



CHRIS HANI DISTRICT MUNICIPALITY

Audit Report

For the year ended 30 June 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to Eastern Cape Provincial Legislature and the council on Chris Hani District Municipality

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

1. I was engaged to audit the consolidated and separate financial statements of the Chris Hani District Municipality set out on pages ... to ..., which comprise the consolidated and separate statement of financial position as at 30 June 2019, the consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets, consolidated and separate cash flow statement, consolidated and separate statement of comparison of budget and actual information for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the consolidated and separate financial statements of the municipality because of the significance of the matters described in the basis for a 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 consolidated and separate financial statements

Basis for disclaimer of opinion

Property, plant and equipment

3. The municipality did not recognise all its property, plant and equipment (PPE) in accordance with GRAP 17, Property plant and equipment. Land was incorrectly classified as buildings. Consequently land as disclosed in note 3 to the consolidated and separate financial statements is understated by R26,3 million and buildings in the same note is overstated by the same amount. Depreciation and amortisation is understated by R15,8 million and accumulated depreciation is understated by the same amount as the municipality used the incorrect useful life to calculate depreciation on movable assets.
4. I was unable to obtain sufficient appropriate audit evidence for some of the items in PPE. This was due to the poor state of accounting records. Not all supporting documents were submitted to substantiate the municipality's ownership and loss of ownership of land. Movable assets of R13,8 million and work in progress of R27,2 million recorded in note 3 to the consolidated and separate financial statement did not agree with the movable assets and work in progress in the asset register and no supporting documents were submitted to support the difference. Some of the movable assets could not be traced to the asset register.
5. The municipality did not assess all infrastructure assets and work in progress for impairment, as identified damaged and vandalised assets were included in the infrastructure assets and work in progress without being impaired. Infrastructure assets of R25,4 million included in the fixed asset register could not be verified and not all infrastructure assets still in progress were recorded in the asset register. Infrastructure assets that are still in use were included at a zero balance in the consolidated and separate financial statements.

6. Consequently, I was unable to determine whether any further adjustments were necessary to property plant and equipment stated as R4,1 billion, impairment loss stated at R1,9 million, depreciation stated at R155,9 million, and accumulated depreciation and accumulated impairment stated at R1,2 billion in note 3 to the consolidated and separate financial statements.
7. Furthermore, I was unable to obtain sufficient audit evidence for the adjustment made to the comparative figure for work in progress amounting to R371,3 million, due to the poor status of accounting records, as no supporting documents were submitted to substantiate the adjustment. Consequently, I was unable to determine whether further adjustments were necessary to the comparative amount for work in progress stated as R507,9 million in note 3 to the consolidated and separate financial statements.

Revenue from exchange transactions

8. The municipality did not recognise revenue from exchange transactions in accordance with GRAP 9, *Revenue from exchange transactions* due to inadequate systems in place for revenue management, as revenue was billed using incorrect rates, incorrect consumption units were used and some customers were not billed throughout the year. Consequently, I was unable to determine the full extent of the misstatement as it was impractical to do so. As a result, I was unable to determine whether any adjustment was necessary to revenue from sale of water stated as R249,3 million (2017-18: R221,8 million) in note 24 to the consolidated and separate financial statements.

Receivables from exchange transactions

9. In my previous year's audit report, I modified my opinion on receivables from exchange transactions in note 14 to the consolidated and separate financial statements due to the poor state of accounting records. The municipality did not make the necessary adjustments to this balance. I was unable to confirm receivables from exchange transactions by alternative means as it was impractical for me to do so. Consequently, I was unable to determine whether any further adjustments were necessary to gross receivables from exchange transactions stated as R1,7 billion (2017-18: R1,3 billion) in note 14 to the consolidated and separate financial statements.
10. As a consequence, I was unable to determine whether any adjustments were necessary to the allowance for impairment of R1,4 billion (2017-18: R1,2 billion) disclosed in note 14 to the consolidated and separate financial statements; the debt impairment expense of R173,4 million (2017-18: R267,4 million) disclosed in the consolidated and separate statement of financial performance; and interest – debtors of R38,5 million (2017-18: R11,4 million) disclosed in note 27 to the consolidated and separate financial statements.

Vat receivable

11. I was unable to obtain sufficient audit evidence for vat receivable due to the limitations and disagreement in respect of receivables from exchange transactions, revenue from exchange transactions and payables from exchange transactions, which have an impact on the calculation of vat receivable. Consequently, I was unable to determine whether any adjustment was necessary to vat receivable of R169,1 million (2017-18: Vat payable of R5,8 million) disclosed in the consolidated and separate financial statements.

Unspent conditional grants and receipts

12. I was unable to obtain sufficient appropriate audit evidence for unspent conditional grants, as the municipality did not maintain accurate and complete records of amounts received from provincial and national government departments. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unspent conditional grants and receipts disclosed as R312,4 million (2017-18: R307,6 million) in the consolidated and separate financial statements.

Payables from exchange transactions

13. The municipality did not recognise trade payables in accordance to GRAP 1, *Presentation of financial statements*, due to an inadequate credit management system in place, as trade payables included amounts for goods and services that had not been received at year-end. Consequently, trade payables as disclosed in note 19 to the consolidated and separate financial statements were overstated by R32,8 million, and expenditure was overstated by the same amount.
14. I was unable to obtain sufficient audit evidence for retentions. This was due to the poor state of accounting records as supporting documents to substantiate the reversals and removals of retentions were not submitted. I was unable to confirm whether any adjustment was required to retentions stated as R34,6 million in note 19 to the consolidated and separate financial statements.

Cash and cash equivalents

15. The municipality did not account for cash and cash equivalents as required by GRAP 104, *Financial instruments*, as the amount of cash and cash equivalents disclosed in the financial statements did not agree to the amount in the bank confirmation. This was because management did not clear unreconciled differences. Consequently, cash and cash equivalents disclosed in the consolidated and separate statement of financial position, were understated by R14,1 million and payables from exchange transactions were understated by the same amount.

Cash flow statement

16. The municipality did not prepare the consolidated and separate cash flow statement in accordance with GRAP 2, *Cash flow statements*, as it incorrectly calculated the cash flow statement. Consequently, the net increase in cash and cash equivalents was understated by R81,1 million (2017-18: R188,7 million) and the cash and cash equivalents at the beginning of the year were understated by R13,4 million (2017-18: R33,8 million).

Water distribution losses

17. Section 125(2)(d)(i) of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) requires the notes to the consolidated and separate financial statements of a municipality to include particulars of any material losses. Water distribution losses of R8,4 million (2017-18: R119,3 million), which represent 15% (2017-18: 59%) of the total water distribution losses, were disclosed in note 53 to the consolidated and separate financial statements. I was unable to obtain appropriate audit evidence that distribution losses that should have been recorded, were recorded and that distribution losses were recorded at an appropriate amount. This was because the municipality was not able to provide sufficient appropriate audit evidence to support these amounts. I was unable to perform alternative procedures due to a lack of controls over the recording of these losses. Consequently, I was unable to determine whether any adjustment was necessary to the water distribution losses disclosed as R8,4 million (2017-18: R119,3 million) in note 53 to the consolidated and separate financial statements.

Irregular expenditure

18. The municipality did not have adequate systems to account for irregular expenditure identified and disclosed as required by section 125(2)(d)(i) of the MFMA. Differences were identified when performing a recalculation between the amounts disclosed in the consolidated and separate financial statements and supporting documentation submitted for audit. Consequently, irregular expenditure as disclosed in note 50 to the consolidated and separate financial statements was overstated by R25,4 million.
19. Furthermore, in my previous year audit report I modified my opinion on irregular expenditure in note 50 to the consolidated and separate financial statements due to non-submission of information, and the municipality did not make the necessary adjustments to this balance. I was unable to confirm irregular expenditure by alternative means as it was impractical for me to do so. Consequently, I was unable to determine whether any further adjustments were necessary to irregular expenditure stated as R1,5 billion (2017-18: R1,3 billion) in note 50 to the consolidated and separate financial statements.

Corresponding figures

20. I reported during my 2018 audit that the municipality did not account for expenditure transactions as required by GRAP 1, *Presentation of financial statement*. No evidence could be provided during the year under review that the prior year misstatement was corrected. As a result, the corresponding figure for general expenditure as stated in the consolidated and separate statement of financial performance is understated by R34,4 million, and the corresponding figure for accumulated surplus is understated by the same amount.
21. In addition, the cash flow statement relating to the prior year was calculated incorrectly. Consequently, the prior year net cash flows from operating activities were overstated by R33,9 million, and note 39 to the consolidated and separate financial statements were overstated by the same amount.

Aggregation of immaterial uncorrected misstatements

22. I was unable to obtain sufficient appropriate audit evidence regarding current assets, which had a material cumulative effect on current assets:

- Receivables from non-exchange transactions of R9,1 million, as included in the disclosed balance of R40,5 million;
- Prepayments of R10,7 million, as included in the disclosed balance of R13 million;
- Inventory of R11,7 million, as included in the disclosed balance of R11,7 million.

I was unable to confirm total current assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to total current assets.

Emphasis of matter

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

Unauthorised expenditure

24. As disclosed in note 48 to the consolidated and separate financial statements, the municipality has accumulated unauthorised expenditure amounting to R616 million relating to prior years. Council has not investigated the unauthorised expenditure.

Fruitless and wasteful expenditure

25. As disclosed in note 49 to the consolidated and separate financial statements, the municipality has accumulated fruitless and wasteful expenditure amounting to R4 million from prior years, while R10,9 million (2017-18: R0,4 million) was incurred in the current year. This resulted in a closing balance of R14,9 million during the current year. Council did not investigate the fruitless and wasteful expenditure.

Underspending of the budget

26. As disclosed in the statement of comparison of budget and actual amounts, the municipality materially underspent the budget by R127 million.

Restatement of corresponding figures

27. As disclosed in note 45 to the consolidated and separate financial statements, the corresponding figures for 30 June 2018 have been restated because of errors in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Other matter

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

Unaudited disclosure notes

29. In terms of section 125(2)(e) of the MFMA, the entity is required to disclose particulars of non-compliance with this legislation. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and, accordingly, I do not express an opinion thereon.

Responsibilities of accounting officer for the consolidated and separate financial statements

30. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the MFMA and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora) and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
31. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the Chris Hani District 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 consolidated and separate financial statements

32. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.
33. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Introduction and scope

34. 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 key performance area (KPA) presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
35. 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.
36. 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 key performance area presented in the annual performance report of the municipality for the year ended 30 June 2019:

Key performance area	Pages in the annual performance report
KPA 2 – Basic service delivery and infrastructure development	x – x

37. 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.
38. The material findings in respect of the usefulness and reliability of the selected key performance area are as follows:

Various indicators

39. The following reported achievements were not consistent with the planned and reported indicators and targets

Indicator code	Planned and reported Indicator	Planned and reported target	Reported performance achievement
SDI 1	Number of households served with quality basic water	1 632 households served RDP Standards by 30 June 2019	<p>Target not achieved</p> <p>83 Households served with RDP Standard (Lunda Village Reticulation (ward 1 Engcobo completed)</p> <ol style="list-style-type: none"> 1. Noluthando Iuvakala phase 2 (Ward 5 Emalahleni) – 522 households in construction 2) Jiphuths Makiki phase 2 (ward 6 Emalahleni) 371 households in construction 3) Lokishini Water Supply (ward 13 Engcobo) 228 households in construction 4) Upper Lufutha Interim Water Supply (ward 8 Sakhisizwe) 194 was completed in previous year 5) Emqonci (ward 2 Engcobo) 144 households in construction 6) Lunda Village Reticulation (Ward 1 Engcobo) completed with 83 households served with RDP Standard.

Number of consumer and bulk implementation programmes implemented

40. I was unable to obtain sufficient appropriate audit evidence for the target: One consumer and bulk implementation programme implemented by 30 June 2019 which clearly defined the predetermined nature and required level of performance and method of calculation. This was due to a lack of proper systems and processes. I was unable to test whether the target for this indicator was clearly defined by alternative means.
41. The reported achievement of 0 consumer and bulk implementation programmes implemented for target: number of consumer and bulk implementation programmes implemented is not reliable as the municipality did not have an adequate performance management system to maintain records to enable reliable reporting on achievement of targets. As a result, I was unable to obtain sufficient appropriate audit evidence. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.

Number of process audit conducted in all 18 WWTWs

42. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the target: One process audited conducted in all 18 WWTWs. This was due to limitations placed on the scope of my work and lack of availability of sufficient and appropriate supporting evidence for the reported achievement. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of One process audited conducted in all 18 WWTWs as reported in the annual performance report.

Various indicators

43. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator description	Reported achievement	Audited value
Number of food premises monitored in line with the Food, Cosmetics and Disinfectant Act, 1972 (Act No. 54 of 1972) as amended	669 food premises monitored in line with the Food, Cosmetics and Disinfectants Act, 1971 (Act No. 54 of 1972) as amended	777 food premises monitored in line with the Food, Cosmetics and Disinfectants Act, 1972 (Act No. 54 of 1972) as amended
Number of drinking water sample points monitored in accordance with SANS 241	2 220 drinking water samples monitored in accordance with SANS 241	1 703 drinking water samples monitored in accordance with SANS 241

Other matters

44. I draw attention to the matters below.

Achievement of planned targets

45. Refer to the annual performance report on pages ... to ... 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 paragraph(s) [x to x] of this report.

Adjustment of material misstatements

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

Introduction and scope

47. 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.
48. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements, performance reports and annual reports

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

Expenditure management

50. Reasonable 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 incurred as indicated in the basis for disclaimer paragraph. Most of the disclosed irregular expenditure was caused by non-compliance with the supply chain management (SCM) regulations.
51. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R10,9 million, as disclosed in note 49 to the consolidated and separate financial statement, in contravention of section 62(1)(d) of the MFMA. The disclosed fruitless and wasteful expenditure was caused by interest and penalty on late payments.

Revenue management

52. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
53. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA.

Asset management

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

56. Capital assets were disposed of without the municipal council having decided in a meeting open to the public whether the assets were still needed to provide the minimum level of basic municipal services, as required by section 14(2)(a) of the MFMA.

Conditional grants

57. Performance in respect of programmes funded by the municipal infrastructure grant (MIG) and the water services infrastructure grant (WSIG) was not evaluated within two months after the end of the financial year, as required by section 12(5) of Dora.

Strategic planning and performance management

58. The performance management system and related controls were not maintained as it did not describe how the performance planning, monitoring, measurement and reporting processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

59. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c). Similar non-compliance was reported in the prior year.
60. Bid documentation for procurement of commodities designated for local content and production did not stipulate the minimum threshold for local production and content, as required by the 2017 preferential procurement regulation 8(2).
61. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of section 112(j) of the MFMA and SCM regulation 44.
62. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was reported in the prior year. This non-compliance was identified in the procurement processes for the majority of the ongoing contracts, including project number 29/2010/MD(TS) – Elimination Rural Sanitation Backlog in CHDM: Region 2 Intsika Yethu, which is a key project.
63. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA. Similar non-compliance was reported in the prior year.

Human resource management

64. 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 Municipal Systems Act

Consequence management

65. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.

66. Irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
67. Disciplinary proceedings were not instituted by the council where the report of independent investigators confirmed the financial misconduct by a senior manager, as required by 5(6) of the disciplinary regulations for senior managers and 6(8) of the municipal regulations on financial misconduct procedures and criminal proceedings.

Other information

68. 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 consolidated and separate financial statements, the auditor's report and the selected key performance areas presented in the annual performance report that have been specifically reported in this auditor's report.
69. My opinion on the consolidated and separate 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.
70. 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 consolidated and separate financial statements and the selected key performance areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
71. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and 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

72. I considered internal control relevant to my audit of the consolidated and separate 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.
73. Oversight by leadership and those charged with governance was ineffective in the current year, with a slow response to address the key issues raised during the prior year audit. Although an audit action plan was in place, this was not adequately implemented or monitored, resulting in numerous repeat audit findings that could have been avoided.
74. Leadership did not ensure that adequate resources were in place to enable efficient and effective operations. This is evidenced by the vacancies in key management positions.

75. There is an inadequate control environment at the municipality with ineffective daily and monthly processing and reconciliation of transactions. Misstatements were found in the submitted consolidated and separate financial statements for items that were not identified by the municipality's system of internal control. The lack of a properly functioning control environment resulted in these deficiencies in the record management system and underlying records. Furthermore, compliance with legislation is not monitored adequately, resulting in compliance findings in the current year.

Other reports

76. 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 consolidated and separate financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

77. At the time of this report, an external service provider was conducting an investigation into allegations of misconduct on the part of a municipal management official. The investigation was initiated during 2019 and is still in progress.

Auditor General
East London

17 December 2019



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 consolidated and separate financial statements, and the procedures performed on reported performance information for selected key performance areas 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 consolidated and 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 accounting officer
 - conclude on the appropriateness of the accounting officer use of the going concern basis of accounting in the preparation of the consolidated and separate 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 Chris Hani District 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 consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated and separate 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 consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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.