

# Report of the auditor-general to Western Cape Provincial Parliament and the council on the Laingsburg Municipality

## Report on the audit of the financial statements

### Adverse opinion

1. I have audited the financial statements of the Laingsburg Municipality set out on pages 6 to 113, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the financial position of the Laingsburg Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended, in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (DoRA).

### Basis for adverse opinion

#### Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant, and equipment, due to inadequate information presented in the fixed assets register. I was unable to confirm the physical assets by alternative means. I was also unable to obtain sufficient and appropriate audit evidence of the adjustments to the comparative figures which also impacts the current year balances due to insufficient supporting information. Consequently, I was unable to determine whether any adjustments relating to property, plant, and equipment of R265 748 621 (2022: R263 528 149) as disclosed in note 7, depreciation and amortisation of R12 257 598 (2022: R12 207 183) as disclosed in note 32, Impairment losses as disclosed in note 33 of R50 307 929 (2022: R23 471 777) in the financial statements were necessary.
4. Also, the municipality did not disclose all projects under construction as part of work in progress, as required by GRAP 17, *Property, plant and equipment*, due to the municipality including a project that was under construction to be part of completed assets. Consequently, work in progress as disclosed in note 7.3 and delayed projects as disclosed in note 7.4 is understated by R 7 757 885, and completed projects is overstated with R 7 757 885 in the current year, while it was impracticable to quantify the impact in the prior periods.
5. Furthermore, the municipality did not recognise all additions made to infrastructure assets in accordance with GRAP 17, *Property, plant and equipment*, as additions to property, plant and equipment were identified which were not recorded in the financial statements. Consequently,

property, plant and equipment as disclosed in note 7 and payables from exchange transactions as disclosed in note 14 was understated by R1 709 567 in the financial statements. The work in progress disclosure included in note 7.3 was further also understated with this amount.

6. Furthermore, the municipality recorded a disposal of land linked to Reconstruction and Development Programme (RDP) houses in property, plant and equipment while the land has been transferred in prior periods and will not consist of a current year disposal in accordance with GRAP 17, *Property, plant and equipment*. Consequently, property, plant and equipment as disclosed in note 7 is understated and loss of disposal of property, plant and equipment as disclosed in note 41 is overstated with R4 411 483 in the financial statements.
7. In addition, the municipality recorded land that does not meet the recognition criteria in accordance with GRAP 17, *Property, plant and equipment*. The land recorded belonged to other governmental entities. Consequently, property, plant and equipment as disclosed in note 7 was overstated and accumulated surplus understated by R2 214 406 in the financial statements.
8. Lastly, the municipality did not recognise properties held in accordance with GRAP 16, *Investment property*. Properties that were held for capital appreciation and/or to earn rental income were incorrectly recognised as property, plant and equipment. Investment property as disclosed in note 9 was understated by R1 681 847 while property, plant and equipment as disclosed in note 7 was overstated by the same amount.

## Revenue from non-exchange transactions

### Fines, penalties, and forfeits

9. The municipality did not record revenue from traffic offences in accordance with GRAP 23 *Revenue from non-exchange transactions*, these fines were not recorded at the full amount as per the supporting documentation and/or were not recorded at all. Consequently, fines, penalties and forfeits in note 20 and statutory receivables from non-exchange transactions in note 5 are understated by R6 825 501 (2022: R2 071 878). Additionally, there was a consequential impact on the surplus for the period, statutory receivables from non-exchange transactions, impairment losses and on the accumulated surplus.

## Revenue from exchange transactions

### Service charges

10. I was unable to obtain sufficient and appropriate audit evidence to confirm the value of consumed services provided as the conventional water and electricity meters were faulty. I was unable to confirm the service charges through alternative means. Consequently, I was unable to determine if any adjustments to revenue from exchange transactions: service charges of R22 124 527 (2022: R22 540 182) as disclosed in note 24, receivables from exchange transactions amounting to R 5 017 566 (2022: R5 375 591) as disclosed in note 3, and impairment losses amounting to R 48 536 969 (2022: R21 935 984) as disclosed in note 33 were required to the financial statements.

### Receivables from exchange transactions

11. I could not obtain sufficient and appropriate audit evidence on a credit journal adjustment processed through receivables from exchange transactions and debited to accumulated surplus as the adjustment was not adequately supported with initiating supporting documents. Consequently, I was unable to determine if any adjustments to note 3 relating to receivables from exchange transactions stated at R5 017 566 and note 19 relating to accumulated surplus stated R259 073 502 was appropriate and could not be confirmed through alternative means.

### Statutory receivables from exchange transactions

12. I was unable to obtain sufficient and appropriate audit evidence to confirm the value added tax (VAT) receivable as the municipality had not maintained appropriate records to reconcile the VAT receivable disclosed. Alternative procedures could not be performed to confirm the reliability of the VAT receivable. Consequently, I was unable to determine if any adjustments were required to the statutory receivables from exchange transactions disclosed at R7 229 602 (2022: R 6 615 286) in note 4 of the financial statements.

### Statutory receivables from non-exchange transactions

13. I could not obtain sufficient and appropriate audit evidence on a credit journal adjustment processed through statutory receivables from non-exchange transactions and debited to accumulated surplus as the adjustment was not adequately supported with initiating supporting documents. Consequently, I was unable to determine if any adjustments to note 5 relating to statutory receivables from non-exchange transactions stated at R4 283 469 and note 19 relating to accumulated surplus stated R259 073 502 was appropriate and could not be confirmed through alternative means.

### Inventories

14. I was unable to obtain sufficient and appropriate audit evidence for inventory as the municipality did not have an adequate system of records management to account for inventory consumed due to bulk water meters not working effectively during the financial year. I was unable to confirm the inventory by alternative means. Consequently, I was unable to determine whether adjustments relating to inventory of R270 700 (2022: R306 365) disclosed in note 2, the inventory consumed of R2 542 020 (2022: R2 591 486) as disclosed in note 37 and material water losses as disclosed in note 40.2 and note 47.1.10 of R1 603 339 (2022: R1 809 150) to the financial statements were necessary.

### Payables from exchange transactions

15. The municipality recorded unallocated receipts relating to traffic fines incorrectly as advance payments within the payables from exchange transactions note and not as statutory receivables from non – exchange transactions in accordance with GRAP 1, *Presentation of financial statements*. The municipality did not reduce the statutory receivable from non – exchange transactions for fines with the receipts received. Consequently, payables from exchange transactions as disclosed in note 14 and statutory receivables from non – exchange transactions as disclosed in note 5 is overstated with R 4 380 645 in the financial statements.

## Provisions

16. The municipality did not value the rehabilitation of landfill sites provision in note 18 as required by GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets* as the municipality did not adhere to the operating licence of the landfill site to rehabilitate once the site is fully utilised. Consequently, provisions as disclosed in note 18 were understated by R1 643 083 (2022: R 4 921 198), property, plant and equipment as disclosed in note 7 is overstated by R3 727 923 (2022: R 2 460 599), Interest, dividends and rent on land earned as disclosed in note 34 is understated by R 2 084 840 (2022: R2 460 599). In addition, I could not obtain sufficient and appropriate audit evidence over amounts disclosed in note 18.2, as the municipality did not support the amount and disclosure made with the licence to operate. Consequently, I was unable to determine if the amounts disclosed of R26 134 142 (2022: R 24 739 847) is appropriate.

## Impairment losses

17. I was unable to obtain sufficient and appropriate audit evidence over the impairment losses as disclosed in note 33.2 of the financial statements as the amounts disclosed within this note does not agree with the impairment disclosed in note 3, receivables from exchange transactions and note 5, statutory receivables from non-exchange transactions. Consequently, I am unable to determine if any were necessary relating to the impairment note disclosed at R48 536 969 (2022: R21 935 984).

## Reclassification of annual financial statements

18. I was unable to obtain sufficient and appropriate audit evidence for the prior year adjustments disclosed in note 42 relating to reclassification of annual financial statements due to the status of the accounting records. I was unable to confirm the disclosures of these adjustments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the prior year adjustments as disclosed in the financial statements.

## Correction of error

19. I was unable to obtain sufficient and appropriate audit evidence for the prior year adjustments disclosed in note 43 relating to correction of error due to the status of the accounting records. I was unable to confirm the disclosures of these adjustments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the prior year adjustments as disclosed in the financial statements.

## Cash flow statement

### Net cash flows from operating activities

20. 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 R20 755 604 in the financial statements were necessary.

## Commitments

21. Commitments were not accounted for in terms of GRAP 1, *Presentation of financial statements*, as the municipality recorded rate based contracts for consulting engineers as part of commitments. Consequently, commitments as disclosed in note 48 is overstated by R4 209 819, in the financial statements.

## Unauthorised expenditure

22. The municipality did not include all unauthorised expenditure in note 46.1 to the financial statements, as required by section 125(2)(d) of the MFMA, as the municipality incorrectly calculated the unauthorised expenditure in the current year by using the pre-adjusted trial balance votes resulting in an understatement of R4 129 761 in the financial statements.

## Change in accounting estimates

23. The municipality did not disclose all changes in estimates made in the financial statements as required by GRAP 3, *Accounting Policies, Changes in Accounting Estimates and Errors*. The change in estimate adjustments made to the provisions to decommissioning, restoration, and similar liabilities as disclosed in note 18 of the financial statements has not been disclosed in note 44: change in accounting estimates. Consequently, the change in estimates disclosure is understated with R3 129 739 (2022: R4 239 128) in the financial statements.

## Statement of comparison of budget vs actual amounts

24. The municipality did not appropriately disclose the statement of comparison of budget and actual amounts as required by GRAP 24, *Presentation of Budget Information in Financial Statements*, as various disclosure misstatements were identified that do not provide a fair presentation which will assist users in understanding the material departures from the approved budget. I was unable to determine the full extent of the omitted disclosure as it was impracticable to do so.

## Financial Instruments

25. The municipality did not make all the qualitative and quantitative disclosures required by GRAP 104, *Financial Instruments* as disclosed in note 49. Some financial instruments were incorrectly recorded, including the capital risk management, the credit risk management disclosure and liquidity risk management disclosure. The disclosure was not in accordance to the reporting requirements. I was unable to determine the full extent of the omitted disclosure as it was impractical to do so.

## Operational costs

26. During 2022, the municipality did not accurately record operating expenditure occurred as required in GRAP 1, *Presentation of financial statements* as disclosed in note 40. Consequently, audit fees of the prior year are overstated by R2 587 406 in the financial statements.

## **Context for opinion**

27. 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.
28. 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.
29. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

## **Other matter**

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

## **Unaudited disclosure notes**

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

## **Responsibilities of the municipality for the financial statements**

32. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
33. 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**

34. 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.

35. 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**

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

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

Strategic Objectives	Page numbers	Purpose
<p><b>Improve the standards of living of all people in Laingsburg</b></p>	<p>43-44</p>	<p>Improved morals and values of the community, increased skills levels, illiteracy reduced. Decrease in crime, healthier communities, education in teenage pregnancies, reduction in new HIV/AIDS infections, reduction in social grant dependencies, increased housing opportunities &amp; enhance access to free basic services.</p>
<p><b>Provision of infrastructure to deliver improved services to all residents and business</b></p>	<p>44-46</p>	<p>Maintained municipal roads, improved waste management, improved provision for storm water, enhanced service delivery, improved electricity service, Improved sanitation services, improved water provision &amp; improved integrated transport</p>

38. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

39. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to municipality's mandate and the achievement of its planned objectives

- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
  - the reported performance information is presented in the annual performance report in the prescribed manner
  - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
40. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
41. The material findings on the reported performance information for the selected objective are as follows:

### Improve the standards of living of all people in Laingsburg

42. Based on audit evidence, the actual achievements for two indicators did not agree to what was reported. I could not determine the actual achievements; however, I estimated these achievements to be materially lower than reported. Consequently, the targets were not achieved.

Indicator description	Target	Reported achievement
TL8: Provide free 50kWh electricity to indigent households as at 30 June 2023	456	411
TL9: Provide free 6kl water to indigent households as at 30 June 2023	617	464

### Other matters

43. I draw attention to the matters below.

### Achievement of planned targets

44. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.

## Material misstatements

45. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for objectives improve the standards of living of all people in Laingsburg and Provision of Infrastructure to Deliver Improved Services to All Residents and Business. Management did not correct all of the misstatements and I reported material findings in this regard.

## Report on compliance with legislation

46. 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.
47. 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.
48. 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.
49. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

## Annual financial statements, performance, and annual reports

50. 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/or the supporting records could not be provided subsequently, which resulted in the financial statements receiving an adverse audit opinion.

## Expenditure management

51. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R38 099 732 as disclosed in note 46.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The unauthorised expenditure was caused by the overspending of the respective municipal votes.
52. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R682 133, as disclosed in note 46.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on late payments.

53. Reasonable steps were not taken to prevent irregular expenditure amounting to R3 721 284 as disclosed in note 46.3 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the supply chain management (SCM) regulations.

#### **Consequence management**

54. 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.

55. 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.

56. Losses resulting from irregular expenditure were certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA.

57. 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.

58. Fruitless and wasteful expenditure were certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA.

#### **Revenue management**

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

#### **Asset management**

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

#### **Human Resources management**

61. Bonuses were paid to the municipal manager before the annual report for the applicable performance year was tabled and adopted by council, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 8(1).

#### **Other information in the annual report**

62. The municipality is responsible for the other information included in the annual report, which includes the directors' report, and the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

63. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
64. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected strategic objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
65. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

#### Internal control deficiencies

66. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
67. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
68. Leadership was not effective in ensuring that good governance was in place that set the tone of accountability to protect and enhance the interests of the municipality. The municipality was unable to create policies, systems and processes allowing the municipality to build stable capacity, enhance the skills of officials and create a culture of good financial and performance disciplines and compliance.
69. Leadership did not provide sufficient oversight over the implementation and monitoring of a sound control environment and the development of policies and procedures. Leadership did not act on audit recommendations made in the prior year and did not honour previous commitments made through the development and implementation of an effective action plan, resulting in many of the findings recurring.
70. Leadership did not put measures in place to reduce continuous reliance on consultants, by implementing processes to ensure that staff were sufficiently and adequately upskilled and that the performance of staff was monitored. Additionally, there was no transfer of skills and knowledge from consultants to staff to reduce reliance on consultants in future. Consequently, any improvements made in addressing audit findings of prior periods by the reliance placed on consultants, may not be sustainable.

71. Management did not implement the required financial disciplines such as proper record keeping, monthly reconciliations and the review of accounting records as well as ensuring financial statements adhere to the accounting framework. The material misstatements were exacerbated by the fact that management did not ensure that information was timeously gathered and filed appropriately to support information reported on. There was no regular preparation of financial statements to enable an adequate and regular review thereof throughout the year to identify areas of issues relating to the reporting framework.
72. Management performed inadequate reviews when comparing the supporting reported performance listings to the individual indigent applications to confirm the validity and accuracy of the reported performance.
73. Managements implemented compliance review and monitoring controls were ineffective to detect and prevent non – compliances from occurring.
74. Governance structures, i.e. the audit committee and the internal audit, were not effective in ensuring that good governance practices were in place by engaging management to prepare and monitor action plans to address the previous year's audit issues, as well as proper implementation thereof.

Auditor - General

Cape Town

14 December 2023



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

### Auditor-general's responsibility for the audit

#### Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the municipality's compliance with selected requirements in key legislation.

#### Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

75. 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
76. 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
77. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
78. 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
79. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## **Communication with those charged with governance**

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 126(1)(a), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b) Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a) Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 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), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 11(1), 11(2)

<b>Legislation</b>	<b>Sections or regulations</b>
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)