

Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on the Walter Sisulu Local Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Walter Sisulu Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the period then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Receivables from exchange and non-exchange transactions

3. Included in receivables from exchange transactions disclosed in note 3 and receivables from non-exchange transactions disclosed in note 4 to the financial statements in the amounts of R19,7 million and R12,8 million respectively, is an adjustment totalling R4,7 million. This is an adjustment that was made to take-on balances for receivables from exchange and non-exchange transactions as disclosed in note 44 to the financial statements for which sufficient, appropriate audit evidence was not available. In addition, the gross receivables from exchange and non-exchange transactions differs from the total of the debtors age analysis by an amount of R13,7 million and the municipality were not able to provide sufficient, appropriate explanations for this difference.
4. Sufficient, appropriate audit evidence was not available to support receivables from non-exchange transactions totalling R8,4 million included in the balance of R12,8 million.
5. GRAP 104: *Financial instruments* require that an analysis by class of the age of financial assets that are past due but not impaired be recorded in the notes to the financial statements. Although the municipality did make the necessary disclosure in notes 3 and 4 to the financial statements, sufficient appropriate audit evidence was not available to support the amounts recorded per analysis by class of age as a result of inadequate recording of amounts in the age-analysis.
6. As a result I was unable, even by alternative means, to obtain sufficient appropriate evidence to confirm the balance for receivables from exchange transactions of R19,7 million and receivables from non-exchange transactions of R12,8 million disclosed in the statement of financial position and notes 3 and 4 to the financial statements.

Consequently, I was unable to determine whether any adjustments to these balances and related revenue amounts were necessary.

Value added tax (VAT) receivable

7. The municipality did not provide supporting documentation for an adjustment totalling R5,7 million made to take-on balances for the VAT receivable from the pre-merger municipalities as disclosed in note 44 to the financial statements. In addition, sufficient appropriate audit evidence was not available to support the VAT transactions processed and recorded in the general ledger. I was unable, even by alternative means, to obtain sufficient appropriate evidence to confirm the balance of the VAT receivable of R31 million disclosed in the statement of financial position and note 6 to the financial statements. Consequently, I was unable to determine whether any adjustments were necessary to this balance.

Property plant and equipment - Capitalised restoration cost

8. The municipality did not provide supporting documentation for an adjustment totalling R8,6 million made to take-on balances for the capitalised restoration cost from the pre-merger municipalities as disclosed in note 44 to the financial statements. I was unable, even by alternative means, to obtain sufficient appropriate evidence to confirm this adjustment. Consequently, I was unable to determine whether any adjustments were necessary to property plant and equipment – capitalised restoration cost of R7,8 million as disclosed in the statement of financial position and note 10.2 to the financial statements.

Payables from exchange transactions

9. The municipality did not submit documentation supporting the payables from exchange transactions of R252 million disclosed in the statement of financial position. Furthermore the municipality did not provide supporting documentation for an adjustment totalling R45,6 million made to take-on balances for the payables from exchange transactions and R49,7 million for non-exchange payables from the pre-merger municipalities as disclosed in note 44 to the financial statements. I was unable, even by alternative means, to obtain sufficient appropriate evidence to confirm the balance disclosed in the statement of financial position and the adjustment disclosed in note 44. Consequently, I was unable to determine whether any adjustments were necessary to payables from exchange transaction balance of R252 million as disclosed in the statement of financial position and note 16 to the financial statements.

Bulk purchases

10. The municipality incorrectly accounted for adjustments to the bulk electricity invoices. This resulted in the bulk electricity purchases and payables from exchange transactions as disclosed in the statement of financial performance and financial position respectively being overstated by R6,2 million.

Expenditure

11. The municipality did not submit documentation supporting the other expenditure of R24,5 million, operating grant expenditure of R11,1 million and repairs and maintenance of R4 million as disclosed in the statement of financial performance. I was unable, even by

alternative means, to obtain sufficient appropriate evidence to confirm these amounts. Consequently, I was unable to determine whether any adjustments were necessary to these classes of transactions.

Revenue from exchange transactions – service charges

12. The municipality did not submit documentation supporting all journal entries processed to revenue from exchange transactions. I was unable, even by alternative means, to obtain sufficient appropriate evidence to confirm the journal entries. Consequently, I was unable to determine whether any adjustments were necessary to the revenue from exchange transactions of R91,3 million relating to service charges as disclosed in the statement of financial performance and note 28 to the financial statements.

Current employee benefits

13. Sufficient appropriate audit evidence supporting the opening annual leave balances and leave taken during the period could not be obtained in respect of the staff leave of R9,7 million as disclosed in note 18 to the financial statements. I was unable, even by alternative means, to obtain sufficient appropriate audit evidence to confirm the staff leave balance. Consequently, I was unable to determine whether any adjustments were necessary to the staff leave balance as disclosed.

Capital commitments

14. The municipality did not have an adequate and complete contract management system in place for the recognition of contracted commitments at the proper amount. Commitments were incorrectly calculated. As a result the capital commitments as disclosed in note 50 of the financial statements are understated by R10,3 million. In addition not all contracts supporting commitments could be provided by the municipality. I was unable, even by alternative means, to obtain sufficient appropriate evidence to confirm these amounts. Consequently, I was unable to determine whether any adjustments were necessary to the capital commitments of R14 million as disclosed in note 50 to the financial statements.

Irregular expenditure

15. The municipality did not provide supporting documentation for the take on balance of R45 million from the erstwhile Gariep Local Municipality. Furthermore, the municipality did not have adequate systems to identify and disclose all irregular expenditure incurred during the period, as required by section 125(2)(d)(i) of the MFMA. In these circumstances, I was unable, even by alternative means, to obtain sufficient appropriate evidence to confirm the closing balance for irregular expenditure of R48 million disclosed in note 48.3 to the financial statements. Consequently, I was unable to determine whether any adjustments to the irregular expenditure as disclosed were necessary.

Contingent liabilities

16. I was unable to obtain sufficient appropriate audit evidence in the form of lawyers' confirmations to confirm the completeness of the contingent liabilities. I was unable, even by alternative means, to obtain sufficient appropriate audit evidence to confirm the completeness of the contingent liabilities. Consequently, I was unable to determine

whether any adjustment is necessary to contingent liabilities of R1,5 million as disclosed in note 57 to the financial statements.

Cash flow statement

17. GRAP1, *Presentation of financial statements* requires that the financial statements present fairly the financial position, financial performance and cash flows of the municipality. Re-performance of the cash flow statement identified fundamental errors in the calculation of cash flows and discrepancies between the figures presented in the cash flow statement and cash generated from operations disclosed in note 45 to the financial statements. Consequently, the net cash from operating activities is understated by R29,3 million.

Context for the disclaimer

18. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
19. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the 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.

Material uncertainty related to financial sustainability

20. I draw attention to the matter below.
21. As disclosed in note 59, the financial results of the municipality may indicate that the going concern assumption of the municipality may be in serious doubt.

Emphasis of matters

22. I draw attention to the matters below.

Assets acquired and liabilities assumed on merger date

23. As disclosed in note 43 to the financial statements, the Walter Sisulu Local Municipality was subsequently established by the amalgamation of Maletswai Local Municipality and Gariiep Local Municipality.

Material Losses

24. As disclosed in note 48.4 to the financial statements, Electricity distribution losses to the amount of R12,6 million were incurred due to the loss of electricity during its distribution.

Other matter

25. I draw attention to the matters below.

Unaudited disclosure notes

26. 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 thereon.

Responsibilities of the accounting officer for the financial statements

27. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practise (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (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.
28. In preparing the financial statements, the accounting officer is responsible for assessing the Walter Sisulu Local 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 accounting officer either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

29. My responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
30. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit of the financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Introduction and scope

31. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
32. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
33. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the period ended 30 June 2017:

Development priorities	Pages in the annual performance report
KPA 1: Infrastructure and Basic Service Delivery	x – x
KPA 2: Local Economic Development	x – x

34. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
35. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

KPA 1: Infrastructure and Basic Service Delivery

36. The systems and processes to enable reliable reporting of actual service delivery against the indicator were not adequately designed and implemented as required by the FMPPI for the indicators listed below. This was due to a lack of technical indicator descriptions, proper performance management systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored, verified and reported, as required by the FMPPI.
- Percentage reduction in electricity loss
 - Percentage households with access to basic level of solid waste removal

- The percentage of households with access to basic level of electricity
- Number illegal waste sites beautified
- Square Meters of potholes filled
- Ratio of street lights maintained
- Kilometres of storm water channels maintained
- Kilometres of gravel roads maintained
- Number of cemeteries maintained

37. I was unable to obtain sufficient appropriate audit evidence for the reported achievement for the indicators listed below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of the following indicators:

Description of indicator	Reported achievement
Percentage reduction in electricity loss	32%
Percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	100%
Percentage households with access to basic level of solid waste removal	89%
The percentage of households with access to basic level of electricity	87%
Number illegal waste sites beautified	10
Square Meters of potholes filled	33
Ratio of street lights maintained	1:01
Kilometres of storm water channels maintained	17.4km
Kilometres of gravel roads maintained	40km
Number of cemeteries maintained	2

KPA 2: Local Economic Development

38. The systems and processes to enable reliable reporting of actual service delivery against the indicator were not adequately designed and implemented as required by the FMPPI for the indicators listed below. This was due to a lack of technical indicator descriptions, proper performance management systems and processes and formal standard operating procedures that predetermined how the achievement would be measured, monitored, verified and reported, as required by the FMPPI.

- Number of Tourism establishment database maintained
- Number of Tourism initiative undertaken
- Percentage of SMMES benefiting from the municipal supply chain process

39. I was unable to obtain sufficient appropriate audit evidence for the reported achievement for the indicators listed below. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements of the following indicators:

Description of indicator	Reported achievement
Number of Tourism establishment database maintained	4
Number of Tourism initiative undertaken	1
Percentage of SMMES benefiting from the municipal supply chain process	70%

Other matter

40. I draw attention to the matter below.

Achievement of planned targets

41. Refer to the annual performance report on page(s) x to x; x to x for information on the achievement of planned targets for the period and explanations provided for the under/overachievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 36 to 39 of this report.

Report on audit of compliance with legislation

Introduction and scope

42. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

43. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Expenditure management

44. Money owed by the municipality was not always paid within 30 days or within an agreed period, as required by section 65(2)(e) of the MFMA.

45. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R8,2 million, as disclosed in note 48.2 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charges on late payments.

46. Effective steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure as it could not be quantified as indicated in the basis for qualification paragraph.
47. An effective system of expenditure control, including procedures for the approval and payment of funds, was not in place, as required by section 65(2)(a) of the MFMA.
48. An adequate management, accounting and information system was not in place which accounted for creditors as required by section 65(2)(b) of the MFMA.

Budget

49. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R75 million, as disclosed in note 48.1 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by expenditure in excess of approved budget votes.

Financial Statements

50. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of opinion.
51. The financial statements were not submitted for auditing within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
52. Late submission of the financial statements to the Auditor-General for auditing was not appropriately addressed by the mayor and municipal council as required by section 133(1) of the MFMA.

Liability management

53. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2) (a) of the MFMA.
54. An effective system of internal control for liabilities including a liability register was not in place, as required by section 63(2)(c) of the MFMA.

Strategic planning and performance management

55. The service delivery and budget implementation plan for the period under review did not include monthly revenue projections by source of collection or the monthly operational and capital expenditure by vote, and/or the service delivery targets and performance indicators for each quarter as required by section 1 of the MFMA.
56. A mid-year performance assessment was not performed as required by section 72(1)(a)(ii) of the MFMA.

Consequence management

57. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) and (b) of the MFMA.

Conditional Grants

58. The municipality did not evaluate its performance in respect of programmes funded by the Municipal Infrastructure Grant, as required by section 12(5) of the DoRA.

Procurement and contract management

59. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(a) and (c.)

60. Some of the 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 SCM regulation 13(c).

61. Sufficient appropriate audit evidence could not be obtained that bid specifications were unbiased and allowed all potential suppliers to offer their goods or services, as required by SCM regulation 27(2)(a).

62. Sufficient appropriate audit evidence could not be obtained that goods and services of a transaction value above R200 000 were procured by inviting competitive bids and that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by SCM regulations 19(a).

63. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).

64. Some of the contracts were awarded through competitive bidding processes that were not adjudicated by the bid adjudication committee as required by SCM regulation 29(1).

65. Sufficient appropriate audit evidence could not be obtained that bids were evaluated by bid evaluation committees which were composed of officials from the municipality's requiring the goods or services and at least one SCM practitioner of the municipality as required by SCM regulation 28(2).

66. Sufficient appropriate audit evidence could not be obtained that bid adjudication committees were always composed in accordance with SCM regulation 29(2).

67. Sufficient appropriate audit evidence could not be obtained that councillors of the municipality did not participate in committees evaluating or approving tenders or did not attend meetings of committees evaluating or approving tenders, in contravention of section 117 of the MFMA.

68. Some of the contracts were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b).

69. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
70. The preference point system was not applied to some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act (PPPFA).
71. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of the PPPFA and its regulations.
72. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of PPPFA and its regulations.
73. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
74. The contract performance and monitoring measures and methods were insufficient to ensure effective contract management, in contravention of section 116(2)(c) of the MFMA.

Revenue management

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

Human resource management

76. I was unable to obtain sufficient appropriate audit evidence that appointments made in posts which were provided for in an approved staff establishment, as required by section 66(3) of the MSA.
77. I was unable to obtain sufficient appropriate audit evidence that performance evaluations were performed for the bonuses awarded to the municipal manager and senior managers, as required by section 57(4B) of the MSA and municipal performance regulation 8(2).

Other information

78. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected programmes presented in the annual performance report that have been specifically reported on in the auditor's report.
79. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
80. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

81. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate, however, if it is corrected this will not be necessary.

Internal control deficiencies

82. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
- There was instability in key leadership positions during the period which resulted in a lack of accountability. Leadership did not take full ownership of the general control environment and did not insist on daily disciplines to ensure efficiency and effectiveness in financial management, performance reporting and compliance with laws and regulations. Consequently the correct tone was not set to ensure that officials are held accountable for their actions through a consequence management programme.
 - The control environment at the municipality is inadequate, with ineffective daily and monthly processing and reconciliation of transactions. Further the municipality does not have an adequate record management system in place to support the preparation of financial statements that are supported by accurate and complete underlying records.
 - Senior management did not create a specific and achievable action plan to improve the internal control deficiencies in order to resolve previously reported findings that were taken on from the pre-merger municipalities. Take-on balances were also not verified to ensure that they were accurate, valid and complete.
 - The municipality does not have a system in place to collate and report on predetermined objectives. The performance unit is decentralised and does not work in an integrated manner with the other divisions within the municipality. This resulted in poor and inaccurate reporting on achievements against targets. Management did not adequately review and analyse reported performance information against supporting and explanatory evidence. This resulted in unverifiable reporting in the annual performance report.
 - There were no review and supervision processes to monitor compliance with all applicable laws and regulations within the municipality. As a result, non-compliance with laws and regulations was not effectively identified or prevented and municipal officials were not held accountable for transgressions in this regard.

- The municipality did not have adequate risk management processes in place. As a result, there were no processes to identify all risks to which the municipality was exposed and no mitigating controls were in place for risks that had been identified.
- The municipality did not have an audit committee or an internal audit unit during the period under review.

Auditor - General

East London

21 December 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the separate financial statements, the procedures performed on reported performance information for selected programmes and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the separate financial statements as described in the auditor’s report, I also:
 - Identify and assess the risks of material misstatement of the separate 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 by the board of directors, which constitutes the accounting authority.
 - Conclude on the appropriateness of the accounting authority’s 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 related to events or conditions that may cast significant doubt on the Walter Sisulu Local Municipality’s ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of the 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 whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. 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.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.