

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

Report on the audit of the financial statements

Disclaimer of opinion

1. I have audited the financial statements of Mohokare Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matter described in the basis for the disclaimer of the opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for the infrastructure – work in progress included in property, plant and equipment in note 11 to the financial statements. This was due to the non-submission of information and assets that were recorded in the current year could not be located during the asset verification process . I was unable to confirm the infrastructure – work in progress included in property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to infrastructure – work in progress assets included at R321 557 090 (2023: R297 999 225) in property, plant and equipment as stated in note 11 to the financial statements.
4. The municipality did not disclose property, plant and equipment in accordance with *GRAP 17 Property, plant and equipment*. This was because the municipality did not disclose the expenditure incurred for repairs and maintenance relating to property, plant and equipment in note 11 of the financial statements. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.
5. In addition, the municipality did not correctly disclose the carrying value of property, plant and equipment that is taking a significantly longer period to complete than expected included in property, plant and equipment in note 11 to the financial statements, in accordance with *GRAP 17, Property, plant and equipment*. This was due to differences identified between the fixed asset register and the amounts disclosed in the notes to the financial statements. Consequently, carrying value of property, plant and equipment that is taking a significantly longer period to complete than expected included in property, plant and equipment was understated by R5 719 903 as stated in note 11 to the financial statements.

6. During 2023, the municipality did not recognise infrastructure – work in progress included in property, plant and equipment in note 11 to the financial statements in accordance with GRAP 17, *Property, plant and equipment* as the municipality capitalised project expenditure that did not meet the recognition criteria. Differences were also identified between the fixed asset register and amounts recorded in the financial statements. Consequently, this resulted in overstatement of infrastructure – work in progress included in note 11 to the financial statements by R27 729 512 and payables from exchange transactions amounting R27 729 512. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the infrastructure – work in progress included in property, plant and equipment in note 11 to the financial statements for the current period.

Payables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for the trade payables, other payables, payments received in advance, unallocated deposits, retentions and staff salaries and third parties included in payable from exchange transactions due to a lack of record keeping and reconciliation included in note 13 to the financial statements. I was unable to confirm the trade payables, other payables, payments received in advance, unallocated deposits, retentions and staff salaries and third parties included in payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the trade payables, other payables, payments received in advance, unallocated deposits, retentions and staff salaries and third parties included in payables from exchange transactions stated at R350 121 619 (2023: R266 890 989) in note 13 to the financial statements.

Other financial liabilities

8. I was unable to obtain sufficient appropriate audit evidence that other financial liabilities were correctly accounted for due to unexplained reconciling differences between the supporting schedules and the financial statements. I was unable to confirm the other financial liabilities by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to other financial liabilities stated at R81 637 457 to note 17 in the financial statements.

Receivables from exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions due to unreconciled material differences between the debtors' age analysis and the amounts recorded in the financial statements. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions stated at R59 846 148 (2023: R46 926 048) in note 4 to the financial statements.

Provisions

10. The municipality did not recognise the provision in accordance with GRAP 19, *Provisions, contingent liabilities and contingent assets* as the municipality did not record the provision as

a current liability for two landfill sites that received closure licences. In addition, the municipality did not calculate the provision according to the best estimate of the costs to rehabilitate landfill sites in the future. Consequently, the current provision liability was understated by R 73 260 105 and the non-current provision liability was overstated by R 14 505 969 and the infrastructure assets included in note 11 to the financial statements was understated by R58 754 136. Additionally, there was also an impact on the depreciation and amortisation, deficit for the year and accumulated surplus.

Investment property

11. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for investment property, due to non-submission of information in support of the fair value measurement of these assets. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R52 309 306 (2023: R56 170 039) in note 10 to the financial statements.

Unspent conditional grants and receipts

12. The municipality did not account for unspent conditional grants and receipts in accordance with GRAP 23, *Revenue from non-exchange transactions* due to material differences being identified between the amounts recorded in the financial statements and auditor's recalculations. Consequently, unspent conditional grants and receipts was overstated by an amount of R9 357 595 and government grants and subsidies was understated by an amount of R9 357 595. Additionally, there was an impact on the deficit and accumulated surplus for the period in the financial statements.
13. During 2023, I was also unable to obtain sufficient appropriate audit evidence for the unspent conditional grants and receipts due to the status of the accounting records. I was unable to confirm the unspent conditional grants and receipts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unspent conditional grants and receipts stated at R27 511 659 in note 16 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the unspent conditions grants and receipts for the current period.

Cash and cash equivalents

14. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to unreconciled material differences between the cash and cash equivalents recorded in the financial statements, the balances as per the bank statement and the cash book. I was unable to confirm the cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the cash and cash equivalents stated at R34 073 582 (2023: R9 187 713) in note 8 to the financial statements.

VAT receivables

15. I was unable to obtain sufficient appropriate audit evidence for VAT receivables due to the non-submission of information in support of these receivables. I was unable to confirm the VAT receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to VAT receivables, stated at R12 005 734 in note 6 to the financial statements.

Receivables from non-exchange transactions

16. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions due to unreconciled material differences between the debtors' age analysis and the financial statements. I was unable to confirm the receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from non-exchange transactions stated at R3 242 677 (2023: R2 281 878) in note 5 to the financial statements.

Inventories

17. I was unable to obtain sufficient appropriate audit evidence for inventories due to the non-submission of information in support of these inventories. I was unable to confirm the inventories by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to inventories stated at R3 118 786 in note 3 to the financial statements.

Government grants and subsidies

18. I was unable to obtain sufficient appropriate audit evidence for capital grants included in government grant and subsidies in note 26 to the financial statements due to non-submission of information to support these grant amounts. I was unable to confirm the government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the capital grants included in note 26 to the financial statements stated at R18 598 374 (2023: R 5 794 001) in note 26 to the financial statements.

Employee related costs

19. I was unable to obtain sufficient appropriate audit evidence that employee related costs were correctly accounted for due to unreconciled material differences identified between the VIP report and the amounts recorded in the financial statements. I was unable to confirm the employee related costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee related costs stated at R91 743 953 in note 7 to the financial statements.

Service charges

20. I was unable to obtain sufficient appropriate audit evidence for the service charges included in note 19 to the financial statements as the municipality did not implement adequate systems to account for the billing of services. I was unable to confirm service charges by

alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R94 269 966 in note 19 to the financial statements.

21. During 2023, the municipality did not recognise revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*. This was due to services being levied at incorrect tariffs, properties not billed for service charges and other instances, the consumption readings were not accurately captured and billed. Consequently, I was unable to determine the full extent of the misstatement to service charges stated at R84 604 030 in note 19 to the financial statements, as it was impractical to do so. Additionally, there was an impact on the receivables from exchange transactions. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the service charges for the current period.

Bulk purchases

22. I was unable to obtain sufficient appropriate audit evidence for bulk purchases as stated in note 33 to the financial statements, due to the non-submission of information in support of these bulk purchases. I was unable to confirm the bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to bulk purchases at R 44 290 363 in note 33 to the financial statements.

Property rates

23. The municipality did not account for property rates in accordance with GRAP 23, *Revenue from non-exchange transactions*. Furthermore, consumers were billed based on incorrect tariffs during the year. Consequently, I was unable to determine the full extent of the misstatement to property rates, stated at R14 806 613 in note 24 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Interest received on outstanding debtors

24. I was unable to obtain sufficient appropriate audit evidence for interest received on outstanding debtors from exchange transactions due to the status of the accounting records. I was unable to confirm the interest received on outstanding debtors from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to interest received on outstanding debtors from exchange transactions stated at R42 452 419 (2023: R40 338 770) in note 21 to the financial statements.

Bad debts written off

25. I was unable to obtain sufficient appropriate audit evidence for bad debts written off due to the status of the accounting records in support of bad debts written off. I was unable to confirm the bad debts written off by alternative means. Consequently, I was unable to determine whether any adjustments were necessary bad debts written off stated at R41 238 738 in note 32 to the financial statements.

Debt impairment

26. I was unable to obtain sufficient appropriate audit evidence for debt impairment due to material unreconciled differences identified between the age analysis and the financial statements. I was unable to confirm the debt impairment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the debt impairment stated at R38 499 597 (2023: R42 621 525) in note 32 to the financial statements.

General expenditure

27. I was unable to obtain sufficient appropriate audit evidence to confirm that rental of machinery and equipment, chemicals, telephone and fax, fuel and oil, insurance included in general expenses in note 35 to the financial statements, were only recognised where the goods and services were actually received and utilised. I was unable to confirm the rental of machinery and equipment, chemicals, telephone and fax, fuel and oil, insurance, by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the rental of machinery and equipment stated at R6 662 278, chemicals stated at R4 793 878, telephone and fax stated at R2 598 672, fuel and oil stated at R836 760, insurance stated at R509 494 included in general expenditure note 35 to the financial statements.
28. During 2023, I was unable to obtain sufficient appropriate audit evidence to confirm that general expenditure was only recognised where the goods and services were actually received and utilised. 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 R38 804 568 in note 35 to the financial statements. . My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the general expenditure for the current period

Finance costs

29. I was unable to obtain sufficient appropriate audit evidence for trade and other payables included in finance costs included in note 30 to the annual financial statements due to the non-submission of information to confirm this expenditure. I was unable to confirm the finance costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade and other payables stated at R5 305 725 in note 30 to the financial statements.

Contracted services

30. I was unable to obtain sufficient appropriate audit evidence to confirm that contracted services were only recognised where the goods and services were actually received and utilised. I was unable to confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustments were necessary contracted services stated at R17 758 573 (2023: R8 516 750) in note 34 to the financial statements.

Change in estimate

31. I was unable to obtain sufficient appropriate audit evidence for the change in estimate due to the status of accounting records. I was unable to confirm the change in estimate by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the change in estimate stated at R7 344 792 in note 50 to the financial statements.

Statement of comparison of budget and actual amounts

32. The municipality did not correctly prepare and disclose the statement of comparison of budget and actual amounts as required by GRAP 24, *Presentation of budget information in financial statements*. This was because the municipality used the incorrect final budget figures in the statement of comparison of budget and actual amounts, resulting in multiple errors being identified. In addition, the municipality did not disclose the reasons for all material variances between the budget and actual disclosures in the notes to the financial statements, as required. Consequently, I was unable to determine the full extent of the errors to the statement of comparison of budget and actual amounts and notes to the financial statements, as it was impracticable to do so.

Statement of changes in net assets

33. The municipality did not correctly prepare and disclose the statement of changes in net assets as required by GRAP 1, *Presentation of financial statements*. This was due to multiple errors identified in determining the current and corresponding balances reported in the statement of changes in net assets. I was not able to determine the full extent of the errors in the statement of changes in net assets, as it was impracticable to do so.

Net cash flows from operating activities

34. The municipality did not correctly prepare and disclose the net cash flows from operating activities as required by GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R85 325 547 (2023: (R24 381 620)) in the financial statements.

Financial instruments disclosure

35. During 2023, the municipality also did not correctly disclose its financial assets and liabilities included as part of the financial instruments disclosure in note 39 to the financial statements in accordance with GRAP 104, *Financial instruments*. This was due to material differences identified between the amounts disclosed for financial assets and financial liabilities in note 39 to the financial statements and the amounts recorded in the statement of financial position. Consequently, I was unable to determine the full extent of misstatements to financial instruments disclosures disclosed in note 39 to the financial statements, as it was impracticable to do so. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the financial assets and

liabilities included as part of the financial instruments disclosure in note 39 to the financial statements.

Segment information

36. The municipality did not accurately disclose segment information as per note 52 to the financial statements in accordance with GRAP 18, *Segment reporting*. This was due to multiple errors made in total segment revenue, total segment expenditure, total segment assets and total segment liabilities included in segment surplus or deficit in the segment information disclosure. In addition, the municipality did not disclose the corresponding amounts for the total segment liabilities in the segment information disclosure. I was unable to determine the full extent of the errors to the total segment revenue stated at R246 148 399 (2023: R283 990 867), total segment expenditure stated at R277 121 049 (2023: R242 727 167), total segment assets stated at R1 569 858 618 (2023: R2 551 281 325), total segment liabilities stated at R453 996 332 (2023: R0), included as part of the segment information disclosure in note 52 to the financial statements, as it was impractical to do so.

Going concern

37. The municipality did not disclose the going concern in accordance with GRAP 1, *Presentation of Financial Statements*. This was because the municipality did not disclose the identified events or conditions that may cast significant doubt over the municipality's ability to continue as a going concern, management's evaluation of the significance of the events and plans to mitigate the effect of these conditions. Consequently, I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Irregular expenditure

38. The municipality did not disclose all instances of irregular expenditure incurred for the current and corresponding period in the notes to the financial statements as required by section 125(2)(d) of the Municipal Finance Management Act 56 of 2003 (MFMA). The municipality made payments in the current and corresponding period in contravention of the supply chain management (SCM) requirements, resulting in irregular expenditure being understated. Consequently, I was unable to determine the full extent of the irregular expenditure, stated at R261 966 602 (2023: R256 396 884) in note 47 to the financial statements, as it was impractical to do so.

Additional disclosure in terms of Municipal Finance Management Act

39. I was unable to obtain sufficient appropriate audit evidence for the PAYE, UIF, SDL, pension and medical aid deduction and contributions to organised local government included in the additional disclosure in terms of Municipal Finance Management Act in note 48 to the financial statements due to the non-submission of information in support of these disclosures. I was unable to confirm the PAYE, UIF, SDL, pension and medical aid deductions and contributions to organised local government disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the PAYE, UIF and SDL stated at R10 089 126, pension and medical aid deductions stated at R132 090 505 and contributions to organised local government stated at R7 015 086, as disclosed in note 48 to the financial statements.

40. The municipality did not disclose the electricity and water distribution losses for the current and prior year in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. Consequently, I was unable to determine the full extent of the understatement to the electricity and water distribution losses for the current year and prior year, as it was impracticable to do so.

Unauthorised expenditure

41. The municipality did not include all instances of unauthorised expenditure for the current year in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality incurred unauthorised expenditure due to spending of conditional grant funds not used for their intended purposes **and overspending of the budget, which was not disclosed**. Consequently, I was unable to determine the full extent of the unauthorised expenditure, stated at R369 486 223 (2023: R369 486 223) in note 45 to the financial statements, as it was impractical to do so.

Commitments

42. The municipality did not disclose commitments in accordance with GRAP 17, *Property, plant and equipment* as the municipality did not disclose commitments for capital projects in progress. Consequently, commitments were understated by R98 078 149 in note 40 in the financial statements.

43. During 2023, I was also unable to obtain sufficient appropriate audit evidence for commitments disclosed in note 40 to the financial statements due to non-submission of information in support of these commitments. I was unable to confirm these commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments, stated at R114 165 958 in note 40 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the commitments for the current period.

Prior period errors

44. I was unable to obtain sufficient appropriate audit evidence for the prior-period error and reclassification adjustments, due to the non-submission of information in support of these prior-period error and reclassification disclosures. I was unable to confirm the prior-period error disclosures and reclassification adjustments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior-period error and reclassification adjustment disclosed in note 49 to the financial statements.

Employee benefits

45. During 2023, the municipality calculated the post-retirement health care benefit for non-eligible employees, and did not calculate the long service award for all eligible employees as included in note 49 to the financial statements in accordance with GRAP 25, *Employee benefits*. Consequently, I was unable to determine the full extent of the impact of the misstatement to employee benefit obligations, actuarial gains/losses and finance costs as it was impractical to do so. My audit opinion on the financial statements for the period ended

30 June 2023 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the employee benefits for the current period.

Accounting by principals and agents

46. The municipality did not correctly account for all principals-agent transactions in accordance with GRAP 109, *Accounting by principal and agents* as the municipality did not recognise and disclose all principal and agent relationships entered into. Consequently, I was unable to determine the full extent of the misstatement to the accounting by principals and agent disclosure included in note 51 to the financial statements, as it was impracticable to do so.

Fruitless and wasteful expenditure

47. The municipality did not include all instances of fruitless and wasteful expenditure for the current and corresponding periods in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality incurred fruitless and wasteful expenditure on some capital projects where the goods and services were not received for the current and corresponding periods. Consequently, I was unable to determine the full extent of the fruitless and wasteful expenditure, stated at R46 262 848 (2023: R41 085 940) in note 46 to the financial statements, as it was impractical to do so.

Subsequent events

48. The municipality did not disclose the subsequent events in accordance with GRAP 14, *Events after the reporting date*. This was because the municipality did not disclose an event that occurred after the reporting period, before the financial statements were issued relating to the attachment of the bank account of the municipality after year-end by third parties. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so

Context for opinion

49. 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.
50. 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.
51. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer opinion.

Other matters

52. I draw attention to the matter below. My opinion is not modified in respect of this matter.
53. Unaudited disclosure notes 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

54. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standard- Standards of Generally Recognised Accounting Practices (GRAP) and the requirements of the MFMA and the Division of Revenue Act 5 of 2003 (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.
55. 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

56. 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.
57. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 25, forms part of our auditor's report.

Report on the annual performance report
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58. 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 material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
59. I selected the following material performance indicators related to basic service delivery and infrastructure development presented in the annual performance report for the year ended 30

June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- Smithfield/Mofulatshepe: The upgrading of the wastewater outfall sewer
- Zastron/Matlakeng: Upgrading of the outfall sewer line and refurbishment of sewer pump stations
- Installation of a new sewer reticulation system in Refengkhotoso
- The completion of a 27 km long raw bulk water pipeline from the Orange River to Paisley dam in Rouxville
- Waste water quality management
- Water quality management system
- Water quality management system
- Eight thousand (8 000) formalised households provided with weekly waste removal services in all three (3) towns.
- Compliant Matlakeng and Smithfield landfill sites by June 2024
- Maintained illegal dumping and landfill sites per town

60. I evaluated the reported performance information for the selected material performance indicators 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.

61. 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
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- 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

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

63. I did not identify any material findings on the reported performance information for the selected indicator below:

- Installation of a new sewer reticulation system in Refengkhoto
- Smithfield/Mofulatshepe: The upgrading of the waste water outfall sewer
- Waste water quality management
- Compliant Matlakeng and Smithfield landfill sites by June 2024

64. The material findings on the reported performance information for the selected material performance indicators are as follows:

Various Indicators

65. Various indicators were not clearly defined during the planning process. Consequently, the indicators are not useful for measuring and reporting on progress against planned objectives.

Indicator	Target	Reported achievement	Detail
Water quality management system	"Submission of 44 water quality samples to the laboratory to meet drinking water monitoring plan 30 June 2023	469 samples	The target was based on the 22/23 financial period(30June 2023) and therefore the target is not useful for measuring and reporting on progress against planned objectives,
Eight thousand (8000) formalised households provided with weekly waste removal services in all three (3) towns	Removal of refuse in Zastron, Matlakeng Smithfield, Mofulatshepe Rouxville, Roleleathunya weekly basis	Collection of refuse in Zastron, Smithfield and Rouxville was collected for 33 weeks by June 2024	The target was not specific for the number of households that would be provided with refuse removal.

Various indicators

66. Measures aimed at improving performance against targets were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

Indicator	Target	Reported achievement	Reported measure
Water quality management system - 2 190 Million liters (MI) of purified water	"2 190 Million liters (MI) of purified water	Partially achieved 1855ml of water was purified	Enhancement of the revenue enhancement strategy
Maintained illegal dumping and landfill sites per town	3 maintained and cleaned landfill sites per per town per monthly	Partially Achieved 9 reports on cleaned and maintained landfill sites town	Partner with the local EPWP Procurement of specialized equipment in the new financial year
Zastron / Matlakeng: Upgrading of the outfall sewerline and refurbishment of sewer pump stations	"Practical completion of the project by 30 June 2024	Not Achieved	The municipality is in the process of appointing a new contractor for electricity infrastructure maintenance and will attended to the transforms as a matter of priority before the project can be signed off as practically complete
The completion of a 27km long raw bulk water pipeline from the Orange River to Paisley dam in Rouxville	Practical completion of the project by 31 December 2023	Not Achieved	The municipality entered into a cession agreement with a specialized contractor in order to complete the testing of the project, particularly the testing of the pipeline
Eight thousand (8000) formalised households provided with weekly waste removal services in all three (3) towns	Removal of refuse in Zastron, Matlakeng Smithfield, Mofulatshepe Rouxville, Roleleathunya weekly basis	Partially achieved 23/36 registers attached	EPWP participants to assists with removing refuse. Reallocating resources overtime to address backlog of refuse removal

Various indicators

67. 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.

Indicator	Target	Reported achievement
Eight thousand (8000) formalised households provided with weekly waste removal services in all three (3) towns	Removal of refuse in Zastron, Matlakeng, Smithfield, Mofulatshepe Rouxville, Roleleathunya weekly basis	Collection of refuse in Zastron, Smithfield and Rouxville was collected for 33 weeks by June 2024
Water quality management system - 2 190 Million liters (ML) of purified water	2 190 million liters (ML) of purified water	1855 ML of water was purified
Maintained illegal dumping and landfill sites per town	3 maintained and cleaned landfill sites per town per monthly	9 reports on cleaned and maintained landfill sites

Other matters

68. I draw attention to the matters below.

Achievement of planned targets

69. 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.

70. The table that follows provides information on the achievement of planned targets and lists 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 service delivery and infrastructure development

<i>Targets achieved: 10%</i> <i>Budget spent: 100%</i>		
Key service delivery indicators not achieved	Planned target	Reported achievement
Smithfield/Mofulatshpepe: The upgrading of the waste water outfall sewer	6 000 m of pipe to be laid by 30 June 2024	Not achieved
Zastron/Matlakeng: Upgrading of the outfall sewerline and refurbishment of sewer pump stations	Practical completion of the project by 30 June 2024	Not achieved
Installation of a new sewer reticulation system in Refengkhotoso	Practical completion of the project by 30 June 2024	Not achieved
The completion of a 27 km long raw bulk water pipeline from the Orange River to Paisley dam in Rouxville	Practical completion of the project by 31 December 2023	Not achieved
Water quality management system	2190 Million liters(ML) of purified water	1855 ml of water purified
Eight thousand (8 000) formalised households provided with weekly waste removal services in all three (3) towns	Removal of refuse in Zastron, Matlakeng, Smithfield, Mofulatshepe Rouxville, Roleleathunya weekly basis	Collection of refuse in Zastron, Smithfield and Rouxville was collected for 33 weeks by June 2024
Maintained illegal dumping and landfill sites per town	3 maintained and cleaned landfill sites per town per monthly	9 reports on cleaned and maintained landfill sites town
Compliant Matlakeng and Smithfield landfill sites by June 2024	Registered and licenced Matlakeng and Smithfield landfill sites by June 2024	Not achieved

Material misstatements

71. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery. Management did not correct the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

72. 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.

73. 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.
74. 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.
75. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance report and annual report

76. 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 identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided, which resulted in the financial statements receiving a disclaimer audit opinion.
77. 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.
78. The annual financial statements were not submitted to the Auditor-General within two months after the end of the financial year and a written explanation setting out the reasons for the failure was not tabled in the council, as required by section 133(1)(a) of the MFMA.
79. The 2022/23 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.

Expenditure management

80. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
81. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the payment of funds, as required by section 65(2)(a) of the MFMA.
82. 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 disclaimer paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance to supply chain management laws and regulations
83. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified as indicated in the basis for disclaimer paragraph. The majority of the

disclosed fruitless and wasteful expenditure was caused by the auditee incurring interest on late payments.

- 84. 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 disclaimer paragraph. The majority of the disclosed unauthorised expenditure was caused by the overspending of the approved budget.
- 85. An adequate management, accounting and information system was not in place which accounted for payments made, as required by section 65(2)(b) of the MFMA.

Revenue management

- 86. An adequate management, accounting and information system which accounts for debtors and revenue was not in place, as required by section 64(2)(e) of the MFMA.
- 87. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
- 88. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
- 89. I was unable to obtain sufficient appropriate audit evidence that accounts for municipal tax and charges for municipal services were prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.
- 90. I was unable to obtain sufficient appropriate audit evidence that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

- 91. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
- 92. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
- 93. Capital assets were sold that were needed to provide the minimum level of basic municipal service, in contravention of section 14(1) of the MFMA.
- 94. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services and considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by section 14(2)(a) and 14(2)(b) of the MFMA.

Consequence management

- 95. 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.

96. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA
97. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
98. Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.

Strategic planning and performance management

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

HR management

100. I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the senior managers within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
101. Job descriptions were not established for senior manager posts in which appointments were made, as required by section 66(1)(b) of the Municipal Systems Act 32 of 2000(MSA) and regulation 7(1) of municipal staff regulations 2021.
102. Senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Conditional grants

103. The Municipal Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Division of Revenue Act 5 of 2023 (Dora).
104. The Regional Bulk Infrastructure grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
105. The Water Services Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
106. The Financial Management Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
107. Performance in respect of programmes funded by the financial management grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Procurement and contract management

108. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
109. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were 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.
110. Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
111. Construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the Construction and Industry Development Board Act 38 of 2000 (CIDB) and CIDB Regulations 17 and 25(7A). Similar non-compliance was also reported in the prior year.
112. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM regulation 5. Similar limitation was also reported in the prior year.
113. 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 limitation was also reported in the prior year.
114. 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. Similar limitation was also reported in the prior year.
115. The preference point system was not applied some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.

Other information in the annual report

116. 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 KPAs presented in the annual performance report that have been specifically reported on in this auditor's report.
117. 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.

118. 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 KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
119. 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

120. 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.
121. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion and, the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.
122. There was significant instability in senior management of the municipality, including specifically the position of municipal manager and chief financial officer. The instability resulted in ineffective oversight which contributed to unreliable financial and performance reporting and weaknesses in the daily and monthly internal control environment, which contributed to the disclaimer of audit opinion. The Municipal Accounts Committee did not ensure that investigations are conducted relating to unauthorised, irregular and fruitless and wasteful expenditure in order to ensure that the responsible officials are held accountable. This was due to the Municipal Accounts Committee not being functional for the financial year.
123. The council and the accounting officer did not ensure that the audit committee promotes accountability and service delivery by evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations, as the municipality did not always respond appropriately on recommendations made by the audit committee.
124. The accounting officer did not adequately safeguard supporting documents and did not implement, monitor or control the processes for effective records management. The lack of availability of supporting evidence resulted in the auditors not being able to confirm account balances, classes of transactions, disclosures and reported performance information, which contributed to the disclaimer of audit opinion.
125. Management did not review and monitor compliance with laws and regulations resulting in material non-compliance being identified.

Material irregularities

126. 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.

Material irregularities identified during the audit

127. The material irregularities identified are as follows:

Pension fund contributions of employees not paid over to the pension funds

128. Section 13A(3)(a)(ii) of the Pension Funds Act 24 of 1956 (PFA), requires the municipality as employer to pay over the contributions relating to the members of the fund within seven days after the end of the month for which such a contribution is payable. The municipality did not make payments to the South African Municipal Workers Retirement Fund (MWRF) and the South African Local Authorities (SALA) pension fund within seven days after the end of the month during which the contributions became payable. On 30 June 2024, the total outstanding contributions, including accumulated interest, payable to SALA was R108 072 876,72 and to MWRF was R8 405 935,36.

129. The non-payment of employee's pension fund contributions is likely to negatively impact the livelihood of the current employees, retired employees as well as family members of deceased employees as follows:

- Retired employees not receiving their monthly pension income although deductions were made from their salaries while employed.
- Family members of deceased employees not receiving the benefits that should have accrued to them in terms of the pension fund rules.
- Current employees not being able to perform adequate financial planning as pension fund statements are withheld and employees also do not have the certainty that they will receive a monthly income when retiring. Employees can also not make alternative arrangements as the municipality is still deducting monthly pension fund contributions from their salaries.

130. The accounting officer was notified of the material irregularity on 18 June 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I notified the accounting officer on 6 February 2025 of the following recommendations, which should be implemented by 6 August 2025, with a progress report after three months:

- a) Appropriate action should be taken to develop and commence with implementation of an action plan to settle non-payment of pension fund contributions within the prescribed timeframes, as required by section 13A(3)(a)(ii) of the PFA. The plan should include anticipated timeframes and address the following key areas as a minimum:
 - Negotiate a reasonable payment agreement with the pension fund to settle the arrears of contributions not remitted with interest.

- Develop and implement reasonable processes to ensure that the municipality remits monthly employee pension fund contributions to the relevant pension fund within the legislated timeframes.

131. I will follow-up on the implementation of the recommendations after the due date. I am also in the process of determining additional actions available to be taken by the AGSA based on the accounting officer's response.

The construction of a 27km bulk raw water pipeline from the Orange River to the Paisley Dam – Payment processed without certification that services were delivered

132. During August 2018, the municipality appointed a contractor for the project *The construction of a 27km bulk raw water pipeline from the Orange River to the Paisley Dam in Rouxville* at a cost of R47 774 261 (Inclusive of VAT and contingencies) to complete the project. During site visits conducted in January 2023 and in January 2024, it was identified that although the pipework was constructed for the overall required length, the completed works was not tested although a total amount of R1 362 500 had been paid for the testing of the pipeline. The payment certificate was processed and paid even though the certification/approval by the head of the relevant department, as required by paragraph 2 of part 13 of the municipality's *Banking, Investment and Cash Management Policy* was not done. Consequently, the official(s) who process the certificate for payment had not ensured that the internal controls of the municipality regarding payments were carried out diligently, as required by section 78(1)(a) of the MFMA. The irregularity is likely to result in a financial loss for the municipality, if payments made for services not delivered is not recovered from the contractor.

133. The accounting officer was notified of the material irregularity on 26 June 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I notified the accounting officer on 3 December 2024 of the following recommendations, which should be implemented by 3 June 2025, with a progress report after three months:

- The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- The financial loss in the form of overpayments should be quantified and appropriate action should commence to recover the loss from the supplier.
- Disciplinary proceedings should commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings -

134. I will follow-up on the implementation of the recommendations after the due date.

Suspected material irregularity: The construction of the abstraction works on the Orange River and equipping of two raw water pump stations - Payment processed without certification that services were delivered

135. The municipality appointed a contractor during November 2019 for the project *The construction of the abstraction works on the Orange River and the equipping of two raw water pump stations* at the contract amount of R38 125 166,32 (inclusive of VAT and contingencies). During a site visit conducted in January 2024, it was identified that the contractor was no longer on site and that some of the works, which was paid for, was not completed and thus could not be verified. The contractor was paid for supply and installation of pumps and steel tanks amounting to R8 728 000 which could not be verified.

136. The municipality was not able to provide the payment vouchers where the above amounts were claimed by the contractor, and which were subsequently paid by the municipality. There is a reasonable suspicion that the payments were processed without the required approvals as set out in paragraph 2 of Part 13 of the municipality's *Banking, Investment and Cash Management Policy*, and consequently that the internal controls over payments have been carried out diligently as required by section 78(1)(a) of the MFMA. The suspected irregularity is likely to result in a financial loss for the municipality, if payments made for services not delivered is not recovered from the contractor.

137. The accounting officer was notified of the suspected material irregularity on 26 June 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the suspected material irregularity. I am in the process of referring the suspected material irregularity to a public body for investigation as provided for in section 5(1A) of the PAA.

Annual financial statements not submitted for auditing (2023-24)

138. The annual financial statements for the year ending 30 June 2024 were not submitted to the auditor-general for auditing within two months after the end of the financial year (31 August 2024), as required by section 126(1)(a) of the MFMA. The non-submission of the annual financial statements for auditing, and the subsequent non-tabling of the annual report, is likely to result in substantial harm to the municipality, as there is a lack of accountability and transparency for the fiscal and financial affairs of the municipality. This is due to the legislative processes that follow after the submission of the annual financial statements relating to the financial year ending 30 June 2024 being delayed or not implemented.

139. The accounting officer was notified of this material irregularity on 12 September 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer submitted the annual financial statements for auditing on 4 November 2024.

140. Therefore, the material irregularity has been resolved.

Auditor General

Bloemfontein

09 April 2025



Annexure to the auditor's report

1. 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

2. 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 the selected KPA and on the municipality compliance with selected requirements in key legislation.

Financial statements

3. 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

4. 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.
5. 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

6. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections 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), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), Regulations 72(c)
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)
MSA: Municipal Staff Regulations	Regulations 7(1), 31
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), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 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), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
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), 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)
Division of Revenue Act 5 of 2023	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), 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)

