Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Thembelihle Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Thembelihle Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, 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 Thembelihle Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for infrastructure assets included under property plant and equipment, as the municipality did not maintain adequate records. I was unable to confirm the infrastructure assets by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to infrastructure assets stated at R192 410 858 (2022: R171 581 194) in note 8 to the financial statements.

4. I was unable to obtain sufficient appropriate audit evidence for capital work in progress included under property plant and equipment, as the municipality did not maintain adequate records. I was unable to confirm capital work in progress by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to capital work in progress stated at R45 517 783 (2022: R59 432 128) in note 8 to the financial statements.

5. The municipality did not recognise all items of property, plant and equipment in accordance with *GRAP 17, Property, plant and Equipment*. Community assets were incorrectly classified as buildings and the municipality overstated the opening balance of buildings due to not accounting for the movements (depreciation, impairment and disposals) of the prior year. Consequently, community assets were understated by R2 091 443 and buildings overstated by R2 091 443 and community assets are also overstated by an amount of R1 498 834. In addition, the municipality did not assess the impairment of buildings in accordance with *GRAP 21, Impairment of non-*

cash-generating assets. This resulted in impairment of assets being understated at and buildings included in property, plant and equipment being overstated by R486 369.

6. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for change in provision movement included under landfill site, due to the status of the accounting records and non-submission of information in support of the change in provision movement. I was unable to confirm the change in provision as it was impractical to do so.

Investment property

7. The municipality did not recognise all items of investment property in accordance with *GRAP 16, Investment Property*, as the municipality did not recognise all investment property registered in the municipality's name. I was unable to determine the full extent of the understatement of investment property as it was impracticable to do so. Additionally, there was an impact on the accumulated surplus.

Revenue from exchange transactions

8. The municipality did not recognise all sales of water as required by *GRAP 9*, *revenue from exchange transaction.* Properties were identified for which sale of water was not billed and recorded, I was unable to determine the full extent of the understatement of the sale of water included in services charges and service debtors for water included in receivables from exchange transactions and VAT payable as it was impracticable to so for the current year and prior year. There was a resultant impact on the deficit for the period and on the accumulated surplus.

9. During 2022, the municipality did not recognise sale of electricity as included in service charges in accordance with *GRAP 9, Revenue from exchange transactions*, as the municipality did not charge all customers service charges for all months. I was unable to determine the full extent of the understatement on sale of electricity as included in service charges and receivables from exchange transactions for the current and previous year, as it was impracticable to do so.

Receivables from exchange transactions

10. 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. Consequently, I was unable to determine the full extent of the misstatement of the provision for impairment and provision for impairment adjustment for the current year and the prior year as it was impracticable to do so.

Receivables from non-exchange transactions

11. 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. Consequently, I was unable to determine the full extent of the misstatement of the provision for impairment and provision for impairment adjustment for the current year and the prior year as it was impracticable to do so.

Inventory

12. The municipality did not account for inventory in accordance with *GRAP 12*, *Inventory*. The municipality did not include all the costs incurred in bringing the inventory into its current location and condition as costs of extraction and infrastructure costs were not capitalised. I was unable to determine the full extent of the understatement of inventory for the current year and the prior year as it was impracticable to do so. Additionally, there was a resulting impact on Inventory consumed.

Payables from exchange transactions

13. I was unable to obtain sufficient appropriate audit evidence for accrued leave as the municipality did not maintain adequate records. I was unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the accrued leave stated at R3 085 845 (2022: R2 883 656) in note 13 to the financial statements.

Other financial liabilities

14. I was unable to obtain sufficient appropriate audit evidence for other financial liabilities as the municipality did not maintain adequate records. I was unable to confirm the balances by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to other financial stated at R4 356 513 in note 15 to the financial statements.

Provision of landfill sites

15. The municipality did not have adequate systems in place to account for provisions for landfill sites, in accordance with *GRAP 19*, *Provisions, Contingent Liabilities and Contingent Assets*, as we identified various errors in the determination of the net present value. I was unable to determine the full extent of the understatement of the provision for landfill sites for the current year as it was impracticable to do so. Additionally, there was a resultant impact on the surplus and on the accumulated surplus in the financial statements.

Unauthorised expenditure

16. The municipality did not correctly disclose unauthorised expenditure incurred as required by section 125 (2)(d)(i) of the MFMA, due to a lack of sufficient appropriate systems. Consequently, I was unable to determine the full extent of the misstatement for the current and prior years as it was impractical to so do.

Irregular expenditure

17. 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 payments made in contravention of the supply chain management requirements. I was unable to determine the full extent of the understatement of irregular expenditure for the current year and the prior year as it was impracticable to do so.

Distribution losses

18. The municipality did not recognise water and electricity losses in accordance with section 125(2)(d) of the MFMA, due to the municipality not maintaining adequate records of the number of water and electricity meters for own consumption. Due to the absence of the accurate information required to calculate distributions losses, the full extent of the losses for the current and prior year could not be determined as it was impracticable to do so.

Budget statement

19. The municipality did not have adequate systems in place to properly account for budgeted and actual amounts disclosed in the statement of comparison of budget and actual amounts in accordance with *GRAP 24*, *Presentation of budget information in financial statements*. The impact on the financial statements is that the variances analysis will not be correct.

Segment reporting

20. The municipality did not disclose the financial performance of the various reporting segments for the current and prior year in accordance with *GRAP 18, Segment Reporting*. I have not included the omitted information in this auditor's report as it was impracticable to do so.

Cash flow statements

21. The municipality did not correctly prepare and disclose the net cash flows from operating and investing activities as required *Standards of GRAP 2*, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating and investing activities. I was not able to determine the full extent of the errors in the net cash flows from operating and investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating and investing activities stated at R193 761 891 (2022: R155 624 898) and R2 946 919 (2022: -13 580 271) respectively in the financial statements were necessary.

Context for opinion

22. 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.

23. 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.

24. 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

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

26. I draw attention to note 53 to the financial statements, which indicates that a deficit of R123 124 440 during the year ended 30 June 2023 and, the municipality cash flow during the year, which resulted in major creators not being paid timeously. As stated in note 53, these events or conditions, along with other matters as set forth in note 53, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matter

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

Restatement of corresponding figures

28. As disclosed in note 49 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality for the year ended 30 June 2023.

Other matter

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

Unaudited disclosure notes

30. 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

31. 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.

32. 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

33. 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.

34. 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

35. 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.

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

Development priority	Page numbers	Purpose
Basic services and infrastructure	x – x	To ensure 100% service delivery planning within the municipality by developing all 100% sector plans thereby ensuring that the residents of the municipality are all serviced To improve the operations and maintenance capacity of the municipality and its infrastructure through planning and implementation by ensuring 100% alignment of O&M budgeting and implementation

37. 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.

38. 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.

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

40. The material findings on the reported performance information for the selected development priority are as follows:

Basic services and infrastructure

Achieve 100% compliance with SANS241 on all water samples

41. An achievement of "0" was reported against a target of 100% but the audit evidence showed the actual achievement to be 91.67%. The achievement against the target was better than reported.

Various indicators:

42. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Key Performance indicator	Target	Reported achievement
Reduce water losses from 68% to 30%	30%	74%
Reduced electricity losses from 40% to 10%	10%	0

Various indicators

43. A measure of improvement was reported to improve the performance against the following targets. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Indicator	Target	Measure
Reduce water losses from 68%to 30%	Water losses reduced to 30%	The meters was attended to but a lot water was lost.
Reduced electricity losses from 40% to 10%	4 Quarterly reports on electricity losses	Electrical department has sent its recommendation to management but no feedback has been given.
Achieve 100% compliance with SANS 241 on all water samples	100% water samples complying with SANS241	Investigation to be conducted by the Technical Manager
Construction of 471 Pour flush toilets	Construction of 471 pour flush toilet	Repairs were made. Snag list is still being attended to.
Report on upgrading of waste water treatment works phase 2	Quarterly reports on WWTW	None
Report on maintenance of roads and storm water channels	4 Quarterly Reports	PMU Technician position to be advertised.
Report on the maintenance of streets lights	4 Quarterly reports of streetlights	Appointment of an acting accounting officer
Report on the drought relief boreholes projects	4 Quarterly reports	Equipping of 2 boreholes with wind turbines in Strydenburg Replacing Kraankuil and Yellow pump boreholes
Paving of wild street	100 % completion of the paving of Wild Street	20m length is to be completed by 20 July 2023.

Reduce electricity losses from 40% to 10%

44. The target of 10% included for the indicator reduce electricity losses from 40% to 10% in the approved service delivery and implementation plan was changed to 4 quarterly reports on electricity losses without the necessary approval.

Other matters

45. I draw attention to the matters below.

Achievement of planned targets

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

Material misstatements

47. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic services and infrastructure. Management did not correct the misstatement and I reported material findings.

Report on compliance with legislation

48. 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.

49. 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.

50. 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.

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

Annual financial statements and annual report

52. 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, non-current assets, current liabilities, non-current liabilities, revenue, expenditure

and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

53. The 2021/22 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

Procurement and contract management

54. 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 Supply Chain Management Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

55. 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). 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.

56. Some of the contracts were awarded to a provider whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43.

57. Some of the construction contracts were awarded to contractors that were not registered with the CIDB in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A).

58. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.

59. The performance of some of the contractors or providers 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. This non-compliance was identified in the procurement processes for the construction of pour flush toilets, Electrification of hillside and refurbishment of Hopetown waste water treatment works phase 2.

60. 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.

Expenditure management

61. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the unauthorised expenditure was caused by over expenditure incurred by municipal departments on their operating budgets.

62. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.

63. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R8 028 092, as disclosed in note 38 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties charged on late payments to suppliers. .

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

Consequence management

65. 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.

66. Irregular expenditure and fruitless and wasteful 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.

Strategic Planning and performance management

67. No Key Performance Indicators were set in respect of the provision of electricity and waste removal services, as required by section 43(2) of the Municipal Systems Act (MSA) and municipal planning and performance management regulation 10(a).

68. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.

69. The Integrated Development Plan was not drafted considering the integrated development process and proposals submitted to it by the district municipality, as required by section 29(3)(b) of the MSA.

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

Revenue management

71. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

72. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Asset management

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

74. Sufficient appropriate audit evidence could not be obtained that capital assets were permanently disposed of that were needed to provide the minimum level of basic municipal service, in contravention of section 14(1) of the MFMA.

75. Sufficient appropriate audit evidence could not be obtained that 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, as required by section 14(2)(a) and 14(2)(b) of the MFMA.

Human resource management

76. Job descriptions were not established for all posts in which appointments were made, as required by section 66(1)(b) of the MSA.

77. 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

78. 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 development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

79. 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.

80. 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 priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

81. 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

82. 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.

83. 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.

84. The leadership of the municipality did not adequately develop and monitor the implementation of action plans to address internal control deficiencies. The municipality developed a plan to

address internal and external audit findings, but the appropriate level of management did not implement and monitor adherence to the plan in a timely manner. This has resulted in repeat findings being identified in the current year audit.

85. The leadership did not exercise adequate oversight responsibility regarding financial and compliance as well as related internal controls. The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall process of planning, budgeting, implementation and reporting. This pertains to the overall performance management systems and processes, annual financial statements and compliance with laws and regulations.

86. The municipality did not adequately prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information. The financial statements contained numerous misstatements, this resulted in the municipality receiving a modified audit opinion.

Other reports

87. 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.

88. During the current year under review the municipality requested Provincial Treasury to investigating allegations of fraud and corruption relating to the awarding of a tender in the 2020/21 financial year. The investigation was concluded during the current year under review, however, at the date of this report the matter are still to be presented to Council.

Auditor General

Kimberley

08 December 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 development priorities 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	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
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 12(5), 16(1)
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)