

**1. O V E R S I G H T R E P O R T O N T H E A N N U A L R E P O R T F O R T H E 2 0 2 2 / 2 3 F I N A N C I A L Y E A R  
/ V E R S L A G R A K E N D E D I E O O R S I G V E R S L A G V I R D I E 2 0 2 2 / 2 3 F I N A N S I Ē L E J A A R /  
L W E N G X E L O E Y O N G A M E L E Y O Y O N Y A K A Y O N Y A K A M A L I K A 2 0 2 2 / 2 3**

**R E P O R T F R O M T H E C H A I P E R S O N O F M U N I C I P A L P U B L I C A C C O U N T S C O M M I T T E E  
( M P A C ) ( C L L R A C K E R )**

**2 P U R P O S E**

To present the Oversight Report on the Annual Report of the Garden Route District Municipality (GRDM), as required by legislation, and submit the recommendation to Council for consideration.

**3. D E L E G A T E D A U T H O R I T Y**

Council

**4. E X E C U T I V E S U M M A R Y**

The 2022/23 Annual Report was presented to the Committee on 30 August 2023 and 28 November 2023 as well as 07 December 2023. The report was advertised for public inputs and comments on 30 August 2023 and no comments were received from the public/communities. The Draft Annual Report was also submitted to Provincial Treasury and Provincial Department of Local Government as well as the Office of the Auditor General.

Further to the above platforms, the Annual Report was also placed on our communications channels, including website and Official GRDM Facebook, Eden FM and newspapers.

MPAC would like to take this opportunity to congratulate the administration for maintaining the Audit Outcomes of Clean Audit, which we will further deal with later in this report.

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## **5. RECOMMENDATIONS**

1. That Council, after having fully considered the Annual Report of the municipality and representations thereon, adopts the oversight report and the 2022/23 Annual Report without reservations.
2. That the Accounting Officer, in accordance with Section 21 (a) of the Municipal Systems Act, make the oversight report public within seven days of its adoption.
3. That the Accounting Officer submits the Oversight Report to the Provincial Legislature within seven days.
4. That the Accounting Officer develops action plans to address issues raised in the Auditor General Report and monitor progress.
5. That the Audit Action Plan progress be presented to APAC and MPAC quarterly.
6. That Council refer Irregular Expenditure disclosed in the Annual Financial Statements to MPAC for investigation for the current year.
7. That Council refer Unauthorised Expenditure disclosed in the Annual Financial Statements to MPAC for investigation.
8. That Council refer Fruitless and Wasteful Expenditure disclosed in the Annual Financial Statements to MPAC for investigation

## **AANBEVELINGS**

1. *Dat die Raad, nadat die Jaarverslag van die munisipaliteit en vertoë daaroor volledig oorweeg het, die oorsigverslag en die 2022/23 Jaarverslag sonder voorbehoude aanvaar.*
2. *Dat die Rekenpligtige Beampte, ooreenkomstig Artikel 21 (a) van die Munisipale Stelselwet, die oorsigverslag binne sewe dae na die aanvaarding daarvan openbaar maak.*
3. *Dat die Rekenpligtige Beampte die Oorsigverslag binne sewe dae by die Provinsiale Wetgewer indien.*
4. *Dat die Rekenpligtige Beampte aksieplanne ontwikkel om kwessies wat in die Ouditeur Algemene Verslag geopper word aan te spreek en vordering te monitor.*
5. *Dat die vordering van die Ouditaksieplan kwartaalliks aan APAC en MPAC voorgelê word.*
6. *Dat die Raad onreëlmatige uitgawes wat in die finansiële jaarstate geopenbaar is na MPRK verwys vir ondersoek vir die huidige jaar.*
7. *Dat die Raad ongemagtigde uitgawes wat in die finansiële jaarstate geopenbaar is na MPRK verwys vir ondersoek.*
8. *Dat die Raad vrugtelose en verkwistende uitgawes wat in die finansiële jaarstate geopenbaar is na MPRK verwys vir ondersoek.*

## **IZINDULULO**

1. Sesokuba iBhunga, emva kokuba liyithathele ingqalelo ngokupheleleyo iNgxelo yoNyaka kamasipala nokumelwa kuyo, lamkele ingxelo yokongamela kunye neNgxelo yoNyaka wama-2022/23 ngaphandle kwamathandabuzo.

2. Sesokuba iGosa eliNika iNgxelo, ngokungqinelana neCandelo lama-21 (a) loMthetho weNkqubo zikaMasipala, lenze ingxelo yokongamela esidlangalaleni kwiintsuku ezisixhenxe zokwamkelwa kwayo.
3. Sesokuba iGosa eliNika iNgxelo lingenise iNgxelo yoLwaphulo-mthetho kwiNdlu yoWiso-mthetho yePhondo kwiintsuku ezisixhenxe.
4. Sesokuba iGosa eliNika iNgxelo liqulunqe izicwangciso zamanyathelo okujongana nemiba ephakanyiswe kwiNgxelo yoMphicothi-zincwadi Jikelele kunye nokubeka iliso kwinkqubela phambili.
5. Sesokuba isiCwangciso soMsebenzi woPhicotho-zincwadi sinikezelwe kwi-APAC nakwi-MPAC qho ngekota.
6. Sesokuba iBhunga lidlulisele iNkcitho eNgagunyaziswanga edizwe kwiiNgxelo-mali zoNyaka kwi-MPAC ukuze iphandwe kulo nyaka.
7. Sesokuba iBhunga lithumele iNkcitho engagunyaziswanga edizwe kwiiNgxelo zeMali zoNyaka kwi-MPAC ukuze iphandwe.
8. Sesokuba iBhunga lithumele iNkcitho engenaziqhamo neyiNkcitho ebhengezwe kwiiNgxelo zeMali zoNyaka kwi-MPAC ukuze iphandwe.

## **6. DISCUSSION / CONTENTS**

### **6.1 Background**

In terms of section 129 of the Local Government: Municipal Finance Management Act, 2003, Council must adopt an oversight report of the municipality, which must include comments on the Annual Report. The Municipal Public Accounts Committee (MPAC) is the committee of Council that is tasked with that responsibility of drafting such a report.

Council has adopted an Annual Report Process Plan that is in line with MFMA Circular 63, which requires that the whole process of the Annual Report be finalised in December each year. GRDM is the only municipality that follows MFMA Circular 63 in the region, if not the whole Western Cape. Indeed, we are aspired to be the leading District in South Africa.

The Draft Annual Report for the 2022/23 financial year was tabled in Council on 30 August 2023 and to MPAC and Audit and Performance Audit Committee (APAC) on 29 August 2023, 28 November 2023 as well as discussed on 07 December 2023. The Annual Report was also made public on 05 September 2023, to invite public comments on the report.

The MFMA requires in section 127 states that:

" The council in terms of section 129, adopt an oversight report containing the council's comments on the Annual Report, which must include a statement whether the council—

- a) has approved the Annual Report with or without reservations;
- b) has rejected the Annual Report; or
- c) has referred the Annual Report back for revision of those components that can be revised.

It further states in section 130 that:

“(1) The meetings of a municipal council at which an Annual Report is to be discussed or at which decisions concerning an Annual Report are to be taken, must be open to the public and any organs of state, and a reasonable time must be allowed—

- a) for the discussion of any written submissions received from the local community or organs of state on the Annual Report; and
- b) for members of the local community or any organs of state to address the council.

(2) Representatives of the Auditor-General are entitled to attend, and to speak at, any council meeting referred to in subsection (1).

- (3) The accounting officer must in accordance with section 21A of the Municipal Systems Act make public an oversight report within seven days of its adoption.

## **6.2 Purpose Of An Annual Report**

The purpose of the Annual Report is:

- to provide a record of the activities of the municipality;
- to provide a report on performance against pre-determined target
- to promote accountability to the local community for decisions made.

The Annual Report of a municipality must include—

- (a) the annual financial statements of the municipality as submitted to the Auditor-General for audit;
- (b) the audit report of the Auditor-General in terms of both section 126(3) of the MFMA and section 45(b) of the Local Government: Municipal Systems Act, 2000 (MSA);
- (c) municipality's annual performance report as per section 46 of the MSA;
- (d) assessment of any arrears on municipal taxes and service charges;
- (e) assessment of municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the municipality's approved budget;
- (f) particulars of corrective action taken or to be taken on issues raised in audit reports;
- (g) explanations to clarify issues on financial statements;
- (h) any other information determined by the municipality including recommendations made by APAC and any other information as may be prescribed.

## **6.3 Municipal Public Accounts Committee (MPAC)**

MPAC is responsible, amongst other functions:

- (a) To consider and evaluate the Annual Report as tabled in Council, and thereafter make recommendations to Council in this regard.

- (b) To compile an Oversight Report and table in Council and make recommendation for Council's consideration.

For purposes of complying with the requirements listed above, MPAC met on the following dates to consider and discuss the content of the Annual Report.

<b>MPAC Member</b>	<b>Affiliation</b>	<b>29 Aug 2023</b>	<b>28 Nov 2023</b>	<b>07 Dec 2023</b>
Ald CN Lichaba	ANC	Apology	Apology	Present
Cllr K Malooi	DA	Present	Present	Present
Cllr JG Meiring	DA	Present	Present	Present
Cllr M Kannemeyer	DA	Present	Present	Apology
Cllr CP Taute	ANC	Apology	Apology	AWL
Cllr RJ Saptoe	GOOD	Present	No Longer Serve	No longer serve
Cllr D Acker	FF Plus	Present	Present	Present
Cllr JP Buys	PBI	Present	Apology	Apology
Cllr D Cronje	DA	Present	No Longer Serve	No longer serve

In addition to the above meetings, MPAC also met on the following dates:

- 31 October 2022
- 24 July 2023

## 6.2 DISCUSSION

The committee met three times to discuss the Draft and Final Annual Report and for compilation and approval of this report. The 2022/23 Annual Report was advertised for public inputs and comments from the 05 September 2023. No comments were received from the public/communities. The Draft Annual Report was also submitted to Provincial Treasury and Provincial Department of Local Government as well as the Office of the Auditor General. Further to the above platforms, the Annual Report was also placed on our communications channels, including website and Official GRDM Facebook page and Newspapers. On 12 September 2023, public was invited through the Eden FM Radio to make comments to the Annual Report.

### **Provincial Treasury Assessment of 2023 Annual Report**

The Draft Annual Report was submitted to Provincial Treasury on 01 September 2023. Provincial Treasury did an extensive assessment of the Annual Report. This assessment report was also discussed by the committee on 07 December 2023.

This report confirmed that GRDM's annual report has been compiled in compliance with all relevant legislation, including MFMA Circular 63. Provincial Treasury further commended the Municipality in its exceptional innovations of the past few years.

Provincial Treasury raised two issues that the Municipality should address before making the report final. These are:

1. The 2021/22 Audit findings have not been included. The 2022/23 audit is still in progress and once concluded the findings should be included in the Final 2022/23 Annual Report.
2. The Municipality included information related to B-BBEE compliance in terms of suppliers/enterprises and employee occupational levels and Council. The Annual Report should contain a heading titled "B-BBEE Compliance Performance Information" complete with sub-headings also disclosing information relating to the following elements: Management Control, Skills Development, Enterprise, and Supplier Development; Socio-economic Development.

The above issues have been catered for in the final report. The Audit has now been concluded and the AGSA report is part of the Annual Report. This report was also presented to MPAC by the Office of the Auditor General on 07 December 2023.

The issue of BBEE that is reported as partially implemented, should be fully implemented in 2024 Annual Report.



Section 2.1 of the Provincial Report deals with compliance of the Annual Report with relevant legislation. There were no findings regarding to non-compliance with Legislation, as far as the annual report is concerned. Provincial Treasury Confirmed that the Municipality complied with all relevant legislations.

The conclusion of the Provincial Assessment is that the GRDM Annual Report is compliant with the legislative requirements as per MFMA Section 75, 121 and 127. It is recommended that the Municipality incorporate the above-mentioned aspects (see section 2.1 and 2.2) to improve the quality of the annual report. The Municipality has indicated reasons for underperformance and the corrective measures for all targets that were not achieved. These are noted and should serve to improve performance in the 2023/24 financial year provided that:

- targets are set at levels that are realistic and take past performance into consideration.
- the Municipality addresses the risks and challenges highlighted in section 3.2 of the Provincial Treasury Assessment Report

The Final Annual Report, with all its components, was discussed on 07 December 2023. We would like to commend the administration for being able to compile the final set of the Annual Report with all the chapters and Annexures that are required in terms of section 127 of MFMA. The final report from the Office of the Auditor General was received on Thursday, 30 November 2023. The MPAC members were informed that the Special Council Meeting to deal with the oversight report was scheduled to take place on 12 December 2023. This meant that the administration and MPAC had to work under very tremendous pressure to ensure that the whole process is completed by before that meeting and to allow for the inclusion of this report in the Council agenda.

## **7.2 AGSA Audit Report**

The Office of the Auditor General presented their report to the Committee on 07 December 2023. The committee would like, again, to congratulate Management and Political leadership for maintaining a Clean Audit.

The report of the Auditor General did not raise any material findings on the Municipality. However, there are three issues that the auditor would like to bring to the attention of the Council.

These issues are

### **Material impairments – receivables from exchange transactions**

As disclosed in note 8 to the financial statements, receivables from exchange transactions were significantly impaired. The impairment allowance was R 46 817 805 versus R39 715 379 for 2021 financial year.

90% of this impairment relates to Fire Services Accounts which are not collectable. This has been the case for quite a number of years. Management must continue explore possible ways to collect the fire accounts.

Given the Financial Status of this Municipality, Management is encouraged to find ways to decrease the debtor's impairment provision and ensure that there are effective controls in place and also ensure that debt owed to the municipality is recovered. The accounts should be handed over for legal steps in line with Council policy.

The municipality is heavily dependent on equitable share allocation and neglecting to collect the little that it can receive from its debtors might be disastrous in the long run.

This impairment is always part of this oversight report, and it seems that these fire accounts are not always collectable. Management is urged again to look at possible collection methods for fire accounts.

### **Property Dispute With Knysna Municipality**

In terms of property disputes with Knysna Municipality, Management and Council is urged to prioritise the discussion between the two municipalities to speedily address the issue of ownership of these properties.

### **Restatement of corresponding figures**

As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2023.

The Municipality should develop controls to minimize the misstatements on the AFS. This should form part of the Audit Action Plan that will be minimize the errors.

## **7.3    Audit Committee Report**

On 07 December 2023, the Audit Committee presented its report, that is part of the Annual Report. Council should also consider the extensive issues raised in that report. The Committee has also considered the APAC report when writing this oversight report.

## **7.4 General Matters**

### **Financial Viability**

The Municipality is assessed as a going concern. The going concern concept is a fundamental principle of accounting. It assumes that during and beyond the next fiscal period an institution will complete its current plans, use its existing assets, and continue to meet its financial obligations.

The Municipality should continue to find ways of exploring alternative revenue sources as.

The Municipality should continue to leverage on its asset base, especially properties, to ensure that they generate the required revenue. The progress on the Regional Landfill site and the leasing of Kleinkrans Property is noted.

The other projects that should be prioritised are:

- ☐ Municipal Resorts
- ☐ Alternative Energy Initiatives
- ☐ Fresh produce Market
- ☐ Student Accommodation

Council should closely monitor these projects, to ensure that they succeed.

### **Unauthorised Expenditure**

The municipality incurred unauthorised expenditure in the year under review, of R 2 901 362. This expenditure will be investigated by MAPC and detailed report, with recommendations will be submitted to council.

### **Irregular expenditure**

When the committee reviewed the Audited Annual Financial Statement, it noted an Irregular expenditure incurred during the year under review to the value of R16 286 529. This is a reduction when compared to R16.4m recorded in the prior year. The R 4 785 202 of the R 16 286 529 relates to contracts that were entered into in previous financial years. This relates to non-compliance with SCM regulation 29(c), the composition of the BAC. This expenditure relates to contracts that were declared irregular in 2019 financial year and therefore is not new discovery of irregular expenditure.

This expenditure will be investigated by MAPC and detailed report, with recommendations will be submitted to council.

### **Fruitless and wasteful expenditure**

The Municipality incurred fruitless and wasteful expenditure to the value of R 57 406. The value is immaterial; however it will be investigated by MPAC and a report will serve to council.

### **Performance Information**

There were no findings raised on performance information. The Municipality achieved 84% of its planned targets. This is a commendable achievement. The assessment done by Provincial Government on Performance Information also showed no material concerns and commended the municipality in this regard.

The progress on this action plan should be closely monitored and reported to MPAC and APAC.

In conclusion, the Chairperson of MPAC wishes to thank MPAC members, Management and Council for their support and ensuring that the work of this committee is not hindered and can be transparently addressed. The Council, Chairpersons of different Section 80 & 79 Committees, the Audit Committee members, Management, all officials and fellow MPAC Members are congratulated again on achieving the Clean Audit. This remains a significant achievement.

#### **6.3 Financial Implications**

None

#### **6.4 Legal Implications**

No Compliance to MFMA Circular 63

#### **6.5 Staff Implications**

None

#### **6.6 Previous / Relevant Council Resolutions:**

There are no previous or relevant Council resolutions related to this matter.

**6.7 Risk Implications**

Failure to adopt or not adopt may result to no compliance MFMA Circular 63.

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

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Garden Route District Municipality set out on pages 6 to 94, 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 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 Garden Route District Municipality as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the 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 2022 (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 38 to the financial statements, the corresponding figures for 30 June 2022 were restated because of errors in the financial statements of the municipality at, and for the year ended, 30 June 2023.

### Material impairments – receivables from exchange transactions

8. As disclosed in note 8 to the financial statements, receivables from exchange transactions were impaired. The impairment allowance was R46 817 805 (2022: R39 715 379).

### Contingent liabilities

9. With reference to note 48.6 to the financial statements, the municipality is the defendant in a land-claim dispute with Knysna Municipality. The municipality is opposing the claim. The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

### Other matters

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

### Unaudited supplementary schedules

11. The supplementary information set out on pages 95 to 103 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, do not express an opinion on them.

### Unaudited disclosure notes

12. 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 requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

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

13. 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 the financial statements that are free from material misstatement, whether due to fraud or error.
14. 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

15. 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.

16. 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

17. 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 objective presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
18. I selected the following objective presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected an objective that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Objective	Page number	Purpose
Bulk infrastructure coordination	12	The objective focuses on road infrastructure management which is of significant community interest as residents travel on roads daily and many businesses require good quality roads to perform their services and move their goods

19. I evaluated the reported performance information for the selected objective 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.
20. 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
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
  - the reported performance information is presented in the annual performance report in the prescribed manner
  - there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.
21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
22. I did not identify any material findings on the reported performance information for the selected objective.

#### **Other matters**

23. I draw attention to the matters below.

#### **Achievement of planned targets**

24. The annual performance report includes information on reported achievements against planned targets and provides explanations for over or underachievement.

#### **Report on compliance with legislation**

25. 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.
26. 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.
27. 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.
28. I did not identify any material non-compliance with the selected legislative requirements.

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

29. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report

and the selected objective presented in the annual performance report that have been specifically reported on in this auditor's report.

30. 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.
31. 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 objective presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
32. I did not receive all the other information prior to the date of this 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 matters to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to report on it in the auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies
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33. 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.
34. I did not identify any significant deficiencies in internal control.

*Auditor-General*

Cape Town

30 November 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 the selected objective 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.

**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
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Finance Management Act 56 of 2003	<p>Section 1 – paragraph (a), (b) &amp; (d) of the definition: irregular expenditure</p> <p>Section 1 – definition: service delivery and budget implementation plan</p> <p>Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1)</p> <p>Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a)</p> <p>Sections 32(7), 53(1)(c)(iii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii)</p> <p>Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e)</p> <p>Sections 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(i)</p> <p>Sections 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b)</p> <p>Sections 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a)</p> <p>Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)</p>
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, 2005	<p>Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), 17(1)(b)</p> <p>Regulations 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e)</p> <p>Regulations 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a) and (b), 29(5)(a)(ii), 29(5)(b)(ii)</p> <p>Regulations 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i)</p> <p>Regulations 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)</p>

Legislation	Sections or regulations
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 27(1), 29(1)(b)(ii), 29(2)(a) Sections 29(2)(c), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42 Sections 43(2), 56(a), 57(2)(a), 57(4B), 57(6)(a), 66(1)(a), 66(1)(b) Sections 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(5)(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)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1) Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)