

# Report of the auditor-general to the Mpumalanga Provincial Legislature and the council of the City of Mbombela Local Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the City of Mbombela set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, 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, the financial statements present fairly, in all material respects, the financial position of the City of the Mbombela Local Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the South African 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 2023 (Dora).

### Basis for opinion

3. 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.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

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

### Close call relating to going concern

7. As disclosed in note 59 of the financial statements, which deals with the possible effects of the future implications of the deteriorating liquidity situation on the municipality's prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter.

## Material impairments

8. As disclosed in note 5 of the financial statements, the balance of statutory receivables was reduced by an amount of R310,99 million (2022-23: R287,94 million) as a result of an allowance for impairment on the balance.
9. As disclosed in note 6 of the financial statements, the balance of trade receivables from exchange transactions was reduced by an amount of R305,61 million (2022-23: R261,45 million) as a result of an allowance for impairment on the balance.

## Material losses – Electricity

10. As disclosed in note 43 to the financial statements, material electricity losses of R347,06 million (2022-23: R270,57 million) was incurred, which represents 26,24% (2022-23: 24,46%) of total electricity purchased.

## Other matter

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

## Unaudited disclosure notes

12. 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

13. 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.
14. 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 accounting officer 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

15. 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.
16. 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 12, forms part of our auditor's report.

## Report on the audit of the annual performance report

17. 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.
18. I selected the following development priority presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a development priority that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Development priority	Page numbers	Purpose
<b>Service delivery and infrastructure development</b>	XX	To provide infrastructure and sustainable basic services.  To provide sustainable social amenities to the communities.  To strengthen the delivery of sustainable integrated human settlement and environmental management.

19. 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.
20. 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, timebound 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 measures taken to improve performance.

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

22. I did not identify any material findings on the reported performance information for the selected development priority.

## Other matters

23. I draw attention to the matters below.

## Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

25. 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 measures taken to improve performance are included in the annual performance report on pages 38 to 54.

## Service delivery and infrastructure development

<i>Targets achieved: 61,64%</i> <i>Budget spent: 94,97%</i>		
Key indicator not achieved	Planned target	Reported achievement
Number of boreholes drilled and equipped	14 boreholes drilled and equipped	Five boreholes drilled and zero equipped
Percentage of the Entokozweni sewer reticulation constructed	97% of the Entokozweni sewer reticulation constructed	95% of the Entokozweni sewer reticulation constructed
Total equipment installed	Three types of equipment installed	Zero equipment installed
Number substations repaired	One substation repaired	Zero substations repaired
Number of bulk lines installed	One bulk line installed	Zero bulk lines installed
Percentage of 6km of Kamadakwa Ndlovu Road constructed	5% of the 6km Kamadakwa Ndlovu Road constructed	0% of the 6km of Kamadakwa Ndlovu Road constructed
Percentage of 1,4km of Milieland Road constructed	5% of the 1,4km Milieland Road constructed	0% of the 1,4km of Milieland Road constructed
Percentage of 1,3km of Inyoka Street in Thulane section constructed	100% of the 1,3km Inyoka Street in Thulane section constructed	98% of the 1,3km of Inyoka Street in Thulane section constructed
Percentage of 1,4km of Nkululeko Circuit Road constructed	100% of the 1,4km Nkululeko Circuit Road constructed	95% of the 1,4km of Nkululeko Circuit Road constructed

Percentage of the 2km road from Shirboy to KaMashaba constructed	5% of the of the 2km road from Shirboy to KaMashaba constructed	0% of of the 2km road from Shirboy to KaMashaba constructed
Percentage of the 4,4km road from Goromane to kaMabuza upgraded	5% of the 4,4km road from Goromane to kaMabuza upgraded	0% of the 4,4km road from Goromane to kaMabuza upgraded
Percentage of the 2,7km of Pennywhistle Street upgraded	5% of the 2,7km of Pennywhistle Street upgraded	0% of the 2,7km of Pennywhistle Street upgraded
Percentage of the 1,3km of Chakaza School via Slinda Road upgraded	5% of the 1,3km of Chakaza School via Slinda Road upgraded	0% of the 1,3km of Chakaza School via Slinda Road upgraded
Percentage of the 2,4km of Sakhele Cafe Road upgraded	5% of the 2,4km of Sakhele Cafe Road upgraded	0% of the 2,4km of Sakhele Cafe Road upgraded
Percentage of the Msholozhi Pedestrian bridge constructed	5% of the Msholozhi Pedestrian bridge constructed	0% of the Msholozhi Pedestrian bridge constructed
Number of public transport facilities constructed	One public transport facility constructed	Zero public transport facilities constructed
Percentage of the 1,8km Nkomeni to Woboka bus route upgraded	100% of the 1,8km Nkomeni to Woboka bus route upgraded	97% of the 1,8km Nkomeni to Woboka bus route upgraded
Percentage of the 4,7km Nkambule to Mkheyi bus route constructed	100% of the 4,7km Nkambule to Mkheyi bus route constructed	93% of the 4,7km Nkambule to Mkheyi bus route constructed
Percentage of the stormwater v-drain constructed	100% of the stormwater v-drain constructed	65% of the stormwater v-drain constructed
Percentage of concrete drains repaired	100% of concrete drains repaired	80% of concrete drains repaired
Percentage of outlet structures repaired	100% of outlet structures repaired	50% of outlet structures repaired
Percentage of low water bridge upgraded	100% of low water bridge upgraded	30% of low water bridge upgraded
Percentage of the 3km Sheba Road repaired	100% of the 3km Sheba Road repaired	50% the 3km Sheba Road repaired
Number of headwalls repaired	Two headwalls repaired	Zero headwalls repaired
Percentage of the Masoyi stadium constructed	5% of the Masoyi stadium constructed	0% of the Masoyi stadium constructed
Percentage of the Tekwane South Community Stadium- Phase 1 constructed	5% of the Tekwane South Community Stadium- Phase 1 constructed	0% of the Tekwane South Community Stadium- Phase 1 constructed
Percentage of the White River library constructed	5% of the White River library constructed	0% of the White River library constructed

## Material misstatements

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

## Report on compliance with legislation

27. 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.

28. 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.

29. 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.
30. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### **Expenditure management**

31. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
32. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R726, 97 million, as disclosed in note 56 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 the votes.
33. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R114, 47 million as disclosed in note 57 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-compliance with section 65 of the MFMA due to interest and penalties on payments made after 30 days.
34. Reasonable steps were not taken to prevent irregular expenditure amounting to R81,88 million as disclosed in note 58 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM regulation 36(1).

### **Consequence management**

35. Irregular 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.
36. 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.

### **Annual financial statements**

37. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

### **Procurement and contract management**

38. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of supply chain management (SCM) Regulation 46(2)(e).

## Other information in the annual report

39. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that has been specifically reported on in this auditor's report.
40. 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.
41. 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 development priority presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
42. 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

43. 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.
44. The matters reported below are limited to the significant internal control deficiencies that resulted in material findings on compliance with legislation included in this report.
45. The accounting officer and the general managers did not adequately monitor and review the key controls. This resulted in non-compliance with laws and regulations and material misstatements in the financial and performance reports. Furthermore, incorrect application of GRAP standards by the chief financial officer led to presentation and disclosure errors in some items, which were subsequently corrected.
46. The internal audit and audit committee did not effectively exercise their roles and responsibilities regarding financial, performance reporting, compliance and related internal controls.
47. MPAC did not implement consequence management through ensuring that unauthorised and irregular expenditure are investigated to ensure that responsible parties can be held accountable.

## Material irregularities

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

## Status of previously reported material irregularities

### Eskom not paid within 30 days of receiving the relevant invoice or statement

49. The municipality did not comply with section 65(2)(e) of the MFMA which states that the accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.
50. The non-compliance was likely to result in a material financial loss for the municipality of R30,25 million as at 30 June 2020. This was due to the municipality still owing money to Eskom and continuously not making payments within 30 days.
51. The accounting officer was notified of the material irregularity on 21 April 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded on 21 May 2021 with the actions taken to resolve the material irregularity. My assessment is that the actions taken are not appropriate to resolve the material irregularity.
52. I recommended that the accounting officer should take the following actions to address the material irregularity which should have been implemented by 30 June 2023, with progress reports every two months:
  - a) Negotiate a reasonable payment agreement with Eskom and properly budget for the amounts to be paid.
  - b) Appropriate action should be taken to implement the financial plan and any revisions thereto, to address the financial problems of the municipality that are preventing it from paying Eskom within 30 days, as required by MFMA section 65(2)(e).
53. On 5 July 2023, the accounting officer's responses on the actions implemented was received. I evaluated the accounting officer's responses and substantiating documentation received on the implementation of the recommendations. As some of the actions taken to address the material irregularity are still in progress and not yet completed, I granted the accounting officer an additional six months up to 1 July 2024 to implement the recommendations. A progress report had to be provided by 1 April 2024 on the implementation of the recommendations and was received on 12 April 2024 and duly assessed.
54. On 2 July 2024, the accounting officer provided a final response and substantiating documentation on the implementation of recommendations. Supplementary responses and substantiating documentation were received during August 2024 and October 2024.
55. The accounting officer submitted an application for the Eskom municipal debt relief programme, which was approved by National Treasury on 1 June 2023. As per the compliance certificates issued by the National Treasury, the municipality has consistently been making payments since 1 June 2023 to Eskom and has demonstrated satisfactory performance under the debt relief programme through maintaining a moderate to above average compliance rating. In line with the conditions of the debt relief programme, Eskom has written-off approximately R105 million in interest on the basis that the municipality maintains a 50% or more compliance rating.
56. The accounting officer requested National Treasury to assist with the developing of a financial recovery plan and the plan has been finalised and approved by Council on 28 June 2024 and

implementation commenced on 1 July 2024. The financial recovery plan will be implemented in accordance with a well-defined implementation plan over a period of three years in phases.

57. The accounting officer has in addition to the financial recovery plan implemented a creditors' reduction plan to manage the municipality's debtors which includes Eskom. The implementation of the plan is monitored by council through quarterly reports.
58. The actions taken by the accounting officer to implement the recommendations are deemed appropriate and have addressed the MI and therefore the MI has been resolved.
59. I will continue to monitor the compliance with the Eskom debt relief programme and the impact of the initiatives implemented in accordance with the financial recovery plan during my subsequent audit.

#### **Sembcorp Silulumanzi not paid within 30 days of receiving the relevant invoice or statement**

60. The municipality did not comply with section 65(2)(e) of the MFMA which states that the accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.
61. The non-compliance has resulted in a material financial loss of R1,14 million for the municipality as at 30 June 2020.
62. The non-compliance was likely to result in further material financial loss for the municipality of R2,57 million as at 30 June 2020. This was due to the municipality still owing money to Sembcorp Silulumanzi and continuously not making payments within 30 days.
63. The accounting officer was notified of the material irregularity on 21 April 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded on 21 May 2021 with the actions taken to resolve the material irregularity. My assessment is that the actions taken are not appropriate to resolve the material irregularity.
64. I recommended that the accounting officer should take the following actions to address the material irregularity, which should have been implemented by 30 June 2023 with progress reports every two months:
  - a) Monitor the adherence to the terms of the payment agreement with Silulumanzi and properly budget for the amounts to be paid.
  - b) Appropriate action should be taken to implement the financial plan and any revisions thereto, to address the financial problems of the municipality that are preventing it from paying Sembcorp Silulumanzi within 30 days, as required by MFMA section 65(2)(e).
65. On 5 July 2023, the accounting officer's response on the actions implemented was received. I evaluated the accounting officer's responses and substantiating documentation received on the implementation of the recommendations. As some of the actions taken to address the material irregularity are still in progress and not yet completed, I granted the accounting officer an additional six months up to 1 July 2024 to implement the recommendations. A progress report had to be provided by 1 April 2024 on the implementation of the recommendations and was received on 12 April 2024 and duly assessed.

66. On 2 July 2024, the accounting officer provided a final response and substantiating documentation on the implementation of recommendations. Supplementary responses and substantiating documentation were received during August 2024 and October 2024.
67. The accounting officer provided evidence that the municipality has been adhering to the payment arrangement that was entered into between the municipality and Sembcorp Silulumanzi in March 2023 and since 2021-22 no interest charges have been incurred on the account.
68. As stated in par 57 the municipality developed with the assistance of the National Treasury a financial recovery plan and the implementation thereof commenced on 1 July 2024. The initiatives in the financial recovery plan will extend over a period of three years and will be implemented concurrently with the other initiatives in progress such as the creditors reduction plan to address the financial problems of the municipality.
69. The actions taken by the accounting officer to implement the recommendations are deemed appropriate and have addressed the MI and therefore the material irregularity has been resolved.
70. I will continue to monitor the adherence with the payment arrangement with Sembcorp Silulumanzi and the impact of the initiatives implemented in accordance with the financial recovery plan during my subsequent audit.

#### **Interests and penalties incurred due to late payment of PAYE**

71. The municipality did not comply with section 2(1) of the Fourth Schedule to the Income Tax Act, which states that every employer who pays or becomes liable to pay any amount by way of remuneration to any employee shall deduct from employee benefits or minimal individual reserve by way of employees tax an amount in respect of the liability for normal tax of that employee and shall pay the amount so deducted or withheld to the Commissioner within seven days after the end of the month during which the amount was deducted or withheld.
72. The municipality didn't timeously pay PAYE, UIF and SDL over to the South African Revenue Service (SARS) as required by the Fourth Schedule of Income Tax Act. As a result, the municipality incurred penalties and interest in terms of paragraph 6 of the 4th Schedule of the Income Tax Act, which states that "If an employer fails to pay any amount of employees' tax for which he or her is liable within the period allowable for payment thereof in terms of paragraph 2 SARS must in accordance with Chapter 15 of the Tax Administration Act, impose a penalty equal to ten per cent of such amount."
73. The non-compliance resulted in a material financial loss for the municipality of R8 654 279 by June 2022.
74. The accounting officer was notified of the material irregularity on 20 January 2023. The following actions have been taken to resolve the material irregularity:
  - In the 2022-23 financial year, the municipality undertook a review of the financial recovery plan through assistance obtained from National Treasury which targets to drastically reduce its operational costs and increase the municipality's revenue, the Revenue Enhancement Strategy to optimise revenue and the Cost Containment Policy. The financial recovery plan was approved by council on the 28 June 2024.
  - During the period July to October 2024 the municipality commenced on the implementation of the financial recovery plan and monitored the progress thereof on a monthly basis.

- In 2023-24 the municipality implemented measures to improve the internal control environment through capturing, processing and approving third party payments on time and this resulted in the municipality not incurring penalties and interest.
- In September 2024 the municipality instituted consequence management processes where disciplinary procedures were undertaken by the accounting officer for non-release of third-party payments on time and these led to suspensions and court proceedings which are in progress.

75. Based on the above actions that have been taken to resolve the material irregularity. I considered all the substantiating evidence provided and I have concluded that appropriate actions have been taken to address the material irregularity and it is considered resolved.

*Auditor-General*

Mbombela

30 November 2024



**AUDITOR - GENERAL**  
**SOUTH AFRICA**

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## 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 the selected development priority 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	<p>Section 1 – Paragraph (a), (b) &amp; (d) of the definition: irregular expenditure,</p> <p>Section 1 – Definition: service delivery and budget implementation plan,</p> <p>Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1),</p> <p>Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b),</p> <p>Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i),</p> <p>Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b),</p> <p>Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e),</p> <p>Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1),</p> <p>Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii),</p> <p>Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170,</p> <p>Sections 171(4)(a), 171(4)(b)</p>
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, 2005	<p>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),</p> <p>Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i),</p> <p>Regulations: 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)</p>

Legislation	Sections or regulations
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),  Sections: 54A(1)(a), 56(1)(a), 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
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), 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)
MSA: Municipal Staff Regulations	Regulations: 7(1), 31
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), 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)