million (2023-24: R206,78 million) in note 35 to the financial statements and receivable from exchange transactions R579,58 million (2023-24: R459,33 million) in note 3 to the financial statements, as it was impracticable to do so.

Receivables from non-exchange transactions

5. The provision for impairment of debtors was not calculated in accordance with the Standards of GRAP 104, *Financial Instruments.* A general rate was applied for all the debtors in calculating the impairment provision, without assessing the credit risk for a group or subgroup of debtors. Additionally, the data used to calculate the impairment included accounts belonging to the municipality. Consequently, I was unable to determine the impact on debt impairment stated at R182,18 million (2023-24: R206,78 million) in note 35 and receivable from non-exchange transactions R301,46 million (2023-24: R289,53 million) in note 4, as it was impracticable to do so.

Bad debt written

6. The municipality did not account for bad debt written off in accordance with GRAP 1, *Presentation of financial statements*. The bad debt written off in the current and previous year was not accounted for and disclosed in the financial statement. As a result, the expenditure was understated by R19, 44 million (2023-24: R 123,96 million), and I was unable to determine the full extent of receivables from exchange and non-exchange transactions as it was impractical to do so. Additionally, there was an impact on the deficit for the period and the accumulated surplus.

Contracted services

7. The municipality did not have adequate systems to account for contracted services in accordance with GRAP 1, *Presentation of financial statements*, as contracted services was not recorded in correct accounting period. This resulted in contracted services being overstated by R22,28 million. Additionally, there was an impact on the deficit for the period.

VAT output accrual

8. The municipality did not have adequate systems to account for vat output accrual in accordance with GRAP 104, *Financial Instrument*. The municipality control accounts for the effects of receipts received and debt write-offs. Consequently, I was unable to determine the full extent of the overstatement of VAT output accrual stated at R 905, 81 million (2023-24: R 777, 79 million) in note 14 to the financial statements, as it was impracticable to do so.

VAT input accrual

9. The municipality did not have adequate systems to account for vat input accrual in accordance with GRAP 104, *Financial Instrument*. The municipality did not account for the effects of payments made. Consequently, I was unable to determine the full extent of the overstatement of VAT input accrual stated at R 905, 81 million (2023-24: R 777, 79 million) in note 6 to the financial statements, as it was impracticable to do so.

Cash flow statement

Service charges and property rates, other services

10. The municipality's service charges and property rates, other services in the current and prior year were not correctly prepared and disclosed as required Standards of *GRAP 2, Cash flow statements*. This was due to multiple errors in the calculations. 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.

Interest received from current and non-current asset

11. The municipality's interest received from current and non-current assets in the current and prior year were incorrectly disclosed due to multiple errors in the calculation which constitute a departure from *GRAP 2, Cash flow statement*. 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.

Employee costs

12. The municipality's employee costs were incorrectly disclosed due to multiple errors in the calculation which constitute a departure from *GRAP 2, Cash flow statement*. Consequently, 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.

Suppliers

13. The municipality's suppliers in the current year and prior year were incorrectly disclosed due to multiple errors in the calculation which constitute a departure from *GRAP 2, Cash flow statement*. Consequently, 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.

Purchase of property plant and equipment

14. The municipality's Purchase of property plant and equipment was incorrectly disclosed due to multiple errors in the calculation which constitute a departure from GRAP 2, Cash flow statement. Consequently, 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.

Cash generated from operating activities

15. Cash generated from operating activities note was not correctly disclosed as various movements were not correct accounted for due to state of accounting records, which constitute a departure from GRAP 2, *Cash flow statement*. Consequently, 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.

Context for opinion

16. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

17. 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.

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

Material uncertainty related to going concern

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

20. As disclosed in note 52 in the financial statements, which indicates that the municipality incurred a deficit of R358,90 million (2023-24: surplus of R72.63 million) during the year ended 30 June 2025, as of that date, the municipality's liabilities exceeded its assets by R 531,94 million (2023-24: R170,56 million). The municipality plans to address the cash flow shortages through enhanced revenue collection and a resultant consistency in the payment of creditors when they become due.

Emphasis of matters

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

Material losses – electricity

22. As disclosed in note 39 to the financial statements, material electricity losses of R144, 07 million (2023-24: R88, 35 million) was incurred.

Material losses – water

23. As disclosed in note 39 to the financial statements, material water losses of R19.52 million (2023-24: R8,87 million) was incurred.

Other matter

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

Unaudited disclosure notes

25. 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

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

27. 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

28. 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.

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

Report on the audit of the annual performance report

30. 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. The accounting officer is responsible for the preparation of the annual performance report.

31. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected key performance area that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Key performance area	Page numbers	Purpose
Basic service delivery and infrastructure development	XX	Provision of basic services (water 100%, sanitation 100%, electricity 100%, solid waste and roads 100%)

32. I evaluated the reported performance information for the key performance area 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.

33. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets / measures taken to improve performance

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

35. The material findings on the reported performance information for the selected key performance area are as follows:

Basic service delivery and infrastructure

Various indicators

36. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

Key performance indicators	Planned targets	Reported achievement
Percentage construction of 6km 11kv line between A Substation and Rooikoppen - Phase 1	50% completed designs on 11 KV line	Achieved. Construction @85%.
Number of streetlights repaired	400 streetlights repaired	353 streetlights repaired
Number of high mast lights repaired	20 high mast lights repaired	22 High Mast Lights repaired
Percentage households with refuse removal services	100% households with access to refuse removal service	100% households with access to refuse removal service
Percentage businesses with refuse removal services	100% of businesses with access to refuse removal service	100% of businesses with access to refuse removal service
Percentage construction of switching station at Rooikoppen - Phase 1	50% Construction of Switching Station at Rooikoppen. – Phase 1	Construction @ 55%.

Number of high mast lights installed	10 high mast lights installed	26 High mast lights installed
Number of lights on high masts and streetlights retrofitted with energy efficient lights	243 fittings replaced on high mast lights; 227 light fittings replaced on streetlights	243 fittings replaced on high mast lights; 227 light fittings replaced on streetlights
Percentage construction of 1 Cemetery	75% Cemetery constructed	Construction @ 79%.
% Emergency, fire and rescue services attended	100% Emergency, fire and rescue incidents attended	100% Emergency, fire and rescue incidents attended

Various indicators

37. Based on the audit evidence, the actual achievement for two indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the underachievements on the targets were more than reported and the achievements against the target were lower than reported.

Key performance indicators	Planned targets	Reported achievement	Actual achievement
Number of illegal dumping sites cleaned	12 Illegal dumping sites cleaned	12 Illegal dumping sites cleaned	4
Number of water leaks repaired	1000 water leaks repaired	1151	890

Number of electricity meters installed

38. An achievement of 534 electricity meters installed was reported against a target of 100 electricity meters installed. However, the audit evidence showed the actual achievement to be only 239. Consequently, the achievement against the target was lower than reported.

Number of VIP toilets installed

39. An achievement of 165 VIP toilets installed was reported against a target of 150 VIP toilets installed. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the target was not achieved.

Various indicators

40. Measures aimed at improving performance against targets were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

Key performance indicators	Planned targets	Reported achievement	Reported measure
Square meters of potholes patched	10000 square meters of potholes patching	6820 square meters of potholes patched	Remaining m² will be included in the 2025/2026 FY targets, due to financial constraints and ageing roads

			infrastructure network, the municipality will also strengthen relations with other stakeholders such as (SANRAL, NDOT, PWR&T, GSDM) to assist with pothole patching
Number of water meters replaced	90 water meters replaced	88 water meters replaced	Management will establish a metering section that will focus on water metering and installation that is adequately resourced
Number of boreholes installed	3 boreholes installed 2 boreholes installed	3 boreholes installed 2 boreholes installed	Identify alternative site for drilling of new borehole

Missing indicator

41. In terms of the Water Service Act 108 of 1997, the municipality is responsible for complying with drinking Water Quality Standards to ensure that all consumers or potential consumers in its area of jurisdiction to progressively gain efficient, affordable, economical and sustainable access to water services. However, an indicator to measure performance on this responsibility was omitted from the approved planning documents. The municipality indicated that the reason for the omission was due to inadequate coordination between the technical water services unit, the Integrated Development Planning and the performance management units during the planning phase. Consequently, the achievement of this legislative mandate was not planned or accounted for, which is likely to result in it not being delivered and undermines transparency and accountability for delivery on mandate.

Other matters

42. I draw attention to the matters below.

Achievement of planned targets

43. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

44. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages xx to xx.

Basic service delivery and infrastructure

Targets achieved: 79%

Budget spent: 108.5%

Key service delivery indicator not achieved	Planned target	Reported achievement
Number of water meters replaced	90 water meters replaced	88
Number of boreholes installed	3 boreholes installed	2 boreholes installed
Number of streetlights repaired	400 streetlights repaired	353 streetlights repaired

Targets achieved: 79% Budget spent: 108.5%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Square meters of pothole patched	10 000 square meters of pothole patching	6820 square meters potholes patched
Percentage municipal fleet maintained	100% municipal fleet maintained	31% municipal fleet maintained

Material misstatements

45. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery and infrastructure. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

46. 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.

47. 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.

48. 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.

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

Annual financial statements

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 liabilities, revenue, expenditure, and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

51. 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 non-compliance with supply chain management (SCM) prescripts.

52. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R147,45 million, as disclosed in note 55 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest incurred on late payments to suppliers.

53. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R156,23 million, as disclosed in note 54 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on certain votes on the approved budget.

54. Reasonable steps were taken to ensure that money owed by the municipality was not always paid within 30 days, as required by section 65(2) (e) of the MFMA.

Procurement and contract management

55. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

Consequence management

56. 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.

57. 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 and performance management

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

Asset management

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

Other information in the annual report

60. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported in this auditor's report.

61. 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.

62. My responsibility is to read this other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

63. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

64. 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.

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

66. The accounting officer and senior managers did not implement adequate processes and controls for recording, reviewing, and reporting to ensure credible, complete, and accurate financial and performance information. This resulted in recurring material misstatements in the financial statements and performance reports.

67. The performance management system and related controls were inadequate as they did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be organised and managed to ensure valid, accurate and complete performance reporting for some of the key performance indicators.

68. Non-compliance with legislation could have been mitigated if the municipality had adequate resources and capacity to monitor compliance effectively and ensure regular review by senior management. The lack of these controls contributed to the compliance matters noted, as well as instances of unauthorised, irregular, and fruitless and wasteful expenditure.

Material irregularities

69. In accordance with the PAA and the material irregularity (MI) regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularity in progress

70. I identified other material irregularity during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, the responses of the accounting officer were not yet due. These material irregularities will be included in next year's auditor's report.

Status of previously reported material irregularities

Pollution of water resource not prevented – Standerton Wastewater Treatment Works

71. The Standerton Wastewater Treatment Works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spilling and discharge of raw/untreated sewage into the adjacent environment, including groundwater and the Vaal River. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the NEMA and section 19(1) of the NWA. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resource.

72. The accounting officer was notified of this material irregularity on 24 November 2023 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity.

73. I referred the material irregularity to the Department of Water and Sanitation (DWS) on 14 April 2025 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on the same day, and the investigation is currently in progress.

Poor management of the Morgenzon waste landfill site

74. The municipality has been operating the Morgenzon waste landfill site without a valid licence or permit. A closure licence was issued to the municipality in the year 2016 to restore and rehabilitate the site and surrounds. The Municipality has been operating the landfill site in a manner that is not in compliance with license conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control, Illegal waste dumping , uncontrolled / informal recyclers and animals roam the sites – with indication of daily living including housing structures and other makeshift facilities, no monitoring and sampling of surface / groundwater / gas monitoring, no control over water runoff or leachate management, no compacting/ covering of waste - windblown waste, burning of waste causing air pollution.

75. The municipality consequently did not dispose and treat waste in an environmentally sound manner that does not endanger health, or the environment as required by section 16(1) of the National Environmental Management Waste Act 59 of 2008. The municipality further did not take reasonable measures to prevent pollution or degradation from occurring, continuing or recurring as required by section 28(1) of NEMA. The municipality also did not ensure that any other situation exists, which causes, has caused or is likely to cause pollution of a water resource, must take all reasonable measures to prevent any such pollution from occurring, continuing, or recurring as required by section 19(1) of the NWA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site, the water resource and the communities adjacent to the landfill site.

76. The accounting officer was notified of this material irregularity on 24 November 2023 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity.

77. I referred the material irregularity to the Department of Forestry, Fisheries and the Environment (DFFE) on 14 April 2025 for investigation as provided for in section 5(1A) of the PAA. On 21 May 2025, DFFE sub-referred the material irregularity to the Mpumalanga Department of Agriculture, Rural Development, Land & Environmental Affairs (DARDLEA) for further investigation. The referral was accepted by DESTEA on 30 July 2025, and the investigation is currently in progress.

Auditor General

Mbombela

30 November 2025

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 and regulations	Consolidated firm level requirements
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
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), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 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), 26(5), 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(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), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2),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)