Report of the auditor-general to Northern cape Provincial Legislature and the council on Emthanjeni Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Emthanjeni Local Municipality set out on pages x to x which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information 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 the auditor's report, the financial statements present fairly, in all material respects, the financial position of the Emthanjeni Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

Basis for qualified opinion

Cash and cash equivalents(Current liability)

3. I was unable to obtain sufficient appropriate audit evidence that bank overdraft for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the bank overdraft by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to cash and cah equivalent (current liability) stated at R16 558 310 (2021:R19 766 637) in note 11 to the financial statements. Since the cash and cash equivalents balance is included in the determination of net increase in cash and cash equivalents reported in the statement of cash flows, I was unable to determine whether and adjustments were necessary.

Receivables from non-exchange transactions (Fines)

4. During 2021, I was unable to obtain sufficient appropriate audit evidence that receivables from non-exchange transactions (fines) for the current year had been properly accounted for, due to the status of accounting records. I was unable to confirm trade and other receivables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade and other receivables stated at R115 929 836 in note 9 of the financial statements. Since the trade and other receivables (fines) balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary.

5. In addition, trade and other receivables (fines) were not accurate resulting in trade and other receivables transactions (fines) being understated by R1 034 746 and interest was not charged resulting in receivables from non-exchange transactions being understated by R1 295 837. Consequently, I was unable to determine whether any further adjustments were necessary to trade and other receivables from non-exchange from transactions(fines) stated at R116 650 361.

Cash and cash equivalent

6. I was unable to obtain sufficient appropriate audit evidence that cash and cash equivalents for the current year had been properly accounted for, due to the status of accounting records. I was unable to confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to cash and cash equivalents stated at R24 455 018 (2021:R30 101 602) in note 11 of the financial statements. Since the cash and cash balance is included in the determination of net increase in cash and cash equivalents reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary.

Other creditors

7. I was unable to obtain sufficient appropriate audit evidence that Other creditors for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the Other creditors by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to Other creditors transactions at R10 039 167 in note 17.2 to the financial statements. Since the cash and cash equivalents balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether cash flows from operating activities were accurate and complete.

Irregular expenditure

8. The municipality did not include irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. This was due to expenditure incurred in contravention of the supply chain management requirements, which resulted in irregular expenditure of R6 863 327 (2021: R10 890 627).

Contracted services

9. The municipality did not sign invoices as proof that services were received as required by GRAP 1, Presentation of Financial Statements. As the municipality did not implement internal controls for services received. Consequently, Contracted services was overstated and Trade payables was overstated by an undeterminable amount. I was unable to determine the full extent of the overstatement of contracted services as it was impracticable to do so.

Service Charges

10. During 2021, the entity incorrectly accounted for revenue relating to the prior financial year in the current financial year. Revenue from exchange transactions is therefore overstated in the annual financial statements. Consequently, revenue from exchange transaction is

overstated by an amount of R3 444 086. This also has an impact on the deficit for the period and on the accumulated deficit.

11. The municipality did not have adequate systems to maintain records for interest charged. This resulted in service charges and receivables from exchange transactions being understated by R1 415 286. In addition I was unable to obtain sufficient appropriate audit evidence that service charges (revenue foregone) for the amounts disclosed as service charges.I could not confirm service charges by other means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R145 929 228 in note 25 of the financial statements. Since the service charges balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary.

Context for the opinion

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

13. I am independent of the municiplaity 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.

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

Material uncertainty relating to financial sustainability

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

16. I draw attention to note 56 to the financial statements, which indicates that numerous events or conditions identified like the municipality's ability to pay its creditors within 30 days, the current liabilities exceed current assets and the national lockdown on ageing of debtors and the settlement of outstanding accounts that may cast significant doubt on the entity's ability to continue as a going concern. As stated in note 56, these events or conditions, along with the other matters as set forth in note 56, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

18. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the financial statements of the municipality at, and for the year ended 30 June 2022.

Material impairment – trade debtors

19. As disclosed in note 9 and 10 to the financial statements, material impairments of R327 133 339 were incurred as a result of provision for impairment of receivables from exchange and non-exchange transactions.

Material underspending on conditional grants

20. As disclosed in the Grants and subsidies disclosure, the municipality materially underspent the conditional grants by R15 013 816.

Material losses - electricity

21. As disclosed in note 48.8 to the financial statements, material electricity losses of R52 370 969 (2021: R59 700 003) was incurred, which represents 12.21% (2021: 12.79%) of total electricity purchased.

Other matters

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

Unaudited disclosure notes (MFMA 125)

23. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Unaudited supplementary schedules

24. The supplementary information set out on Appendix A to G does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting for the financial statements

25. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

26. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

27. 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.

28. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

29. 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 Objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

30. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

31. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the municipality's annual performance report for the year ended 30 June 2022:

Objective	Pages in the annual performance report
Objective 7: Provision of access to all basic services rendered to residents within the available resources	x – x

32. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

33. The material findings on the usefulness and reliability of the performance information of the selected objectives are as follows:

Objective 7: Provision of access to all basic services for rendered to residents within the available resources

Various indicators

34. Measures taken to improve performance have not been disclosed appropriately in the Annual Performance Report

Indicator number	Indicator description	Planned target	Reported achievement
TL17	TL17 60% of the maintenance budget of waste management spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100	60%	35.69%
TL36	TL36 60% of the water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	60%	32.6%
TL38	TL38 Achieve a 90% water quality quarterly as per SANS 241 requirements for all water sampling points	90%	47.27%
TL39	60% of the waste water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved TL39 budget)x100)	60%	30.90%
TL40	TL40 60% of the roads and stormwater maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	60%	33.20%

TL43	TL43 60% of the electricity maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	60%	49.81%
TL46	TL46 70% of approved budget spent by 30 June 2022 for the development of 12 boreholes in De Aar (Northern scheme) {(Actual expenditure divided by the total approved budget) x 100	70%	25.82%
TL47	TL47 50% of approved budget spent by 30 June 2022 for the construction of internal Sewer reticulation for Mziwabantu in Britstown {(Actual expenditure divided by the total approved budget) x 100}	50%	39.54%

Indicators with limitation on the Denominator

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

No	Indicator number	Indicator Description	Reported achievement
1	TL17	TL17 60% of the maintenance budget of waste management spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100	35.69%
2	TL36	TL36 60% of the water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	32.6%
3	TL39	TL39 60% of the waste water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	30.90%
4	TL40	TL40 60% of the roads and stormwater maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	33.2%
5	TL43	TL43 60% of the electricity maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	49.81%

Various indicators

36. The achievements reported in the annual performance report materially different from the supporting evidence provided

Indicator number	Indicator description	Reported value	Recalculated value	Difference
TL22	TL22 Number of formal properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering)(Excluding Eskom areas) and billed for the service as at 30 June 2022	7048	4626	2422
TL41	TL41 Limit % electricity unaccounted for to 18% by 30 June 2022 [(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) x 100]	12.25%	20.25%	7.95%

Various Indicators

37. Material differences were identified in the numerator of the indicators listed below:

Indicator number	Indicator description	Reported value	Recalculated value	Difference
TL17	TL17 60% of the maintenance budget of waste management spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100	R 360 944.80	R 409 722.19	R 48 777
TL36	TL36 60% of the water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	R 607 490.57	R 744 556.13	R 137 066
TL39	TL39 60% of the waste water maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	R321 206.77	R392 727.34	R71 521
TL40	TL40 60% of the roads and stormwater maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)X100)	R569 457.66	R617 876.79	R48 419
TL43	TL43: 60% of the electricity maintenance budget spent by 30 June 2022 ((Actual expenditure divided by the approved budget)x100)	R1 735 652.34	R1 643 503.2	R92 149

Other matter

38. I draw attention to the matters below.

Achievement of planned targets

39. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on thereliability of the reported performance information in paragraph(s) x to x of this report.

Adjustment of material misstatements

40. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information objective of Provision of access to all basic services to residents within available resources. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

41. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Annual financial statements, performance reports and annual reports

43. 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 current assets,current liabilities, net assets, revenue, 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 supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

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

45. Reasonable steps were not taken to prevent irregular expenditure amounting to R3 310 165 as disclosed in note 47.3 to the annual financial statements, in contravention of 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 contracts that were not in place with suppliers of goods and services.

46. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 639 871 as disclosed in note 47.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditu re was caused by interest paid to creditors on overdue accounts.

47. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R80 718 672, as disclosed in note 47.1 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 votes.

Revenue management

48. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Strategic planning and performance management

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

Asset management

50. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services and considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by section 14(2)(a) of the MFMA.

Procurement and contract management

51. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1).Similar non-compliance was also reported in the prior year]Similar non-compliance was also reported in the prior year.

52. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as precsribed by the SCM policy, in contravention of SCM Regulations 16(b) and 17(1)(b).

53. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

54. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). Similar non-compliance was also reported in the prior year.

55. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year.

56. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

57. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44.

58. The preference point system was not applied for the procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.

Consequence management

59. 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.

60. Irregular expenditure and 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.

Human resource management

61. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1) (d) of the MSA.

Other information

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

63. 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.

64. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

66. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the Annual performance report and the findings on compliance with legislation included in this report.

67. Management did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored

68. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

69. Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

70. Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities

71. Management did not ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with legislation.

72. Management did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively

73. Management did not establish and implement an IT governance framework that supports and enables the business, delivers value and improves performance.

74. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

75. Management did not implement controls over daily and monthly processing and reconciling of transactions.

76. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

77. Management did not review and monitor compliance with applicable legislation.

Material irregularities

78. 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 the material irregularities reported in the previous year's auditor's report.

Material irregularities in progress

79. I identified a material irregularity during the 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 response from the accounting officer. This material irregularity will be included in the next year's auditor's report.

Suspected material irregularities identified during the audit

Bank account details of suppliers were changed

80. In 2020, fraudulent payments were flagged by the bank relating to payment details that did not agree to the creditor. A former employee changed the banking details of suppliers to his own bank account. The municipality's processes were overriden and did not identify that fraudulent payments of R 1 501 024.18 were made to an incorrect bank account. The payments that were made related to contributions of compensation for injury on duty. An investigation by the internal audit unit on 23 September 2019 concluded that this was as a result of supplier details being changed to the municipality's former employee's banking details.

81. The accounting officer was notified of the suspected material irregularity that resulted in a likely financial loss on 24 November 2021 and invited to make a written submission on the actions taken and to be taken to address the matter. The following actions have been taken by the accounting officer to address the material irregularity:

- The accounting officer reported the matter to SAPS for criminal investigation on 12 February 2021 and possible recovery of the losses. The Hawks are in the process of investigating the matter.

- The Financial Disciplinary Board held a meeting on 25 August 2022 with the purpose of investigating the matter, however delays were caused by insufficient information being available at the time of the meeting. Some board memebers resigning subsequently and at the time of this report the appointment of new members was not yet concluded.

- Subsequent to the notification being issued, internal controls were designed and implemented in expenditure management. The controls include the verification of supplier banking details before payments are made.

82. I will follow up on the progress of the material irregularity during my next audit.

Status of previously reported material irregularities

Eskom accounts not paid within 30 days

83. Eskom invoices received during the period 1 April 2019 to 29 March 2020, for bulk electricity were not all not paid within the prescribed 30 day period, in contravention of section 65(2)(e) of the MFMA. The non-compliance resulted in a financial loss in the form of interest of R4 352 443 being levied and paid to the supplier on the outstanding balances.

84. The accounting officer was notified of the material irregularity on 7 June 2021. The accounting officer instituted an investigation into the matter and the investigation was completed on 5 July 2021. The outcome of the investigation stated that officials could not be held responsible for the non-compliance that occurred and the financial loss suffered by the municipality, and therefore no disciplinary steps need to be taken in accordance with the policies of the municipality. This was due to unfunded annual budgets, low collection rates and the municipality being in financial distress.

85. On 2 September 2022 I followed up on the progress of the material irregularity. The municipality adhered to the payment arrangement entered into with Eskom in October 2020 and reduced the interest payable on the Eskom account. The municipality has made some progress in terms of paying the Eskom account. Total payments for interest for the current year amounted to R3 912 790 which is slightly lower than the previous year's interest incurred.

86. The following actions are planned by the accounting officer to further address the material irregularity:

    - Continue to adhere to the payment terms as agreed to with Eskom and to ensure ensure that current debt is settled timeously to prevent further losses from incurred.

87. I will follow up on the progress of the planned actions during my next audit.

Other reports

88. In addition to the investigations relating to material irregularities,I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

89. The Directorate for Priority Crime Investigation (Hawks) is investigating allegations of irregularities where banking details of suppliers were changed before payment was processed. These proceedings were in progress at the date of this report.

Kimberley

Auditor General

30 November 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

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

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

Communication with those charged with governance

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

4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all

relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.