The Accounting Authority
Emthanjeni Local Municipality
45 Voortrekker Street
De Aar
7000

30 November 2023

Reference: 21433REG22/23

Dear Mr. Disang Humphrey Molaole

Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of Emthanjeni Local Municipality for the year ended 30 June 2023.

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act No. 25 of 2004 (PAA) read in conjunction with section 188 of the Constitution of the Republic of South Africa [section 126(3) of the Municipal Finance Management Act 56 of 2003 (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and the annual performance report and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements, the annual performance report, or our audit report on compliance with legislation. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified, these will be communicated to you, and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA the municipality's annual report to be tabled.
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
    - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements, annual performance report and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
    - The signature *Auditor-General* in the handwriting of the auditor authorized to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.

6. The confidentiality of information obtained in an engagement must be observed at all times. In terms of section 50 of the PAA and the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants *(including International Independence Standards)*, the AGSA, or an audit firm appointed in terms of section 25 of the PAA, may not disclose or make available any information obtained during an audit, other than the final auditor's report, to any third party unless this is to a legislature or internal committee of a legislature or a court in a criminal matter and the disclosure has been approved by the auditee and the Auditor-General.

7. Until the steps described in paragraphs 2 and 4 of these documents are completed and the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a final and public document, and you are therefore requested to treat it as confidential.

8. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

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Khanya Booi: Northern Cape

Enquiries: Vuyisile Gumede
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Report of the auditor-general to the 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 1 to 97 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 information with 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, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Emthanjeni 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 Practise (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 qualified opinion

Cash and cash equivalent

3. I was unable to obtain sufficient appropriate audit evidence that cash and cash equivalents costs for the current year is accurate and complete as the underlying records did not agree to the annual financial statements. I was unable to confirm cash and cash by alternative means Consequently, I was unable to determine whether any adjustment was necessary to cash and cash equivalent stated at R18 819 066 (2022:R24 455 018) in note 11 to the financial statements.

4. Additionally, the cash book balances were not correctly disclosed in the notes to the financial statements as required by section 125(a)(ii) of the MFMA. The cash book balances as disclosed in note 11 to the financial statements was overstated by R12 738 702.

Trade and other payables from exchange transaction

5. I was unable to obtain sufficient appropriate audit evidence for trade and other payables included in payables from exchange transactions due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm these trade and other payables by alternative means. Consequently, I was unable to determine whether any further adjustments to trade and other payables stated at R218 292 296 (2022: R139 570 013) in note 17 to the financial statements were necessary.

Receivables from non-exchange transactions

6. The provision for impairment of debtors was not calculated in accordance with the Standards of GRAP 104, Financial Instruments. A general rate was applied for all the debtors in calculating the impairment provision, without assessing the credit risk for a group or subgroup of debtors. I was unable to determine the full extent of the understatement of the provision for impairment of rates.

7. I was unable to obtain sufficient appropriate audit evidence for sundry debtors included in receivables from exchange non transactions due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm these sundry debtors by alternative means. Consequently, I was unable to determine whether any further adjustments to sundry debtors stated at R10 553 059 in note 10 to the financial statements were necessary.

Receivables from exchange transactions

8. The provision for impairment of debtors was not calculated in accordance with the Standards of GRAP 104, Financial Instruments. A general rate was applied for all the debtors in calculating the impairment provision, without assessing the credit risk for a group or subgroup of debtors. I was unable to determine the full extent of the understatement of the provision for impairment of debtors.

9. I was unable to obtain sufficient appropriate audit evidence for other receivables included in receivables from exchange transactions due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm these other receivables by alternative means. Consequently, I was unable to determine whether any further adjustments to other receivables stated at R6 567 260 in note 9 to the financial statements were necessary.

Revenue from exchange transactions

10. Service charges revenue was not recognised as required by GRAP 9, *Revenue from exchange transactions*. Properties were identified for which service charges were calculated using incorrect tariffs.Consequently, service charges revenue was understated by R4 773 302 and receivables from exchange transactions was overstated by R5 489 297. Additionally, there was an impact on the accumulated deficit.

Bulk purchases

11. I was unable to obtain sufficient appropriate audit evidence for bulk purchases due to a lack of proper record keeping and reconciliations of control accounts. I was unable to confirm these bulk purchases by alternative means. Consequently, I was unable to determine whether any further adjustments to bulk purchases stated at R87 554 248 in note 36 to the financial statements were necessary.

Finance costs

12. I was unable to obtain sufficient appropriate audit evidence for finance costs, as supporting evidence was not provided. I was unable to confirm the finance costs by alternative means. Consequently, I was unable to determine whether any adjustments finance costs stated at R22 617 777 (2022: R13 963 680) in note 35 to the financial statements were necessary.

Fines written off

13. I was unable to obtain sufficient appropriate audit evidence for fines written off, as supporting evidence was not provided. I was unable to confirm the finance costs by alternative means. Consequently, I was unable to determine whether any adjustments fines written off at R7 508 954 in the financial statements were necessary.

Contracted services

14. During 2022, 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.

Irregular expenditure

15. During 2022, 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 R26 464 223.

Context for opinion

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

17. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Material uncertainty relating to going concern

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

20. 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 creditors within 30 days, the current liabilities exceed the current assets, the aging of debtors and the settlement of outstanding accounts may cast significant doubt on the entity's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

22. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 22 were restated as a result of an error in the financial statements of the municipality for the year ended 30 June 2023.

Material impairment – trade debtors

23. As disclosed in note 9 and 10 to the financial statements, material impairment of R 298 350 151 was incurred as a result of provision of impairment of receivables from exchange and non-exchange transaction.

Other matters

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

Unaudited disclosure notes

25. 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.

Unaudited supplementary schedules

26. The supplementary information set out on pages 98 to 101 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 officer for the financial statements

27. 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 the 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.

28. 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

29. 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.

30. 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

31. 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 objectives presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Objective	Page numbers	Purpose
Provision of access to all basic services rendered to residents within the available resources.	X-X	To provide basic services to all the residents
Contribution to the development and protection of the rights and needs of all residents with a particular focus on the poor	X-X	To provide free basic service to the poor

33. I evaluated the reported performance information for the selected objectives 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.

34. I performed procedures to test whether:

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

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

36. I did not identify any material findings on the reported performance information for the Contribution to the development and protection of the rights and needs of all residents with a particular focus on the poor.

37. I identified material findings on the reported performance information for the Provision of access to all basic services rendered to residents within the available resources.

38. The material findings on the reported performance information for the selected objective are as follows:

Provision of access to all basic services rendered to residents within the available resources.

Indicators with limitation

39. 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	TL16	60% of the maintenance budget of waste management spent by 30 June 2023	79,61%
2	TL34	60% of the water maintenance budget spent by 30 June 2023	52,64%

3	TL35	Limit unaccounted for water to 25% by 30 June 2023	10,23%
4	TL37	60% of the waste water maintenance budget spent by 30 June 2023	75,47%
5	TL38	60% of the roads and stormwater maintenance budget spent by 30 June 2023	61,09%
6	TL39	Limit % electricity unaccounted for to 20 % by 30 June 2023	11,35%
7	TL41	60% of electricity maintenance budget spent by 30 June 2023	22,08%
8	TL48	10% of approved budget spent by 30 June 2023 for the replacement and upgrade of De Aar West electricity transformers	6,44%
9	TL49	60% of approved budget spent by 30 June 2023 for the paving of town entrances in Emthanjeni Phase	100%

Other matter

40. I draw attention to the matter below.

Achievement of planned targets

41. 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.

Report on compliance with legislation

42. 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.

43. 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.

44. 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.

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

Annual financial statements, performance reports and annual reports

46. 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, 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 supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

47. Some of the contracts above R30 million did not include a condition for mandatory subcontracting to advance designated groups, as required by the 2017 Preferential Procurement Regulation 9(1). This non-compliance was identified in the procurement processes for the development of boreholes phase 1 and phase 2 in De Aar.

48. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 Preferential Procurement Regulation 8(5). This non-compliance was identified in the procurement processes for the supply and delivery of cold premix bags: SCM Notice: 29/2023.

49. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5. Similar non-compliance was also reported in the prior year.

50. The performance of the contractors was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

51. 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.

Expenditure management

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

53. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with PPR 2017 section 9.

Utilisation of conditional grants

54. Performance in respect of programmes funded by the Energy Efficiency and Demand Management Grant was not evaluated within two months after the end of the financial year, as required by section 11(6)(b) of the Division of Revenue Act.

Consequence management

55. All instances of the 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.

56. Authorisation of unauthorised expenditure amounting to R230 117 261 was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.

57. All instances of the irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

58. All instances of the 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.

59. Unauthorised expenditure were certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.

Strategic planning and performance management

60. 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).

HR 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 in the annual report

62. 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 those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

63. 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.

64. 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 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, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

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

68. Review and monitor compliance with applicable laws and regulations.

69. 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.

70. Implement controls over daily and monthly processing and reconciling of transactions

71. Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

72. 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 laws and regulations.

73. Develop and monitor the implementation of action plans to address internal control deficiencies.

74. Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

75. Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.

76. Establish an IT governance framework that supports and enables the business, delivers value and improves performance.

Material irregularities

77. 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.

Status of previously reported material irregularities

Bank account details of suppliers were changed

78. 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 overridden 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.

79. 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 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 members 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.

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

Eskom accounts not paid within 30 days

81. 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.

82. 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.

83. On 01 November 2023 I followed up on the progress of the material irregularity and on the 16 November the accounting officer provided feedback. The municipality has not complied with the payment arrangement and has not made significant progress in terms of lowering the total amount owed to Eskom. The interest for the current year has increased in comparison to the interest paid in the prior year.

84. I have concluded that appropriate actions are not been taken to address the material irregularity.

85. I am in the process of determining the most suitable action to take.

Use of consultants

86. The municipality makes use of consultants for the preparation of annual financial statements while having suitably qualified employees within the municipality to compile financial statements.

87. The accounting officer was notified of the material irregularity on 12 September 2023. The accounting officer instituted an investigation into the matter and the investigation was completed on 18 November. The following actions have been planned by the accounting officer to address the material irregularity:

    - The municipality has created a vacancy of a finance official who will be responsible for preparation of the annual financial statement.
    - Officials will regularly attend GRAP training offered by Provincial Treasury and the current consultants will be transferring skills to the identified officials.

- The municipality is currently preparing a consultant reduction plan which should be adopted by council by May 2024.

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

Other reports

89. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. 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.

90. 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.

Auditor General

Auditor-General

Kimberley

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

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 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:

LOCAL MUNICIPALITIES

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, 2017	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), 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)

Legislation	Sections or regulations
	Parent municipality with ME: Sections 93B(a), 93B(b) **Parent municipality with shared control of ME:** Sections 93C(a)(iv), 93C(a)(v)
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)