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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Sol Plaatje 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 budget vs actual comparative 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 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 Sol Plaatje 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. The municipality did not review the useful lives and indicators of impairment of all completed assets included in property, plant equipment and at each reporting date in accordance with GRAP 17, *Property, plant and equipment* and GRAP 21, *Impairment of non-cash-generating assets*. I was unable to determine the full extent of the overstatement of completed assets included in infrastructure and understatement of impairment, depreciation and amortisation for the current and prior year as it was impracticable to do so. Additionally, there was an impact on the deficit for the period.

4. I was unable to obtain sufficient appropriate audit evidence that infrastructure had been properly accounted for due to prior year adjustments and transactions affecting infrastructure that could not be supported. I was unable to confirm the infrastructure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to infrastructure stated at R1 659 154 265 (2021-22: R1 603 907 589) in note 9 and the correction of error of property, plant and equipment in note 39.3 of the financial statements.

5. Not all items that meet the definition of infrastructure assets in accordance with GRAP 17, *Property, plant and equipment* were recognised as required. Consequently, completed assets included in infrastructure was understated by R17 066 209 (2021-22: R17 066 209). In addition, the municipality did not maintain adequate and complete records resulting in infrastructure assets not being recorded in the asset register. I was unable to determine the full extent of the understatement of completed assets included in infrastructure for the current and the prior year, as it was impracticable to do so. There was a resultant impact on the deficit for the period and on the accumulated surplus.

6. During 2022, the municipality did not account for infrastructure assets in accordance with GRAP 17, *Property, plant and equipment.* Completed infrastructure assets were incorrectly included as under construction. Consequently, infrastructure under construction were overstated by R209 060 167 and completed assets included in infrastructure were understated by R209 060 167. I was unable to quantify the misstatement of the depreciation amount as the municipality did not determine useful lives for these completed assets. There was a resultant impact on the deficit for the period and on the accumulated surplus. My opinion on the current year financial statements is modified because of the effect of this matter on the comparability of infrastructure for the current year.

Service charges

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

8. The municipality did not recognise all sales of water and electricity, as required by GRAP 9, *Revenue from exchange transactions.* As the municipality did not use recent consumption data when calculating interim billing, I was unable to determine the full extent of the understatement of the sale of water and electricity included in service charges and service debtors for water and electricity included in trade receivables from exchange transactions and VAT payable, as it was impracticable to do so for the current 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 have adequate systems in place to account for service charges relating to the sale of water and electricity included in service charges in accordance with GRAP 9, *Revenue from exchange transactions.* Consequently, the sale of water and electricity included in service charges and VAT payable from exchange transactions was understated by R13 448 851, R15 935 904 and R4 407 699 and service debtors for water and electricity from exchange transactions was overstated by R15 466 179 and R18 326 180.

Trade receivables from exchange transactions

10. I was unable to obtain sufficient appropriate audit evidence for the amounts written off as uncollectable included in note 4.3, as written off without the approval of council. I was unable to confirm the debt write off by alternative means. I was unable to confirm the debt write-off by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the amounts written off as uncollectable stated at R119 068 844 (2021-22: R35 269 966) in note 4.3 to the financial statements.

Investment property

11. The municipality did not recognise items that met the definition of investment property in accordance with GRAP 16, Investment property. Investment property was incorrectly classified as land included in community and inventory land in the current and previous year. Consequently, investment property was understated by R38 867 214 (2022: R38 867 214) land included in community, and inventory land was overstated by R33 657 592 (2022: R33 657 592) and R5 209 622 (2021-22: R5 209 622), respectively.

Inventory

12. The municipality did not recognise items that met the definition of inventory in accordance with GRAP 12, *Inventories*, as inventory land were incorrectly classified as investment property for the current and prior year. I was unable to determine the full extent of the understatement of inventory land and overstatement of investment property for the current and prior year, as it was impracticable to do so.

Loss/ write-down of inventory

13. The loss of water inventory was not recognised as required by GRAP12, *Inventories.* Debtors accounts were identified for which water service charges were not billed and recorded that resulted in the total units sold as per the municipality's calculations being misstated. I was unable to determine the full extent of the overstatement of the loss/ write-down of inventory, stated at R78 068 584, as it was impracticable to do so. There was a resultant impact on the water inventory consumed included in general expenses and material losses – water stated at R43 312 026 in note 37 and R77 947 877 in note 46.9 to the financial statements.

Material losses – electricity

14. Material losses – electricity was not recognised as required by section 125(2)(d) of the MFMA. Debtors accounts were identified for which electricity service charges were not billed and recorded that resulted in the total units sold as per the municipality's calculation being misstated. I was unable to determine the full extent of the overstatement of material losses – electricity, stated at R197 509 664 in note 46.9 to the financial statements, as it was impracticable to do so.

Revenue from exchange transactions

15. During 2022, I was unable to obtain sufficient appropriate audit evidence regarding the following items as included in the disclosed balance of R1 252 467 123, which had a cumulative effect on revenue from exchange transactions:

- Other income of R14 516 909
- Rental of facilities and equipment of R16 755 155

I was unable to confirm revenue from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the total revenue. The misstatements are material, remain unresolved in the current year.

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 the statement of financial performance included in the financial statements, which indicates that a net loss of R61 544 568 was incurred during the year ended 30 June 2023. As stated in the statement of financial performance, this event or condition, along with other matters as set forth in note 48.5, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Other matters

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

Unaudited disclosure notes

22. 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

23. The supplementary information set out on pages XX to XX 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

24. 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.

25. 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

26. 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.

27. 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

28. 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 priorities presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

29. I selected the following development priorities presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected development priorities 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 development	XX	To plan for, install, maintain and operate infrastructure, and provide services more efficiently and on a sustainable basis that adequately supports: • transformed spatial structure • economic growth objectives • universal access to basic services, differentiated service requirements of households and human settlements and economic activity
Local economic development	XX	To transform the spatial structure of the city towards an equitable, inclusive, efficient and compact form consisting of a series of integrated and well-connected economic corridors, nodes and attractive mixed-use/ mixed-income sustainable human settlements of varying densities

30. I evaluated the reported performance information for the selected development priorities 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.

31. 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.

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

33. I did not identify any material findings on the reported performance information for the local economic development priority.

34. The material findings on the reported performance information for the basic services and infrastructure management priority are as follows:

Basic services and infrastructure development

Various indicators

35. Based on audit evidence, the actual achievements for three indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially less. Consequently, one target is likely to not be achieved and two targets are likely to be achieved.

Indicator	Target	Reported achievement
15 000 indigent households to receive free basic services (water, electricity, sanitation and waste removal according to national guidelines) by 30 June 2023	15 000	12 033
Decrease electricity losses to 16% by 30 June 2023	16%	29,38%
Decrease water losses to 50% by 30 June 2023	50%	63,99%

Other matters

36. I draw attention to the matters below.

Achievement of planned targets

37. 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.

38. The municipality plays a key role in delivering services to South Africans. The tables that follow provide information on the achievement of planned targets and list the key service

delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages XX to XX.

Basic services and infrastructure development

Targets achieved: 33,3% *Budget spent: 96,82%*		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
15 000 indigent households to receive free basic services (water, electricity, sanitation and waste removal according to national guidelines) by 30 June 2023	15 000	12 033
To upgrade at least 4km access roads to a paved surface in Sol Plaatje area by 30 June 2023	4km	2,47km
Ensure that all identified fleet items to be procured for the year are delivered by 30 June 2023	100%	80%
100% completion for the upgrading of the Carters Glen substation and de-loading of the Galeshewe substation (Phase 3) by 30 June 2023	100%	53%
Number of households in Lerato Park connected to the electricity network by 30 June 2023 (Phase 7)	650	0
Decrease electricity losses to 16% by 30 June 2023	16%	29%
Complete 100% work for the installation of electrical and mechanical components in Lerato Park sewer pump station by 30 June 2023	100%`	28,5%
To complete 60% of the construction phase for the Carters Ridge sewer pump station building with all electrical and mechanical equipment by 30 June 2023	60%	12%
Decrease water losses to 50% by 30 June 2023	50%	64%
To complete the appointment of a service provider for the 100% construction of the foundations for the two elevated water tanks by 30 June 2023	100%	50%

To ensure through effective monitoring that a 98% blue drop status on quality compliance is achieved by 30 June 2023	98%	86%
Number of households in Lethabo Park connected to the electricity network by 30 June 2023 (Phase 1)	1 166	0
To complete the electrification of 1 650 households in Lerato Park by 30 June 2023 (Phases 7 & 8)	411	0
% completion of the Homevale Fire Station by 30 June 2023	100%	97%

Local Economic Development

Targets achieved: 54,6% *Budget spent: 71,96%*		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
To improve the SCM turnaround time to 12 weeks for annual contracts from closing date to date of award by 30 June 2023	12	13.5
To improve the SCM turnaround time to 6 weeks for once off contracts from closing date to date of award by 30 June 2023	6	9
% implementation of business expansion attraction and retention (BEAR) programme as per the annual approved implementation plan by 30 June 2023	100%	17%
% implementation of the training programme for 100 artisans from the unemployment youth aged between 18 and 35 years as part of the developing skilful economies by 30 June 2023	100%	0%

Material misstatements

39. 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 development, as well as local economic development. Management subsequently corrected all the misstatements for local economic development and I did not include any material findings in this report. Management did not correct all the misstatements for basic services and infrastructure development and I reported material findings in this regard.

Report on compliance with legislation

40. 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.

41. 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.

42. 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.

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

Annual financial statements and annual report

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

45. 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

46. 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). In some instances, 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. This non-compliance was identified in the procurement processes for the Lerato Park Housing Development Project.

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

48. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. Similar limitations were also reported in the prior year. This limitation was identified in the procurement processes for the Lerato Park Housing Development Project.

49. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. This limitation was identified in the procurement processes for the Lerato Park Housing Development Project.

50. Sufficient appropriate audit evidence could not be obtained that some contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5. This limitation was identified in the procurement processes for the Lerato Park Housing Development Project.

51. SCM role players whose associates had a private or business interest in contracts awarded by the municipality participated in the process relating to that contract, in contravention of SCM Regulation 46(2)(f).

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 amounting to R142 657 671 as disclosed in note 45.3 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.

54. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R100 574 734 as disclosed in note 45.2 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 paid on overdue accounts.

Consequence management

55. Fruitless and wasteful expenditure and some irregular expenditure and 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

56. The integrated development plan was not adopted by the council after the start of its elected term, as required by section 25(1) of the MSA.

Revenue management

57. Accounts charges for municipal service charges were not prepared monthly, as required by section 64(2)(c) of the MFMA.

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

Asset management

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

Human resource management

60. The municipal manager and senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Environmental management

61. The Homevale, Ritchie and Beaconsfield waste water treatment works were not maintained to prevent defective infrastructure to operate as intended as required by section 63(1)(a) of the MFMA.

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 development priorities 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 development priorities 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, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

68. Leadership was not able to prevent the misstatements and non-compliance identified from occurring as the financial statements and the support to it was not sufficiently reviewed. There were instances of material non-compliance that were caused by the leadership, which added to the negative audit outcomes.

69. Management did not maintain an effective records management system between the different directorates to support performance reporting.

Material irregularities

70. 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

Municipal accounts not paid within 30 days

71. Eskom invoices received during the period 1 July 2019 to 30 June 2020 for bulk electricity purchases were not always 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 R5 618 616 being levied and paid to the supplier on the outstanding balances.

72. I notified the accounting officer of the material irregularity on 30 August 2022 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer had not taken any action in response to being notified of the material irregularity.

73. recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented within 6 months from date of notification, 1 July 2024, with progress report after 3 months:

    Appropriate action should be taken to obtain the relevant approval from council and commence with the implementation of the revenue enhancement plan to address the financial problems of the municipality that are preventing the Municipality from paying Eskom within 30 days, as required by MFMA section 65(2)(e). The financial plan should include realistic timeframes and milestones to be achieved and include as a minimum strategies to:

    (a) Implement the revenue enhancement interventions with the intention to increase the collection of revenue;

    (b) Efficiently manage the available resources of the municipality to optimise and reduce costs;

    (c) Reduce electricity distribution losses; and

    (d) Negotiate a reasonable payment arrangement with Eskom and properly budget for the amounts to be paid.

Material irregularities in progress

74. I identified other material irregularities during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, the responses of the accounting officer were outstanding. I am in the process of determining the most suitable further action to take. These material irregularities will be included in next year's auditor's report.

Other reports

75. 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.

76. The Directorate for Priority Crime Investigation (Hawks) is investigating allegations of fraud, corruption and money laundering relating to the municipality. These proceedings were in progress at the date of this report.

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 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), 32(6)(a), Sections 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), Sections 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), Sections 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), Sections 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulation 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), 17(1)(b), Regulations 17(1)(c). 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a) and (b), 29(5)(a)(ii), 29(5)(b)(ii), Regulations 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), Regulations 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Sections 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, 2004	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)

Legislation	Sections or regulations
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)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 27(1), 29(1)(b)(ii), 29(2)(a), Sections 29(2)(c), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, Sections 43(2), 56(a), 57(2)(a), 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), Sections 67(1)(d),74(1), 93J(1), 96(b) 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(5)(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)