

Report of the auditor-general to the Free State Legislature and the council on the Mohokare Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mohokare Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, the statement of changes in net assets, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the 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 Mohokare Local Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for qualified opinion

Service charges

3. The municipality did not recognise revenue in terms of Generally Recognised Accounting Practice 9, *Revenue from exchange transactions*. The municipality did not read all water meters on a monthly basis and the reasonability of the estimated units levied on the billing system could not be confirmed. Due to the volume of transactions involved, I was unable to determine the full extent of the overstatement of service charges and receivables from exchange transactions in the current and previous years. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R67 299 066 (2017: R60 307 071) in the financial statements.

General expenses

4. I was unable to obtain sufficient appropriate audit evidence for general expenses, as the municipality could not provide evidence that goods and services were actually received and utilised for official purposes. I was unable to confirm the general expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the general expenditure stated at R29 336 666, as disclosed in note 36 to the financial statements. Additionally, there was a resultant impact on payables from exchange transactions.

Commitments

5. I was unable to obtain sufficient appropriate audit evidence for commitments due to the status of the accounting records. The municipality did not have adequate systems of internal control to ensure that all commitments were recorded in the commitments register at the correct commitment values. I was unable to confirm commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to commitments stated at R175 006 712 (2017: R96 807 809) in note 39 to the financial statements. Furthermore, the municipality disclosed certain commitments at values that differed from the underlying project documentation.

Unauthorised expenditure

6. The municipality did not disclose all instances of unauthorised expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality did not include unauthorised expenditure relating to capital spending in the amount calculated for the year. In addition, underspending on certain of the votes was set off against overspending on other votes in the approved budget. I was unable to determine the full extent of the misstatement of unauthorised expenditure stated at R255 890 739 in note 47 to the financial statements, as it was impracticable to do so.

Irregular expenditure

7. The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in contravention of the supply chain management (SCM) requirements, which were not disclosed as irregular expenditure. In addition, the municipality utilised Dora grant allocations for purposes other than those stipulated in the schedules and the grant frameworks. I was unable to determine the full extent of the understatement of irregular expenditure stated at R30 791 754 (2017: R20 241 445) in note 49 to the financial statements, as it was impracticable to do so.

Total revenue

8. In addition to the individually material uncorrected misstatement on service charges, revenue was materially misstated by R2 471 229 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:
 - Interest received stated at R3 206 029 was understated by R221 662
 - Other income stated at R368 257 was overstated by R123 432
 - Property rates stated at R7 694 858 was understated by R193 999
9. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm by alternative means government grants and subsidies of R2 179 000.

Total expenditure

10. In addition to the individually material uncorrected misstatement on general expenses, expenditure was materially misstated by R2 793 991 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:
- Employee related costs stated at R67 392 782 was overstated by R2 979 691
 - Lease rentals on operating lease stated at R413 918 was understated by R185 700

Context for the opinion

11. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
12. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the 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.
13. 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

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.
15. Note 45 to the financial statements indicates that as at 30 June 2018, the municipality's current liabilities exceeded its current assets by R63 547 749. The municipality has been deducting pension from employee's salaries, but has been unable to pay over R39 405 103 (2017: R30 757 301) of these amounts deducted to the relevant third parties, as disclosed in note 40. These events or conditions, along with other matters as set forth in note 45, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Pension fund contributions

17. As disclosed in note 40 to the financial statements, the pension funds issued notices of motion against the municipality relating to long-outstanding employee deductions as well as council contributions. As at 30 June 2018, the outstanding payments to the pension funds totalled R39 405 103 (2017: R30 757 301). This amount is included in the staff salaries and third parties payables as per note 15 to the financial statements. The act by management of withholding contributions and not paying it over to the relevant schemes is likely to result in adverse financial consequences for the employees.

Capital projects

18. As disclosed in note 10 to the financial statements, several of the municipality's capital projects are taking much longer to be completed as a result of the termination of services of consulting engineers and contractors due to poor project management and workmanship.

Restatement of corresponding figures

19. As disclosed in notes 42 and 43 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Material impairment

20. As disclosed in note 4 to the financial statements, receivables from exchange transactions were impaired by R180 395 268 (2017: R138 256 385). In addition, as disclosed in note 5 to the financial statements, receivables from non-exchange transactions were impaired by R90 084 738 (2017: R51 424 211).

Material losses

21. As disclosed in note 50 to the financial statements, the municipality incurred material electricity distribution losses of R6 702 185 (2017: R7 198 627), mainly due to tampering with meters, the incorrect ratios used on bulk meters, faulty meters, and illegal electricity connections.

Fruitless and wasteful expenditure

22. As disclosed in note 48 to the financial statements, fruitless and wasteful expenditure of R11 606 551 (2017: R5 483 951) was incurred during the current and previous financial year, due to interest on overdue accounts as well as fines and penalties on late payments.

Other matters

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

Unaudited disclosure notes

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

Unaudited supplementary information

25. 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 thereon.

Responsibilities of the accounting officer for the financial statements

26. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
27. In preparing the financial statements, the accounting officer is responsible for assessing the Mohokare Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

28. 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.
29. 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

30. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas (KPAs) presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
31. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected KPA presented in the annual performance report of the municipality for the year ended 30 June 2018:

KPA	Pages in the annual performance report
KPA 1: basic service delivery and infrastructure development	x – x

32. The material findings in respect of the usefulness and reliability of the selected KPA are as follows:

KPA 1: basic service delivery and infrastructure development

Various indicators

33. The reported achievements for the following indicators and targets were not consistent with the planned indicators and targets approved in the service delivery and budget implementation plan:

Key performance indicator	Planned target	Reported achievement
Upgrading of the Rouxville Waste Water Treatment Works	Appointment of a contractor and site establishment by 30 June 2018	Not achieved
Installation of 4 high mast lights in Roleleathunya	X4 30m high mast lights installed by 30 June 2018	Achieved, 2 installed but not connected
Upgrading of the Zastron raw water pump station	Equipping of the 2 raw water pump stations with mechanical and electrical(M&E) components by 30 June 2018	Not achieved
10793 of formal households with water in MLM daily	Provision of drinking water to 10793 HH in MLM(100%)	Not achieved
10793 HH of receiving weekly domestic waste collection services	10793 HH receiving domestic waste collection services	Not achieved
Upgrading of 1.7 km access roads in Roleleathunya	15% physical progress on site by 30 June 2018	Not achieved
Maintenance of roads by June 2018	Re-gravelling of 6km gravel roads	Not achieved
Upgrading of the 0.6 km Zama access road in Matlakeng	60% physical progress on site by 30 June 2018	Not achieved

Installation of 180 onsite sanitation systems by June 2018

34. The measures taken to improve performance against the target *Installation of onsite sanitation toilet systems for 180 HH in Refengkhotoso*, were not included in the annual performance report.

Various indicators

35. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against the performance targets below as reported in the annual performance report. This was due to limitations placed on the scope of my work. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported measures taken to improve performance.

Key performance indicator	Annual target	Reported actual achievement
Installation of 180 onsite sanitation systems by June 2018	Installation of onsite sanitation toilet systems for 180 HH in Refengkhotoso	Not achieved Only 43 units were completed

10793 of formal households with water in MLM daily	Provision of drinking water to 10793 HH in MLM(100%)	Not achieved
10793 HH of receiving weekly domestic waste collection services	10793 HH receiving domestic waste collection services	Not achieved
Maintenance of roads by June 2018	Re-gravelling of 6km gravel roads	Not achieved
Upgrading of the 0.6 km Zama access road in Matlakeng	60% physical progress on site by 30 June 2018	Not achieved

All indicators

36. A comparison between the planned and actual performance of the year under review and the previous year was not included in the annual performance report for all indicators of KPA 1: basic service delivery and infrastructure development.

Smithfield bulk water supply

37. The source information and method of calculation for the achievement of the planned indicator were not clearly defined.

Various indicators

38. Material differences were noted between the summarised indicator grant expenditure tables in support of the annual performance report, reported actual achievement in the annual performance report, grant expenditure per commitment register, grant expenditure per grant register and grant expenditure as per the grant note in the annual financial statements for the indicators below:

Key performance indicator	Annual target	Reported actual achievement
To execute work amounting to R20 million on RBIG (Regional bulk infrastructure grant) by 30 June 2018	R20 000 000 to be certified as work done by 30 June 2018	Actual expenditure incurred: R12 478 471,54 Not achieved
To execute work amounting to R30 million on WSIG (Water services infrastructure grant) by 30 June 2018	R30 000 000 to be certified as work done by 30 June 2018	Actual expenditure incurred: R16 964 548,49 Not achieved
To execute work amounting to R 18 236 000 on Municipal Infrastructure Grant by 30 June 2018	R18 236 000 to be certified as work done by 30 June 2018	Actual expenditure incurred: R9 161 425,64 Not achieved

Various indicators

39. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicators relating to KPA 1: basic service delivery and infrastructure development. This was

due to limitations placed on the scope of my work. 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 in the annual performance report of the indicators listed below:

Key performance indicator	Annual target	Reported actual achievement
Installation of 180 onsite sanitation systems by June 2018	Installation of onsite sanitation toilet systems for 180 HH in Refengkhotso	Not achieved Only 43 units were completed
Installation of 4 high mast lights in Roleleathunya	X4 30m high mast lights installed by 30 June 2018	Achieved, 2 installed but not connected
Upgrading of the Zastron water treatment works	35% completion of works by 30 June 2018	Achieved, 38% progress
Upgrading of the 1.7 km access roads in Rolelathunya	15% physical progress on site by 30 June 2018	Not achieved
Upgrading of the Rouxville Waster Water Treatment works	Appointment of a contractor and site establishment by 30 June 2018	Not achieved
Smithfield bulk water supply	Completion of feasibility study	Achieved
10793 of formal households with water in MLM daily	Provision of drinking water to 10793 HH in MLM(100%)	Not achieved
10793 HH of receiving weekly domestic waste collection services	10793 HH receiving domestic waste collection services	Not achieved
Maintenance of roads by June 2018	Re-gravelling of 6km gravel roads	Not achieved
Upgrading of the 0.6 km Zama access road in Matlakeng	60% physical progress on site by 30 June 2018	Not achieved

Other matters

40. I draw attention to the matters below.

Achievement of planned targets

41. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 33 to 39 of this report.

Adjustment of material misstatements

42. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 1: basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Annual financial statements

45. The annual financial statements were not submitted to the auditor-general for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

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 non-current assets, liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

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

48. 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. Irregular expenditure incurred in the current year as per note 49 to the financial statements amounted R10 550 309. The majority of the disclosed irregular expenditure was caused by the utilisation of Dora grant allocations for purposes other than those stipulated in the schedules and the grant frameworks, as well as non-compliance with SCM processes in the procurement of goods and services.
49. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R11 606 551, as disclosed in note 48 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 on overdue accounts and poor quality work by contractors, resulting in work having to be redone.
50. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R43 331 896, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred, as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending on votes in prior financial years and the current year.

Revenue management

51. A credit-control and debt-collection policy was not implemented, as required by section 96(b) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA) and section 62(1)(f)(iii) of the MFMA.
52. An adequate management, accounting and information system was not in place to account for revenue, debtors and receipts of revenue, as required by section 64(2)(e) of the MFMA.
53. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
54. Accounts for municipal tax and charges for municipal services were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

Strategic planning and performance management

55. No key performance indicators were set in respect of the provision of basic electricity, as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).
56. The performance management system and related controls were inadequate, as it did not describe how the performance review and reporting processes should be conducted, as required by municipal planning and performance management regulation 7(1).

Consequence management

57. Some 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.
58. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Human resource management

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

Utilisation of conditional grants

60. The municipal infrastructure grant, regional bulk infrastructure grant and water service infrastructure grant were not spent in accordance with the applicable grant frameworks, in contravention of section 17(1) of Dora.

Procurement and contract management

61. 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 SCM regulation 17(a) and (c). Similar non-compliance was also reported in the prior year.
62. Some quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM regulations 16(b) and 17(b). Similar non-compliance was also reported in the prior year.
63. Some quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
64. Some contracts were awarded to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b). This non-compliance was identified in the procurement processes for the supply and installation of 410 on site sanitation toilet systems in Refengkgotso.
65. The preference point system was not applied in the procurement of some goods and services above R30 000, as required by section 2(a) of the Preferential Procurement Policy Framework Act of South Africa, 2000 (Act No. 5 of 2000). The non-compliance was identified in the procurement processes for the upgrading of the Zastron water treatment works.
66. Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5.
67. The performance of some contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. This non-compliance was identified in the procurement processes for the construction of a 27 kilometre raw water pipeline (Orange River

– Paisley Dam), Smithfield bulk water scheme, and Rouxville / Roleleathunya: upgrading of the wastewater treatment works and Smithfield access road.

68. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

Other information

69. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected KPAs presented in the annual performance report that have been specifically reported in this auditor's report.
70. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
71. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected KPAs presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
72. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

73. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
74. Although the leadership established a formal code of conduct that addresses appropriate ethical and moral behaviour, the continuous monitoring of adherence to policies needs to be improved as several instances of non-compliance with legislation and municipal policies and procedures were noted.
75. Due to vacancies in senior management positions, the municipality lacked capacity to adequately respond to the matters reported by the external auditors in the previous financial year, and to implement consequential performance management for managers and officials that did not comply with legislation and did not implement municipal policies and procedures.
76. Review functions performed by heads of user departments were not adequate to ensure that information provided to the finance directorate and the performance management directorate

was credible. Different departments worked in silos, resulting in a breakdown in communication between the different units.

77. Several month-end reconciliations were not prepared or adequately reviewed. Control and suspense accounts were not investigated and cleared on a monthly basis.
78. The risk management unit did not closely monitor management's responses to the municipality's strategic and operational risks. The effectiveness of this unit was insufficient.
79. The internal audit unit was not functional. A risk-based internal audit plan was not compiled. There was further no sufficient progress in addressing the external quality assurance assessment reviews performed. This is also partly attributable to the vacant chief audit executive position.
80. The audit committee was not established for the full period. This affected the effectiveness of the internal audit unit and audit committee, with the result that they were unable to influence an improvement in the control environment of the municipality. Furthermore, steps taken by management to address internal control deficiencies and emerging audit risks identified in the previous audit were not adequately monitored.

Auditor - General

Bloemfontein

28 February 2019



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Mohokare Local Municipality’s ability 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 the 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 continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.