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

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the Emakhazeni Local Municipality set out on pages xx to xx, 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 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, due to the significance of the matters reported 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 Emakhazeni 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 (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 account for impairment of assets in terms of GRAP 21, *Impairment of non-cash generating assets* and GRAP 26, *Impairment of cash generating assets.* The municipality did not assess at each reporting date whether there were indications that some assets may be impaired under infrastructure and community assets, and depreciation was incorrectly calculated on some assets. I was unable to determine the impact on the infrastructure and community assets, as it was impracticable to do so. This also had an impact on the surplus for the period and on the accumulated surplus.

4. In terms of GRAP 17, *Property, plant and equipment*, the municipality should recognise all the assets in its control at the end of the financial year. However, in the prior year, the municipality recognised land that was not under the control of the municipality. I was unable to determine the impact on the land, as it was impracticable to do so.

5. The municipality did not account for depreciation of assets in terms of GRAP 17, *Property, plant and equipment,* The municipality did not correctly apply the accounting policy on infrastructure and community assets in calculating depreciation. I was unable to determine the impact on the infrastructure, community assets and other assets, as it was impracticable to do so. This also had an impact on the surplus for the period and on the accumulated surplus.

6. Furthermore, I was unable to obtain sufficient appropriate audit evidence that work in progress had been properly accounted for, due to the status of accounting records. I was unable to

confirm work in progress by alternative means. I was unable to confirm infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to infrastructure assets stated at R83,65 million (2022: R58,41 million) in note 8 to the financial statements.

Investment property

7. The municipality did not recognise investment property at fair value as required by GRAP 16, *Investment property*, as the fixed asset register was not updated with the fair values from the valuation roll. As a result, investment property was understated by R23,99 million. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

8. The municipality did not have the adequate system of records to account for investment properties required by GRAP 16, *Investment property*, as it recognised assets that were not under the control of the municipality in the prior year. This resulted in an overstatement of investment property by R10,19 million. Furthermore, the municipality did not disclose the fair value adjustments of the investment property. I was unable to determine the impact on investment property as it was impracticable to do so.

9. Furthermore, I was unable to obtain sufficient appropriate audit evidence that investment property had been properly accounted for due to the status of accounting records, as some properties from the assets register were not included in the valuation roll. I was unable to confirm work in progress by alternative means. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R259,00 million in note 9 to the financial statements.

Receivables from exchange transactions

10. I was unable to obtain sufficient appropriate audit evidence for the reconciling difference between the schedule and financial statements for receivables from exchange transactions (electricity, water, wastewater and solid waste) and annual financial statements and the related allowance for impairment. I was unable to confirm the reconciling differences by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions stated at R293,01 million (2022: R236,64 million) in note 5 to the financial statements.

Receivables from non-exchange transactions

11. I was unable to obtain sufficient appropriate audit evidence for the reconciling difference between the schedules for property rates and annual financial statements and the related allowance for impairment. I was unable to confirm receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from non-exchange transactions stated at R192,46 million (2022: R151,90 million) in note 6 to the financial statements.

12. Furthermore, I was unable to obtain sufficient appropriate audit evidence that the traffic fines, accrued income as well as related allowance for impairment had been properly accounted for due to the status of accounting records. I was unable to confirm traffic fines and accrued income by alternative means. Consequently, I was unable to determine whether any

adjustments were necessary to traffic fines and accrued income stated at R188,74 million (2022: R177, 52 million) in note 6 to the financial statements.

Inventories

13. The municipality did not measure the inventory at the lower of cost and current replacement cost in terms of GRAP 12, *Inventory,* in the prior year. Consequently, inventory was understated by R3,87 million. In addition, I was unable to obtain sufficient and appropriate audit evidence for the valuation of water inventory, as the municipality does not perform water measurements at year end. I could not confirm the inventory valuation method by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to inventory, stated at R2,42 million in note 7 to the financial statements.

Payables from exchange transactions

14. I was unable to obtain sufficient appropriate audit evidence that trade payables for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm whether all the trade payables were recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to trade payables stated at R232,09 million (2022: R165,40 million) in note 12 to the financial statements.

15. Furthermore, I was unable to obtain sufficient appropriate audit evidence that payments received in advance for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm whether all the payments received in advance were recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to payments received in advance stated at R31,44 million (2022: R26,16 million) in note 12 to the financial statements.

Service charges

16. The municipality did not account for service charges in accordance with GRAP 9, *Revenue from exchange transactions.* The municipality did not charge service charges in terms of its approved tariff policy and the municipality charged electricity on properties that belong to the municipality. As a result, service charges and receivables from exchange transactions were overstated by R21,20 million (2022: R52,09 million). This also had an impact on the surplus for the period and on the accumulated surplus.

17. The municipality did not recognise revenue in accordance with GRAP 9, *Revenue from exchange transactions.* The municipality recognised revenue for services charges on properties that could not be traced to the valuation roll. I was unable to determine the impact on revenue from service charges, and receivables from exchange transactions as it was impracticable to do so.

18. Furthermore, I was unable to obtain sufficient appropriate audit evidence that service charges was properly accounted for due to the status account records. The municipality billed vacant stands for solid waste while other non-vacant stands were not billed; stands were billed for water but not billed for waste water; billings were performed on negative consumption and meter readings not agreeing to the billing report. I could not confirm this by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service

charges stated at R116,03 million (2022: R116,74 million) in note 20 to the financial statements.

Property rates

19. The municipality did not recognise revenue in accordance with GRAP 23, *Revenue from non-exchange transactions.* The municipality charged property rates on properties that could not be traced to the valuation roll. I was unable to determine the impact on the revenue from property rates and receivables from non-exchange transactions, as it was impracticable to do so. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Rental of facilities and equipment

20. I was unable to obtain sufficient appropriate audit evidence for rental of facilities and equipment due to the status of accounting records in the prior year. I was unable to confirm the revenue from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of rental of facilities and equipment, stated at R8,9 million. 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 is also modified because of the possible effect of this matter on the comparability of the rental of facilities and equipment for the current period.

Interest received - service charges

21. I was unable to obtain sufficient appropriate audit evidence that interest received from service charges has been properly accounted for, due to the status of accounting records. I was unable to confirm interest received by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to interest received from service charges stated at R14,51 million (2022: R12,33 million) in note 20 to the financial statements.

Contracted services

22. The municipality did not present an analysis of expenses using a classification based on either the nature of expenses or their function in accordance with GRAP 1, *Presentation of financial statements.* The municipality has classified operational expenditure as contracted service and accounted for expenditure relating to contracted services in the incorrect accounting period. This has resulted in contracted services being overstated by R9,33 million (2021-22: R6,84 million) and the operational expenditure is misstated by the same amount. This also had an impact on the surplus for the period and on the accumulated surplus.

Inventory consumed

23. The municipality did not present an analysis of expenses using a classification based on either the nature of expenses or their function in accordance with GRAP 1, *Presentation of financial statements.* The municipality classified contracted services as inventory consumed. This resulted in inventory consumed being overstated by R6,58 million and the contracted service expenditure being misstated by the same amount. Furthermore, the municipality accounted for expenditure relating to inventory consumed in the incorrect accounting period. This also had an impact on the surplus for the period and on the accumulated surplus.

Cash received from operations

24. Cash received from property rates was incorrectly calculated as it did not include the movements from accumulated impairment in prior year, which constitutes a departure from GRAP 2, *Statement of Cash Flows*. Consequently, cash received from property rates was understated by R27,36 million in the financial statements.

Cash payments from operations

25. Cash payments to employees was incorrectly calculated as it did not include the cash payments to councillors in prior year, which constitutes a departure from GRAP, *Statement of Cash Flows*. Consequently, cash received from property rates was understated by R6,39 million in the financial statements.

26. Cash payments to suppliers was incorrectly calculated as it included adjustments on employee accruals in the current while they did not adjust for bad debts written off in prior year, which constitutes a departure from GRAP 2, *Statement of Cash Flows*. Consequently, cash received from property rates was understated by R9,39 million (2022: overstated by R11,93 million) in the financial statements.

Cash flow from investing activities

27. Cash payments on purchases on property, plant and equipment was incorrectly calculated as it did not include the movements on retentions in prior year, which constitutes a departure from GRAP, *Statement of Cash Flows*. Consequently, cash payments on purchases on property, plant and equipment rates was understated by R5,95 million in the financial statements.

Unauthorised expenditure

28. I was unable to obtain sufficient appropriate audit evidence for the restatement of the opening balance for unauthorised expenditure. The restatement was made to rectify a previous year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the unauthorised expenditure stated at R411,71 million in note 46 to the financial statements.

Irregular expenditure

29. Not all the irregular expenditure incurred and related information was included in the notes to the financial statements during the financial year under audit and the prior year, 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 financial year as it was impracticable to do so.

Prior period errors

30. The municipality did not disclose all prior-year adjustments in note 41 to the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors*. The amount of

the correction for revenue from exchange and non-exchange transactions, receivables from exchange and nonexchange transactions, payables from exchange transactions, and property, plant and equipment and depreciations was not accurately disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence for the previous period errors disclosed, as 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 year adjustments disclosed in the financial statements.

Material losses

31. I was unable to obtain sufficient appropriate audit evidence for distribution water and electricity losses because the municipality did not have adequate control measures in place to accurately determine the extent of these losses and could not substantiate with supporting evidence, as required by section 125(2)(d)(i) of the MFMA, I was unable to confirm these losses by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to material water and electricity losses, stated at R12,63 million (2021-22: R11,95 million) and R31,800 million (2021-22: R32,87 million) respectively in note 49 to the financial statements.

Context for opinion

32. 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.

33. 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.

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

Other matter

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

Unaudited disclosure notes

36. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

37. 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.

38. 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

39. 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.

40. 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 annual performance report

41. 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 information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

42. I selected the following material performance indicators related to basic service delivery and infrastructure development, as well as local economic development and spatial rationale presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- Number of farms provided with water
- Upgrading of Roman pump station in Siyathuthuka township
- Number of wastewater treatment plants repaired and maintained in Dullstroom
- % progress towards upgrading of wastewater treatment works in Emgwenya (Phase 1)
- % progress towards upgrading of Madala sewer lines
- Number of households provided with electricity in Empumelelweni township

- Installation and commissioning of a new 132/11KV 20 MVA electricity substation and feeder lines in Emakhazeni (Phase 5)
- Number of roads paved in Madala Ward 8
- Number of roads paved in Sakhelwe in Sakhelwe ward 4 (Julius Nyerere street)
- Number of roads paved Emthonjeni in Ward 6 (ZCC street)
- Number of roads paved in Emthonjeni ward 5 (Thembisa street)
- Number of high mast lights installed in Belfast
- Number of roads regravelled
- Number of water sample analysis reports submitted to council
- Number of electricity losses reports submitted to council
- Number of water loss reports submitted to council
- Number of reports on illegal dumping sites identified and rehabilitated.
- Number of EPWP job opportunities created
- Number of training workshops conducted
- Number of SPLUMA certificates issued

43. I evaluated the reported performance information for the selected material performance indicators 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.

44. 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 and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements

    - the targets 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 what was 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 measures taken to improve performance.

45. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

46. I did not identify any material findings on the reported performance information for the selected indicators.

Other matters

47. I draw attention to the matters below.

Achievement of planned targets

48. 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.

Material misstatements

49. 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 and infrastructure development. Management did not correct the misstatements and I reported material findings in this regard.

Report on compliance with legislation

50. 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.

51. 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.

52. 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.

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

Annual financial statements and annual reports

54. 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.

55. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items 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 resulted in the financial statements receiving an adverse audit opinion.

Human resources management

56. Financial interest was not disclosed by the municipal manager within 60 days from date of appointment, as required by regulation 36(1)(a) of the appointment and conditions of employment of senior managers.

Asset management

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

Consequences management

58. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Expenditure management

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

60. 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.

61. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R19 183 506, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by non-payment of suppliers.

62. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred, as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending on the adjusted budget.

Revenue management

63. An effective system of internal control for debtors and 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 interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Procurement and contract management

65. The preference point system was not applied on some procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.

66. Some invitations to tender 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). A similar finding was identified in the prior year.

Other information in the annual report

67. 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 material indicators in the scoped-in material indicators presented in the annual performance report that have been specifically reported on in this auditor's report.

68. 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.

69. 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 material indicators in the scoped-in development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

70. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

71. I have nothing to report in this regard.

Internal control deficiencies

72. 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.

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

74. Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

75. Controls over daily and monthly processing and reconciling of transactions were not implemented.

76. Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information were not prepared.

77. Compliance with applicable laws and regulations was not reviewed and monitored.

78. The implementation of action plans to address internal control deficiencies was not developed and monitored.

Material irregularities

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

Material irregularities in progress

80. I identified material irregularities during the previous audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not yet completed the process of evaluating the responses from the accounting officer. These material irregularities will be included in next year's auditor's report.

Auditor-General

Mbombela

30 November 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 material performance indicators and on the municipality's compliance with selected requirements in key legislation.

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
   - 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

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 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

5. 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 Section 1 – definition: service delivery and budget implementation plan Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1) Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b) Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i) Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b) Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e) Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1) Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii) Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170 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, 2005	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 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)

Legislation	Sections or regulations
	Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a) Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
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)