

Report of the auditor-general to the Free State Legislature and the council on the Dihlabeng Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Dihlabeng Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the 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 Dihlabeng Local Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for land included in property, plant and equipment. I was unable to distinguish between land held for sale, land used for service delivery and land held for capital appreciation or for rental. Land disposed of was also not removed from the register. I was unable to confirm the land by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to community and owned land included in property, plant and equipment stated at R548 555 173 in note 11 to the financial statements. There was also a resultant impact on inventory and investment property.
4. The municipality did not perform a conditional assessment to review the residual values and useful lives of all assets at each reporting date in accordance with GRAP 17, *Property, plant and equipment*. As a result, operational assets that were still in use were fully depreciated and carried at R1. Consequently, the carrying amount of property, plant and equipment and depreciation was understated by R15 798 871 (2017: R13 671 424). Additionally, there was an impact on the deficit for the period and the accumulated surplus.

Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for sundry creditors included in payables from exchange transactions as information in support of this suspense account could not be provided. I was unable to confirm sundry creditors by alternative means. Consequently, I was unable to determine if any adjustment was necessary to sundry creditors stated at

R11 673 454 in note 15 to the financial statements. In addition, the municipality did not recognise all outstanding amounts meeting the definition of a liability in accordance with GRAP 1, *Presentation of financial statements*. Payables were not recorded when goods and services were received but when payment was made. The municipality also accrued leave in excess of the prescribed limits. This resulted in payables from exchange transactions being overstated by R4 548 452. Additionally, there was an impact on deficit for the period, general expenditure, employee costs and accumulated surplus.

Service charges

6. I was unable to obtain sufficient appropriate audit evidence for revenue from sewerage and sanitation charges included in service charges due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all transactions and could not reconcile the transactions to the financial statements. I could not confirm sewerage and sanitation charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the sewerage and sanitation charges revenue stated at R47 492 049 in note 23 to the financial statements.

General expenditure

7. The municipality did not recognise expenditure transactions in accordance with GRAP 1, *Presentation of financial statements*. Expenditure was not recorded when goods and services were received but when payment was made. Consequently, general expenditure was understated by R8 526 033. There was also an impact on the deficit for the period and on the accumulated surplus. Additionally, the general expenditure was not correctly classified by nature, resulting in various misstatements within the line items disclosed under general expenses in note 36 to the financial statements. I was unable to determine the impact on the various line items included in general expenses as it was impracticable to do so.

Bulk purchases

8. I was unable to obtain sufficient appropriate audit evidence for bulk purchases due to lack of supporting invoices or statements from the suppliers for the expenditure. I was unable to confirm the bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to bulk purchases stated at R142 514 736 in note 34 to the financial statements. In addition, the municipality did not record bulk purchases when the goods were received from suppliers in accordance with GRAP 1, *Presentation of financial statements*. Bulk purchases and payables from exchange transactions were understated by R33 981 924. There was also an impact on the deficit for the period and on the accumulated surplus.

Context for the opinion

9. 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 this auditor's report.
10. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and 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.

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

Material uncertainty relating to going concern

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.
13. Note 48 to the financial statements indicates that the municipality incurred a net loss of R124 666 463 (2017: R76 563 772) during the year ended 30 June 2018 and, as of that date, the municipality's current liabilities exceeded its current assets by R310 604 478 (2017: R254 651 169). In addition, the municipality owed Eskom R196 787 501 (2017: R172 364 929) and the Bethlehem Hydro (Pty) Ltd owed R15 089 242 (2017: R15 110 285) as at 30 June 2018, which has been long overdue. These events or conditions, along with other matters as set forth in note 48, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Irregular expenditure

15. As disclosed in note 52 to the financial statements, irregular expenditure of R37 138 456 (2017: R11 176 819) was incurred, due to non-compliance with supply chain management (SCM) requirements. In addition, the full extent of irregular expenditure is still in the process of being determined.

Unauthorised expenditure

16. As disclosed in note 50 to the financial statements, the municipality incurred unauthorised expenditure of R170 591 172 (2017: R83 107 226) in the year under review due to overspending of the approved budget.

Fruitless and wasteful expenditure

17. As disclosed in note 51 to the financial statements, fruitless and wasteful expenditure of R20 261 298 (2017: R22 589 654) was incurred due to interest and penalty charges on the late payment of suppliers.

Restatement of corresponding figures

18. As disclosed in note 45 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2018.

Material uncertainty relating to claims against the municipality

19. With reference to note 43 to the financial statements, the municipality is the defendant in various lawsuits. The municipality is opposing these claims, as it believes that the claims are invalid. The ultimate outcome of the matters could not be determined and no provision for any liabilities that may result was made in the financial statements.

Material losses

20. As disclosed in note 33 to the financial statements, material losses of R54 590 809 (2017: R101 332 488) was incurred as a result of a write-off of irrecoverable trade debtors.
21. As disclosed in note 53 to the financial statements, material water distribution losses of R6 542 104 (2017: R12 451 269) were incurred by the municipality mainly due to the ageing infrastructure and leakages in the water network.

Material impairment

22. As disclosed in note 7 to the financial statements, trade receivables from exchange and non-exchange transactions were impaired by R696 834 058 (2017: R589 842 963). In addition, as disclosed in note 6 to the financial statements receivables for traffic fines were impaired by R59 858 943 (2017: R60 839 485).

Other matters

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

Unaudited disclosure notes

24. 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.

Unaudited supplementary information

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

Responsibilities of the accounting officer for the financial statements

26. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of 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.
27. In preparing the financial statements, the accounting officer is responsible for assessing the Dhlabeng 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 appropriate governance structure 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

28. 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.

29. 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

Introduction and scope

30. 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 the selected key performance area (KPA) presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
31. I was engaged to evaluate 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 KPA presented in the annual performance report of the municipality for the year ended 30 June 2018:

KPA	Pages in the annual performance report
KPA 1: accelerated service delivery and infrastructure development	x – x

32. The material findings in respect of the usefulness and reliability of the selected KPA are as follows:

KPA 1 – accelerated service delivery and infrastructure development

Various indicators

33. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement of the targets for the indicators listed below. This was due to a lack of technical indicator descriptions and formal standard operating procedures or documented systems descriptions that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicator by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of the reported values as reported in the annual performance report.

Indicator number	Indicator description	Planned target	Reported achievement
1.3	Upgrading of pump station	100% implementation repairs and maintenance	Not realised
1.4	Upgrading of pump station	Not realised	Not realised
2.4	Maintenance of waste water treatment works	Not realised	Not realised
3.1	Construction of 1,8 block paved roads and storm water	No reported achievement	No reported achievement
3.5	Gravelling of roads	Not realised	Not realised
3.6	Rehabilitation of roads	Not realised	Not realised
4.2	Implementation of maintenance plan	Not realised	Not realised
4.4	Maintenance of street lights	Realised	Realised
4.5	Electricity connections to farm dwellers	Realised	Realised
6.1	Improve collection method and adherence schedule	Realised	Realised

Various indicators

34. The reported achievements for the following indicators and targets were not consistent with the planned indicators and targets approved in the service delivery and budget implementation plan.

Indicator number	Planned indicator	Planned target	Reported achievement
1.3	Upgrading of pump station	100% implementation repairs and maintenance	Not realized
1.4	Upgrading of pump station	100% implementation repairs and maintenance	Not realized
2.2	Connection of 36 toilets to main sewer networks (Paul Roux)	Complete 100% connections Fateng tse Ntsho	Not realised: all connections were done
2.3	Installation of Zinc P-traps to 800 houses (Paul Roux)	Complete 100% connections Fateng tse Ntsho	Not realised: all connections were done
2.4	Maintenance of waste water treatment works (Bethlehem)	Ongoing – repaired as and when reported	Not realised

Indicator number	Planned indicator	Planned target	Reported achievement
3.1	Construction of 1,8 block paved roads and storm-water channels (Rosendal)	Release retention amount	No reported achievement
3.4	Construction of Lomond 3.0 km block paved roads and storm-water channels (Bethlehem)	100% Construction	No reported achievement
3.5	Gravelling of roads (Bethlehem)	Ongoing	Not realised
3.6	Rehabilitation of roads (Paul Roux)	Ongoing	Not realised
4.2	Implementation of maintenance plan	100% Implementation	Not realised
4.4	Maintenance of street lights	Ongoing	Realised
4.5	Electricity connections to farm dwellers. (all units)	Ongoing – implemented as per the applications received	Realised
6.1	Improve collection method and adherence schedule	Refuse removal collected as per schedule	Realised

Construction of 1.3 km block paved roads and storm-water channels (Fouriesburg)

35. The reported achievement for the target reported in the annual performance report was "Realised". However, the supporting evidence provided did not agree to the reported achievement indicated an achievement of zero.

Construction of Lomond 3 km block paved roads and storm-water channels (Bethlehem)

36. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the target. 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 in the annual performance report.

Various indicators

37. The following strategic objectives approved in the integrated development plan (IDP) were not consistent with the objectives reported in the annual performance report:

The strategic objective approved in the IDP	The strategic objective as reported in the annual performance report
Acquire hectares of land for future human settlement development	Not reported.
Objective not included in IDP	To prevent, reduce and mitigate the severity/ consequences of disaster
Objective not included in IDP	Enforcement of traffic laws and crime prevention
Objective not included in IDP	To provide cemetery space and an effective cemetery management services
Objective not included in IDP	Facilitate and coordinate environmental capacity building and awareness initiatives
Objective not included in IDP	To provide a clear and logical framework for spatial development, promote orderly planning and guide physical development of Dihlabeng.
Objective not included in IDP	To create an enabling environment for the participation of different sporting codes
Objective not included in IDP	To provide and maintain sport facilities according to detailed needs assessment
Objective not included in IDP	To create an enabling environment for the participation in arts and culture activities.
Objective not included in IDP	To provide facilities, promote a culture of reading and lifelong learning
Objective not included in IDP	To ensure equitable and sustainable fire and rescue service delivery for all communities
Objective not included in IDP	Development and maintenance of parks, open spaces and nature reserve

All indicators

38. A comparison between the planned and actual performance of the year under review and the previous year was not included in the annual performance report. In addition, the measures taken to improve performance against targets for the key performance indicators were not included in the annual performance report for all indicators of KPA 1 – accelerated service delivery and infrastructure development.

Other matters

39. I draw attention to the matters below.

Achievement of planned targets

40. Refer to the annual performance report on pages xx... to xx... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 32 to 37 of this report.

Adjustment of material misstatements

41. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of KPA 1: accelerated service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

Report on the 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 on compliance with specific matters in key legislations are as follows:

Annual financial statements

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 non-current assets, current assets, current liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

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

46. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred as required by section 65(2)(b) of the MFMA.

47. Reasonable steps were not taken to prevent irregular expenditure of R37 138 456 as disclosed in note 52 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 SCM requirements.
48. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R R20 261 298, as disclosed in note 51 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. Fruitless and wasteful expenditure was mostly due to interest payable on outstanding Eskom accounts.
49. Reasonable steps were not taken to prevent unauthorised expenditure of R170 591 172, as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The unauthorised expenditure was caused by the overspending of the approved budget.

Revenue management

50. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b).

Asset management

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

Liability management

52. An effective system of internal control for liabilities was not in place, as required by section 63(2)(c) of the MFMA.
53. Long-term debt was incurred for the acquisition of vehicles without a resolution of the municipal council approving the debt agreement, in contravention of section 46(2)(a) of the MFMA.

Consequence management

54. Unauthorised expenditure incurred by the municipality was not appropriately investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
55. Unauthorised expenditure was certified by council as irrecoverable without having conducted an adequate investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.
56. Irregular expenditure incurred by the municipality were not appropriately investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
57. Losses resulting from irregular expenditure were certified by council as irrecoverable without having conducted an adequate investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA.

58. Fruitless and wasteful expenditure incurred by the municipality was not appropriately investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

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

Strategic planning and performance management

60. Performance targets were not set for each of the KPIs for the financial year, as required by section 41(1)(b) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and municipal planning and performance management regulation 12(1).

Procurement and contract management

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

62. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.

63. 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).

64. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). This non-compliance was identified in the procurement processes for the service provider for the upgrading of sports facility.

65. Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5.

66. 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.

Utilisation of conditional grants

67. 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.

Human resource management

68. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted as required by section 67(1)(d) of the MSA.

69. I was unable to obtain sufficient appropriate audit evidence that job descriptions were established for all posts in which appointments were made, as required by section 66(1)(b) of the MSA.

Other information

70. 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 and those selected KPAs presented in the annual performance report that have been specifically reported in this auditor's report.
71. 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.
72. 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 KPAs presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
73. 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

74. 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 on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
75. Leadership did not respond to the filling of vacant posts in senior and middle management timeously, as most posts were only filled towards the middle of the financial year.
76. Leadership did not implement timeous and effective oversight over the implementation of actions to address prior year reported matters. This has resulted in repeat findings that have not been addressed.
77. Leadership did not implement consequence management as officials were not held accountable for poor performance and non-compliance with laws and regulations including the high levels of unauthorised, irregular, and fruitless and wasteful expenditure incurred by the municipality.
78. Management did not maintain proper record keeping to support financial and performance reporting. Daily and monthly disciplines of recording and reconciling of transactions were not implemented to enable the timely identification and correction of errors and omissions. This resulted in significant findings on financial statements and the performance report. This was mainly due to the lack of competencies and vacancies as senior and middle management positions were filled during the year.

79. Leadership's lack of accountability for sound financial management, had a negative impact on the municipality's financial sustainability, overspending of the budget and irregular expenditure not being prevented. The audit committee did not provide effective oversight over internal controls and risk management as it was not fully operational during the year. The committee met only once and did not provide adequate oversight over the functioning of the internal audit unit.
80. The internal audit function was not effectively operational due to vacancies and lack of adequate oversight by the audit committee. The post of the head of internal audit was vacant.
81. Management did not adequately implement risk management strategies to prevent and mitigate risks relating to financial and performance reporting as risks to financial and performance reporting were not timely detected and or prevented. This was mainly due to inadequate implementation of risk management strategies.

Other reports

82. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
83. The municipality was under investigation by the Directorate for Priority Crime Investigation (Hawks) on allegations of irregularities in supply chain management and disposal of assets. The investigation was still ongoing at the reporting date.

Auditor - General

Bloemfontein

30 November 2018



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 financial statements, and the procedures performed on reported performance information for selected KPAs 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 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 by the accounting officer.
 - conclude on the appropriateness of the accounting officer'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 Dihlabeng 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 this auditor's report. However, future events or conditions may cause a municipality to cease continuing 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, where applicable, related safeguards.