

# Report of the auditor-general to the Gauteng Provincial Legislature and the council of the Merafong City Local Municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of Merafong City Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, the cash flow statement and statement of comparison of budget information and actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effect and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Merafong City Local Municipality as at 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2024 (Dora).

### Basis for qualified opinion

#### Service charges – electricity

3. I was unable to obtain sufficient appropriate audit evidence for service charges – electricity, as the municipality did not have reliable meter readings for consumption of electricity billed to consumers. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustment relating to service charges for electricity stated at R315 811 003 (2023-24: R310 048 213) in the financial statements, was necessary. In addition, I was unable to determine the impact on consumer debtors from exchange for electricity stated at R98 777 862 (2023-24: R48 272 134) and electricity losses stated at R309 415 739 (2023-24: R222 528 280).

#### Service charges – water

4. I was unable to obtain sufficient appropriate audit evidence for service charges – water, as the municipality did not have reliable meter readings for consumption of water billed to consumers. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustment relating to service charges for water stated at R407 416 724 (2023-24: R327 283 770) in the financial statements, was necessary. In addition, I was unable to determine the impact on consumer debtors from exchange for water stated R80 427 674 (2023-24: R47 174 794) and water losses stated at R137 783 407 (2023-24: R150 421 298).

### **Inventory consumed**

5. I was unable to obtain sufficient appropriate audit evidence for inventory consumed, as the municipality did not have reliable meter readings for consumption of bulk for electricity and water billed to consumers. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustment relating to inventory consumed stated at R339 351 388 (2023-24: R359 834 132) and the VAT receivables stated at R 560 872 360 (2023-24: R343 222 402) in the financial statements, was necessary.

### **Interest earned from receivables from exchange**

6. I was unable to obtain sufficient appropriate audit evidence for interest earned from receivables from exchange, as the municipality did not have reliable meter readings for consumption on service charges for electricity and water billed to consumer debtors. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustment relating to interest earned from receivables from exchange stated at R182 261 163 (23-24: R169 396 144) in the financial statements, was necessary. In addition, I was unable to determine the impact on segment information disclosure note 62 for interest earned from receivables stated at R323 636 862 (23-24: R310 770 100).

### **Debt impairment**

7. I was unable to obtain sufficient appropriate audit evidence for debt impairment, as the municipality did not have reliable meter readings for consumption on service charges for electricity and water billed to consumer debtors. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustment relating to debt impairment stated at R964 676 913 (2023-24: R1 215 933 064) in the financial statements, was necessary. In addition, I was unable to determine the impact on debt impairment in the segment information disclosure note 62 stated at R964 676 912 (2023-24: R1 215 933 065).

### **Financial instruments disclosure notes 48 - trade and other receivables from exchange transactions**

8. I was unable to obtain sufficient appropriate audit evidence for debt impairment, as the municipality did not have reliable meter readings for consumption on service charges for electricity and water billed to consumer debtors. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustment in the financial statements was necessary relating to trade and other receivables from exchange transactions stated at R248 142 691 (2023-24: R135 563 917) in the financial instruments' disclosure note 48.

### **Segment information disclosure notes 62 - total revenue from exchange**

9. I was unable to obtain sufficient appropriate audit evidence for total revenue from exchange in segment information disclosure notes 62, as the municipality did not have reliable meter readings for consumption on service charges for electricity and water billed to consumer debtors. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustment relating to total revenue from exchange transactions stated at R921 506 904 (2023-24: R816 361 004) under the segment reporting disclosure note 62 in the financial statements, was necessary.

## Cash flow statement

10. Net cash flows from operating activities, investing activities and financing activities were not correctly prepared and disclosed as required by GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. I was unable to determine the full extent of the errors in the net cash flows from operating activities, investing activities and financing activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to net cash flows from operating activities stated at R74 751 858, net cash flows from investing activities stated at R160 996 184 and net cash flows from financing activities stated at R1 355 276 in the financial statements were necessary.

## Irregular expenditure

11. Not all irregular expenditure was included in note 58 to the financial statements, as required by section 125(2)(d) of the MFMA. Payments made/expenditure incurred in contravention of supply chain management requirements, which resulted in irregular expenditure of R55 735 364 (2023-24: R26 408 200) were not included in note 58. In addition, the irregular expenditure incurred during the current financial year under audit and related information on irregular expenditure was not included in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. I was unable to determine the full extent of the irregular expenditure that occurred during the financial year as it was impracticable to do so.

## VAT payable

12. I was unable to obtain sufficient appropriate audit evidence for VAT payable, as the municipality calculated VAT on service charges that did not have reliable meter readings for consumption of water and electricity billed to consumers. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustment relating to VAT payable stated at R409 584 501 (2023-24: R343 222 402) in the financial statements, was necessary.

## Property rates - residential

13. I was unable to obtain sufficient appropriate audit evidence for property rates, as the municipality could not provide a detailed breakdown of the property rates for residential category as per note 29 of the financial statement, and could not support the significant decline in the property rates from prior year, whilst the tariffs increased for the current year. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of residential property rates stated at R450 743 950 in the financial statements.

## Prior period errors

14. I was unable to obtain was sufficient appropriate audit evidence for those prior period errors disclosed in note 54 to the financial statements, as the supporting information was unreliable or not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in the financial statements.

## **Context for opinion**

15. 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.
16. 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.
17. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of matters**

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

### **Contingencies – litigations and claims**

19. With reference to note 51 to the financial statements, the municipality is a defendant in various claims and lawsuits. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

## **Other matter**

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

### **Unaudited disclosure notes**

21. 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. These disclosure requirements did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on them.

## **Responsibilities of the accounting officer for the financial statements**

22. 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.
23. 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

24. 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.
25. 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 x to x, forms part of my auditor’s report.

### Report on the audit of the annual performance report

26. 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 goal presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
27. I selected the following strategic goal presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected a strategic goal that measures the municipality’s performance on its primary mandated functions and that is of significant national, community or public interest.

Strategic goal	Page numbers	Purpose
Goal 1: To provide basic service delivery	[XX]	To provide basic service delivery, putting people and their concerns first

28. I evaluated the reported performance information for the selected strategic goal 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.
29. 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 '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 measures taken to improve performance.

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

31. The material findings on the reported performance information for the selected strategic goal are as follows:

#### **Goal 1: To provide basic service delivery**

##### **Number of kerb inlets maintained in accordance with the maintenance plan**

32. An achievement of 333 was reported against a target of 300. However, the audit evidence showed the actual achievement to be only 60. Consequently, the target was not achieved.

##### **Kilometres (km) of gravel roads maintained**

33. An achievement of 115,2 km was reported against a target of 122 km. However, the audit evidence showed the actual achievement to be only 62,5 km. Consequently, the underachievement on the target was more than reported.

##### **Percentage of unaccounted electricity losses**

34. An achievement of 49% was reported against a target of 52,5%. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

##### **Percentage of unaccounted water losses**

35. An achievement of 41,29% was reported against a target of 40%. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

## Other matters

36. I draw attention to the matters below.

### Achievement of planned targets

37. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

38. The 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.

### Goal 1: To provide basic service delivery

<i>Targets achieved: 65,5%</i>		
<b>Key service delivery indicator not achieved</b>	<b>Planned target</b>	<b>Reported achievement</b>
m <sup>2</sup> of tarred roads maintained	7 000	7 000
Km of gravel roads maintained	122	115,75
Percentage of reported potholes repaired within seven working days	100	95
Meters of stormwater drainage system maintained in accordance with the maintenance plan	15 200	3 679
Percentage of unaccounted electricity losses	52,5	49
Number of identified illegal connections and bypassing of prepaid meters corrected	1 400	1 219
Percentage of reported illegal dumping removed	100	75
Percentage of formal households with access to basic solid waste removal	100	97
Percentage of solid waste recycling	28	27
Number of services extension to household without refuse removal services	200	0
Percentage of unaccounted water losses	40	41,29
Projects:		
Structurer rehabilitation of 007 reservoir	100	65
Fochville Outfall Sewer	100	87,5
Installation of Zonal meters and PRVs	100	35
Refurbishment of Khutsong wastewater treatment works (WWTW)	100	40

Welverdiend WWTW	100	99,87
Khutsong roads and stormwater (Phase 8)	100	83
Rehabilitation of Carletonville cemetery road	100	68,8
Khutsong bulk roads and stormwater (Phase 2)	100	0
Upgrading of Wedela recreation club	100	50
Khutsong electricity (Frikkie substation)	100	89
132kva - 150 m loop in loop out overhead line for power	100	0
Khutsong south ext.5, 6 electrifications change control	100	45

### Material misstatements

39. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Goal 1: To provide basic service delivery. Management did not correct all of the misstatements, and I reported material findings in this regard.

### Report on compliance with legislation

40. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

41. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

42. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

### Annual financial management

44. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of assets / liabilities / revenue / expenditure / disclosure items identified by the auditors in the

submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, but the uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

### **Revenue management**

45. An adequate management, accounting and information system which accounts for revenue / debtors was not in place, as required by section 64(2)(e)(i) / (ii) of the MFMA.
46. An effective system of internal control for debtors / revenue was not in place, as required by section 64(2)(f) of the MFMA.
47. A credit control and debt collection policy was adopted, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA however not implemented.

### **Procurement and contract management**

48. Some quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by supply chain management (SCM) Regulation 13(c). Similar non-compliance was also reported in the prior year.
49. Some of the contracts were awarded to bidders based on points given for legislative requirement that were differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.
50. Tenders which failed to achieve the minimum qualifying score for functionality legislative requirement were not disqualified as unacceptable tender in accordance with 2017 Preferential Procurement Regulation 5(6). Similar non-compliance was also reported in the prior year.
51. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
52. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

### **Expenditure management**

53. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 014 092 132, as disclosed in note 56 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the approved budget.
54. Reasonable steps were not taken to prevent irregular expenditure amounting to R138 917 380 as disclosed in note 58 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 2017 Preferential Procurement Regulation 5(6) and SCM regulations 21(b) and 28(1)(a)(i).

55. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R207 298 590, as disclosed in note 57 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 late payment of interest by service providers.
56. Reasonable steps were not taken to ensure that money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

### Human resource management

57. Financial interest was not disclosed by the senior manager within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.

### Consequence management

58. 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.
59. 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.
60. Some of the losses resulting from irregular expenditure and fruitless and wasteful expenditure were certified council as irrecoverable without having investigated to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA.
61. 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

62. The accounting officer is responsible for the other information included in the annual report.<sup>1</sup> The other information does not include the financial statements, the auditor's report and the selected strategic goal presented in the annual performance report that have been specifically reported on in this auditor's report.
63. My opinion on the financial statements, and my reports on the audit of the annual performance report and 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 goal 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, and I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the

other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

### Internal control deficiencies

66. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
67. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
68. The accounting officer did not always exercise adequate oversight responsibility for the implementation of preventative controls relating to the financial and performance management, as well as the compliance with laws and regulations.
69. Senior management did not always monitor the successful implementation of actionable plans designed to prevent the recurring instances of non-compliance. Consequence management on transgressions against compliance with laws and regulations was not always implemented effectively and consistently.

### Material irregularities

70. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

#### Status of previously reported material irregularities

#### Pollution of water resource and degrading of the environment not prevented at Khutsong wastewater treatment works

71. The municipality has not taken reasonable measures at the Khutsong wastewater treatment works to prevent pollution and degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the National Environment Management Act (NEMA) 107 of 1998 and section 19(1) of the National Water Act (NWA) 36 of 1998. The Khutsong wastewater treatment works has not been functional since 2016 due to neglected maintenance that has led to the discharge of inadequately treated effluent into the Padda River and blockage of the inlet pipe which has resulted in pipe burst and rapid formation of sink holes within the Khutsong area.
72. This has resulted in spilling and discharge of raw and untreated sewerage into the Padda River and environment adjacent to the wastewater works which has a devastating effect on the water, its eco-systems and the people who use the water. The Padda river and its extended water course flows through the town of Khutsong North and Khutsong South and is used for

consumption, farming and agricultural purposes by the communities of the town and the farmers along the extended water network.

73. I notified the accounting officer of the material irregularity on 23 May 2023.

74. I determined that the accounting officer is not taking appropriation to resolve the MI. I am in the process of making a decision on further actions to be taken.

#### **Pollution of water resource not prevented at Welverdiend wastewater treatment works**

75. The municipality has not taken reasonable measures at the Welverdiend wastewater treatment works to prevent pollution and degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of NEMA and section 19(1) of the NWA. The Welverdiend wastewater treatment works has not been functional for a number of years due to neglected maintenance that has led to the discharge of inadequately treated effluent into the Wonderfonteinspruit and the adjacent environment and farm land contaminates the groundwater in the surrounding area.

76. This has resulted in spilling and discharge of raw and untreated sewerage into Wonderfonteinspruit and environment adjacent to the wastewater works which has a devastating effect on the water, its eco-systems and the people who use the water. These contaminates resources provide water to the surrounding communities for consumption by humans, livestock, for domestic or agricultural (irrigation) purposes. Management appointed a security company to safeguard assets of the Welverdiend WWTW in April 2023 for a period of three years and appointed a consulting firm in April 2024 to provide consulting services relating to the refurbishment of the Welverdiend WWTW.

77. I notified the accounting officer of the material irregularity on 9 July 2024.

78. The accounting officer has taken the following actions to address the material irregularity:

- A business plan for phase 1 funding to refurbish the WWTW to the Department of Water and Sanitation (DWS) was approved on August 2024.
- The accounting officer appointed a contractor in October 2024 for the refurbishment of the WWTW.
- Phase 1 was reported as practically complete as at 17 September 2025.
- Phase 2 is planned for completion on 30 June 2026, with a budget detailing R8 996 718 from DWS for Phase 2 has been approved for the 2025-2026 financial year.

79. I will follow up on the progress on the implementation of these actions during my next audit.

Auditor - General  
Johannesburg

30 November 2025



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 strategic goal 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 the municipality to cease operating as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 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), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 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), 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)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 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), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 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)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)  <b>Parent municipality with ME:</b> Sections: 93B(a), 93B(b)  <b>Parent municipality with shared control of ME:</b> Section: 93C(a)(iv), 93C(a)(v)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 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), 26(5), 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)

Legislation	Sections or regulations
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)