

# Report of the auditor-general to Limpopo provincial legislature and Council of Greater Tzaneen Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of Greater Tzaneen 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, cash flow statement and statement of comparison of budget and actual amounts for the year then ended 30 June 2024, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Greater Tzaneen Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the requirements of Standards of Generally Recognised Accounting Practice (Standards of GRAP), the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (DoRA).

### Basis for opinion

3. 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.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

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

### Restatement of corresponding figures

7. As disclosed in note 61 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of an error in the financial statements of the municipality at, and for the year ended 30 June 2024.

### **Litigations and claims**

8. With reference to note 40 to the financial statements, the municipality is a defendant in a number of lawsuits. The municipality is opposing the claims. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

### **Events after the reporting period**

9. We draw attention to note 63 in the financial statements, which deals with subsequent events and specifically the possible effects of the subsequent event on the municipality. Our opinion is not modified in respect of this matter.

### **Material impairments – Receivables from exchange and non-exchange transactions.**

10. As disclosed in note 59 to the financial statements, a material loss of R64 974 675 was incurred as a result of impairment of receivables from exchange and non-exchange transactions.

### **Material losses – Electricity**

11. As disclosed in note 50 to the financial statements, material electricity losses of R99 793 864 (2022-23: R68 080 234) was incurred, which represents 17.05% (2022-23: 13.7%) of total electricity purchased. Total losses were due to copper losses and resistance of the power conductors

### **Irregular expenditure**

12. As disclosed in note 46 to the financial statements, irregular expenditure of R98 497 738 was incurred, due to non-compliance with SCM processes on long term continuous contracts.

### **Other matters**

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

### **Unaudited supplementary schedules**

14. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

### **Unaudited disclosure notes**

15. In terms of section 125(2) (e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirements 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

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with Standards of GRAP, 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.
17. 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

18. 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.
19. 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 xx, forms part of our auditor's report.

## Report on the audit of the annual performance report

20. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected development priorities presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
21. I selected the following development priorities presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected development priorities that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Development priorities	Page numbers	Purpose
Basic services and infrastructure development	63 – 100	The service delivery KPA is aimed at ensuring a sustainable quality of life,
Local economic development	101 – 121	The local economic development KPA is aimed at achieving an Increased Income for all

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

23. 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 and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any measures taken to improve performance

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

25. I did not identify any material findings on the reported performance information for the development priorities, KPA: Basic Services and infrastructure development and KPA: Local Economic Development

## **Other matters**

26. I draw attention to the matters below.

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### **Achievement of planned targets**

27. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

28. The tables that follow 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 63 to 121.

### Basic Services and Infrastructure Development

Targets achieved: 66.67%		
Budget spent : 96.42%		
Key indicators not achieved	Planned target	Reported achievement
% of designs of Nkowankowa B (Hope of Christ, Bombelani School, Giyani Soshangani and Xirhombarhomba) Streets	100%	0%
Number of km of Upgrading of Marirone to Motupa Street from gravel to paving	3km	1.8km
Number of Zangoma to Mariveni Road from gravel to paved	4km	3km
Number of meter of Dan Access road from R36 (Scrapyard) to D5011 (TEBA) rehabilitated	500m	0m
% of Construction of R71 Roundabout	100%	0%
Number of households electrified in current financial year	1227	452
% of Ticket Identification D Rollover Prepaid meters	100%	73%
% of Electrification of Akanani (45 units)	100%	98.2%
% of Electrification of Mackery Phase 2 (60 units)	100%	99.1%
% of Electrification of Mandlakazi Phase 2 (50 units)	100%	98.2%
% of Electrification of Thabina Valley Phase 2 (85 units)	100%	98.2%
% of Electrification of Rikhotso (85 units)	100%	98.7%
% of Electrification of Mugwezeni Phase 2 (450 units)	100%	98.3%
% of Construction of Leretjeni sports complex at Leretjeng	100%	70%
% of construction of Bulamahlo Community Hall	100%	80%
% of Construction of New ablution block, offices and storage facility at Tzaneen testing grounds	100%	60%
% of Renovations of Nkowankowa testing ground	100%	68%
% of Renovation of Nkowankowa taxi rank	100%	0%
% of Construction of Changing rooms at Tzaneen Dam	100%	78%

% of Construction of Sleeping quarters and new kitchen at electrical department	100%	60%
% of Construction of Changing rooms for standby at Tzaneen plumbers workshop	100%	73%
% of Construction of ablution facility at cemetery between Lesedi Regional cemetery (Lenyenye)	100%	0%
% of Construction of new ablution block and change rooms at Tzaneen Waste water Treatment works	100%	75%
% of Construction of new guardhouse (Nkowankowa testing ground)	100%	76%
% of Construction of new guardhouse (Tzaneen testing ground)	100%	99%
% of Installation of power generator for Tzaneen Wastewater treatment works	100%	40%
Number of high mast lights supplied and installed	10	0
% of the high mast lights supplied and installed	100%	0%

### Local Economic Development

Targets achieved: 85.71%		
Budget spent : 96.42%		
Key indicators not achieved	Planned target	Reported achievement
% of draft LED Strategy	100%	0%
% of draft Tourism Strategy	100%	0%
% Budget spent by GTEDA	100%	86%
Number of Board Meetings attended	2	1
% of draft SMME Strategy	100%	0%

### Material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing.

These material misstatements were in the reported performance information for Basic Services and Infrastructure Development KPA and Local Economic Development KPA. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

## Report on compliance with legislation

30. 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.
31. 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.
32. 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.
33. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial statements, performance and annual report

34. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA

Material misstatements of non-current assets, current assets, current liabilities, revenue and employee cost, disclosure items, cash flow statement and segment reporting identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

### Expenditure management

35. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R2 592 249, as disclosed in the notes to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. Fruitless and wasteful expenditure was incurred due duplicate billing by legal service provider, inclusion of overtime in the calculation of leave encashment and long service awards, invalid indigents subsidised through free basic electricity (FBE) and the payment for the installation of prefabricated culverts that could not be verified

### Procurement and contract management

36. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e). The non-compliance is due to the municipality doing business with people whom their family members are employed by the state and no declaration of interest was made on the MBD 4.

## Consequence management

37. Some of the 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.
38. Some of the 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.

## Other information in the annual report

39. The accounting officer is responsible for the other information included in the annual report which includes the accounting officer's 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 development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.
40. 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.
41. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
42. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

43. 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.
44. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the material findings on compliance with legislation included in this report.

45. Management did not implement adequate internal controls to ensure the preparation of accurate financial statements and annual performance report as numerous material misstatements were identified that required material adjustments.
46. The municipality developed a plan to address internal and external audit findings, but the appropriate level of management did not timeously monitor adherence to the plan.
47. The municipality did not adequately review and monitor compliance with applicable procurement legislation and the MFMA.
48. There was no adequate monitoring and implementation of policies and procedures to guide the operations of the municipality, resulting in numerous instances of non-compliance with the MFMA.

The accounting officer did not ensure that the delegation of powers are reviewed and approved annually, the delegations were last approved on 27 June 2019

49. Expenditure management was inadequate resulting in incurrence of fruitless expenditure
50. Provision of incorrect information that had to be retracted and replaced which contributed to increased audit time
51. Control measures for the management of overtime are inadequate as evidenced by the excessive overtime claimed.

### **Material irregularities**

52. 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**

#### **Legal fees paid for stands not registered**

53. In terms of section 65(2)(a) of the MFMA, the accounting officer must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds,
54. Greater Tzaneen Municipality did not maintain a system of expenditure control in line with Section 65(2)(a) of the MFMA, the municipality paid R3 140 086 in legal fees for the registration of 195 stands that were donated to the developer without a council resolution. Of the 195 stands paid for by the municipality, 107 stands with a registration fee of R1 723 021 were rejected by the deeds office as the required services were not installed in the stands which is a pre-requisite for the approval of the transfer of developmental stands.
55. The non-compliance with section 65 (2) (a) of the MFMA resulted in a material financial loss amounting to R1 723 021.

56. The accounting officer was notified of the material irregularity on 05 March 2024. The accounting officer responded on 09 April 2024 and on 13 September 2024, the following action have been taken to resolve the material irregularity:

- The matter was referred for an investigation by the risk and compliance unit on 22 May 2024 on behalf of MPAC, the investigation is still in progress.
- The accounting officer engaged with developers and the legal service providers on 08 February 2024 to determine what caused the financial loss and the developer agreed to pay for the transfer to the remaining 145 ERFs, in that way the municipality would have recovered the loss.
- The developer rejected the registration costs as stated by the municipal legal service providers and indicated that the costs are too excessive and requested the municipality to appoint another conveyancer.
- Municipality appointed another conveyancer on 15 Aug 2024 and the new conveyancer is in the process of collecting all the required documents before finalising the bill. The process has not been completed due to ongoing engagements between all parties involved.
- Planning and Economic Department(PED) to confirm and sign off on any developed ERFs before registration process starts and in future developers will pay for their own registration of stands.

I will follow up on the investigation and the implementation of the planned actions during my next audit

## **Status of previously reported material irregularities**

### **Payment of Interest to Eskom**

57. In terms of section 65(2)(e) of the MFMA, The accounting officer must take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.

58. The municipality procures bulk electricity from Eskom and sells it to customers such a government, business and households. The municipality is billed on a monthly basis by Eskom for electricity supplied and it is expected in terms of section 65(2) (e) of the MFMA to settle the invoices within 30 days.

59. Non-compliance with section 65(2) (e) of the MFMA resulted in a material financial loss R5 413 504 by 30 June 2022 due to the failure to settle within 30 days. This has resulted in Eskom charging the municipality interest which was incurred and paid for late payment.

60. The accounting officer was notified of the material irregularity on 22 November 2022. The following action have been taken to resolve the material irregularity:

- Municipality embarked on customer data cleansing exercise to ensure billing integrity for electricity by improving billing accuracy through investigating debtors by type and reclassify debtors that are incorrectly classified on the billing system.

- Managing the revenue environment through regular reports and updates on the income received per area and service for the monitoring of electricity revenue.
- Extensive review of the budget to ensure that there are no unfunded budget items which affect the cash flow of the municipality.
- Municipality has implemented a debt collection process using internal revenue department, Cash collection increased by R90 754 413 during 2023/24 financial year hence the Eskom account was paid in full.
- After the lapse of the debt collector's agreement Transactional Capital Recoveries, the Municipality established a debt collection subdivision under revenue department headed by revenue manager, its role is to call and follow up with debtors and ensure that outstanding debtors are collected.
- Municipality started handing large and over long outstanding debtors to the legal service providers for legal process, Cases were handed to legal service providers to pursue them through legal means, and this has spurred other debtors to start paying especially business.
- Municipality is paying Eskom on time and has reduced the interest from R5 413 503 to R1 063 528 in the 2022-23 financial year and eliminated the interest in full in 2023-24 financial year.
- The source of the interest was the financial constraints and no human error or action, No formal investigations were instituted, the accounting officer worked on recovering the amounts owing to the municipality by consumers and started paying Eskom on time to avoid future interest.

61. I received your written submission on the progress on 25 May 2024. I considered the representation made and have concluded that appropriate actions have been taken to address the material irregularity. Therefore, I will not pursue this matter any further.

#### **Payment to replace damaged parts of the road caused by delays (Mulati access road)**

62. In terms of section 62(1)(a) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

63. Greater Tzaneen Municipality failed to use the resources of the municipality effectively, efficiently and economically. There was poor contract management on the Mulati access road project which led to project stoppages and the project stoppages caused structural damages.

The municipality incurred additional expenditure to replace and repair structural damages, which is a duplication of work and amounts to a financial loss.

64. The non-compliance with section 62(1)(a) of the MFMA has resulted in a likely material financial loss amounting R2 368 771,73 as at 30 June 2022.

65. The accounting officer was notified of the material irregularity on 24 March 2023. The following action have been taken to resolve the material irregularity:

- A formal investigation was instituted by the accounting officer 03 November 2023 and the investigation was carried out by the Director: Technical services as a person with the relevant skills in the area and the investigation was concluded on 16 October 2024, and the findings are as follows:
  - Court Ruling dated 28 January 2021, The High Court mandated the municipality to compensate the contractor for actual expenses incurred excluding any profit margins.
  - Misrepresentation: The contractor misled the municipality regarding the bill of quantities offering a contract price nearly half of the actual costs.
  - Construction halt: The project was suspended due to the legal dispute lasting approximately 18 months, during which time the site was abandoned leading to further damages. This resulted in the municipality paying for similar work by a new contractor for working on damaged parts effectively compensating for the same scope of work twice.
- The court ruling is legally binding and did not align with the municipality's objective of holding the contractor accountable for financial losses incurred due to misrepresentation and suspension of the project which led to damaged part of the road construction. The inability to recover costs from the contractor exacerbated the financial strain on the municipality, however the municipality was comforted by the ruling in favour of the municipality including outstanding payment of work done by the contractor without profit.
- The contractor was terminated on 27 September 2019 and replaced with a new contractor who has managed to complete the project was appointed 29 January 2021
- The PMU Manager was dismissed on 11 May 2020
- The municipality is now conducting a risk assessment process prior to awarding new bids to avoid reoccurrence of similar irregularities. Implementation of the projects are now monitored regularly by PMU through performing reconciliation of payment certificates against project milestone and bill of quantities.

66. I received your written submission on the progress on 17 October 2024. I considered the representation made and have concluded that appropriate actions have been taken to address the material irregularity. Therefore, I will not pursue this matter any further.

#### **Duplicate payments to consultants (Mulati Access road)**

67. In terms of section 62(1)(a) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

68. Greater Tzaneen Municipality failed to effectively, efficiently and economically use the resources and manage the Mulati access road project by approving payments for duplicate consulting work that bear no additional benefits.

The municipality failed to prevent the loss by paying for inception, concept and viability and design development twice on the same Mulati access road project.

69. The non-compliance with section 62(1)(a) of the MFMA has resulted in a likely material financial loss amounting R2 222 291,71 as at 30 June 2022.

70. The accounting officer was notified of the material irregularity on 24 March 2023. The following action have been taken to resolve the material irregularity:

- A formal investigation was instituted by the accounting officer on 03 November 2023 and the investigation was carried out by the Director: Technical services as a person with the relevant skills in the area and the investigation was concluded on 18 October 2024, and the findings are as follows:
  - The investigation confirmed that indeed there were overpayments on the project. Based on the investigation the loss was prevented as the finding was issued while the project was still in progress.
  - The over payment was recovered by the municipality through a set off against payment certificate number 15 dated 18 September 2023. The total paid to the consultant did not exceed the total contracted amount
  - Payment certificate no.15 was inspected which confirmed that there was a reduction of the invoice, recovery was for design development, as well as concept and viability. The total amount deducted was R2 173 054.00.
- The PMU Manager was dismissed on 11 May 2020
- The municipality is now conducting a risk assessment process prior to awarding new bids to avoid reoccurrence of similar irregularities. Implementation of the projects are now monitored regularly by PMU through performing reconciliation of payment certificates against project milestone and bill of quantities.

71. I received your written submission on the progress on 21 October 2024. I considered the representation made and have concluded that appropriate actions have been taken to address the material irregularity. Therefore, I will not pursue this matter any further.

*Auditor-General*

Polokwane

30 November 2024



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure to the auditor's report**

The annexure includes the following:

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

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

#### **Professional judgement and professional scepticism**

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

#### **Financial statements**

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

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

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)

Legislation	Sections or regulations
	<b>Parent municipality with ME:</b> Sections 93B(a), 93B(b)  <b>Parent municipality with shared control of ME:</b> Sections 93C(a)(iv), 93C(a)(v)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(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)
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)

