



Report of the auditor-general to the North West Provincial Legislature and the council on Kgetlengrivier Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Kgetlengrivier Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Kgetlengrivier local municipality as at 30 June 2024, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (DoRA).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not have adequate systems in place to record infrastructure assets in accordance with GRAP 17, *Property plant and equipment*. The municipality's assets that were recorded in the current year could not be located during the asset verification process. This resulted in infrastructure assets included in property, plant and equipment being overstated by R7 085 542. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.
4. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for property, plant and equipment described in note 4 to the financial statements, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the property, plant and equipment corresponding figure stated at R611 016 194 in the financial statements.

Statutory receivables

5. The municipality did not have adequate traffic fines management system to record all traffic fines in the statutory receivables listing as required by GRAP 108, *Statutory receivables*. This resulted in statutory receivables disclosed in note 10 of the financial statements being understated by R6 090 622. Additionally, there was an impact on the accumulated surplus.

Revenue from exchange transactions

6. Service charges revenue was not recognised as required by GRAP 9, *Revenue from exchange transactions*. Service charges in note 18 was materially misstated by R4 402 023 due to the cumulative effect of the individually immaterial uncorrected misstatements: The municipality is charging rates that differs from approved rates which resulted in sale of electricity understated by R2 430 603 and the municipality's billing listings did not agree with the general ledger which resulted in understatement of R1 971 420. Consequently, consumer debtors were understated by R4 402 023 in the note 12 of the financial statements.
7. In addition, I was unable to obtain sufficient appropriate audit evidence of whether service charges revenue was recorded due to the listing not agreeing to general ledger. The municipality did not have adequate systems of internal control for the recording of all transactions and events and could not reconcile the transactions and events to the financial statements. I could not confirm whether service charges was recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges stated at R77 776 357 in note 18 to the annual financial statements.

Cash Flow Statement

8. During 2023, net cash flows from operating activities were not correctly prepared and disclosed as required Standards of GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the net cash flow from operating activities for the current period.

Unauthorised expenditure

9. I was unable to obtain sufficient appropriate audit evidence that unauthorised expenditure had been properly accounted for, due to the status of the accounting records. I was unable to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unauthorised expenditure of R492 226 576 (2023: R317 505 462) as disclosed in note 46 to the financial statements was necessary.

Irregular expenditure

10. I was unable to obtain sufficient appropriate audit evidence that irregular expenditure had been properly accounted for, due to the status of the accounting records. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether

any adjustment was necessary to irregular expenditure of R 507 766 748 (2023: R450 257 664) as disclosed in note 48 to the financial statements was necessary.

Context for opinion

11. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
12. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
13. 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

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.
15. I draw attention to note 44 to the financial statements, which indicates that a net loss of R19 664 184 was incurred during the year ended 30 June 2024 and, as of that date the current liabilities exceeded its current assets by R364 506 980 as stated in note 44, these events or conditions, 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

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

Fruitless and wasteful expenditure

17. As disclosed in note 47 to the financial statements, fruitless and wasteful expenditure of R32 156 115 was incurred in the current year and fruitless and wasteful expenditure of R80 199 339 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.

Material losses - Debt impairment

18. As disclosed in note 32 of the financial statements, material losses of R65 188 369 (2022/23: R29 457 649) was incurred as a result of impairment of debtors.

Material losses - Water

19. As disclosed in note 34 to the financial statements, material water losses of R1 905 990 (2022-2023: R2 336 694) was incurred, which represents 82% (2022-2023: 75%) of total water purchased. Technical losses amounted to R1 905 990 (2022-23: R2 336 694) and was due to ageing water infrastructure.

Restatements of corresponding figures

20. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of correction of errors identified by the municipality in the prior year financial statement of the municipality at, and for the year ended, 30 June 2024.

Other matters

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

Unaudited disclosure notes

22. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

23. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the 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.

24. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

25. 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.

26. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 17 of the annexure to the auditor's report, forms part of our auditor's report.

Report on the annual performance report

27. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

28. I selected the following material performance indicators related to basic service delivery and infrastructure development presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest

- CSPS2: Percentage of refuse removal extended by end March 2024
- CSPS3: number of grave plates purchased by end June 2024
- CSPS4: Development of a Business plan and submission to MIG for registration by end June 2024 (Access to parks)
- CSPS5: Number of EPWP Reports produced and submitted to Public Works by end June 2024
- CSPS6: Number of EPWP Financial Reports produced and submitted to Public Works by end June 2024
- IDTS 1: Number of precast flushing toilets (Phase3) constructed by end June 2024
- IDTS2: KM of internal road and stormwater constructed in Reagile Ext 6&7 by end June 2024
- IDTS3: Km of internal road and stormwater constructed in Mazista Phase 2 by end June 2024
- IDTS 4: KM of bulk water supply pipe constructed by end June 2024
- IDTS 5 Km of asbestos pipe replaced in Koster by end June 2024
- IDTS 6: Number of households in Moedwil provided with VIP toilets by end June 2024
- IDTS 7: Percentage of Upgrading of Mazista bulk water supply by end December 2023
- IDTS 8: number of substations refurbished by end June 2024
- IDTS 9: Number of transformers purchased and installed by end June 2024
- IDTS 10: Km of roads paved in Mandela road (Borolelo) by end June 2024
- IDTS 11: 1 km² of potholes patched by end June 2024

- IDTS 12: number of Road signage replaced by end June 2024.
- IDTS 13: Number of kl of water provided through water tankering by end June 2024
- IDTS 14: Number of sewer pump stations maintained by end June 2024

29. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the Municipality's planning and delivery on its mandate and objectives.

30. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance.

31. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

32. The material findings on the reported performance information for the selected material indicators are as follows:

Basic Service Delivery and Infrastructure Development

IDTS3: Km of internal road and stormwater constructed in Mazista Phase 2 by end June 2024

33. The approved planning documents included a commitment to Km's constructed. However, an achievement of designs was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

IDTS2: KM of internal road and stormwater constructed in Reagile Ext 6&7 by end June 2024

34. Some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. Furthermore, adequate supporting evidence to clarify the methods and processes for measuring achievements on these indicators and their targets were not provided. Consequently, the Municipality would have found it difficult to determine the correct achievements to be reported against the planned targets.

Various indicators

35. Various indicators Measures aimed at improving performance against targets were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken

Indicator	Target	Reported achievement
CSPS2: Percentage of refuse removal extended by end March 2024	5% of refuse removal extended by end March 2024	0
CSPS3: number of grave plates purchased by end June 2024	400	0
CSPS4:Development of a Business plan and submission to MIG for registration by end June 2024 (Access to parks)	1	0
IDTS 1: Number of precast flushing toilets (Phase3) constructed by end June 2024	900	830
IDTS3: Km of internal road and stormwater constructed in Mazista Phase 2 by end June 2024	0,9	Designs completed
IDTS 4: KM of bulk water supply pipe constructed by end June 2024	6	5
IDTS 14: Number of sewer pump stations maintained by end June 2024	2	0

Various indicators

36. Adequate processes had not been established to consistently measure and reliably report on various indicators. Consequently, the Municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. Furthermore, I could not

determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
CSPS2: Percentage of refuse removal extended by end March 2024	5% of refuse removal extended by end March 2024	0
CSPS3: number of grave plates purchased by end June 2024	400	0
CSPS4: Development of a Business plan and submission to MIG for registration by end June 2024 (Access to parks)	1	0
CSPS5: Number of EPWP Reports produced and submitted to Public Works by end June 2024	4	4
CSPS6: Number of EPWP Financial Reports produced and submitted to Public Works by end June 2024	12	12
IDTS 1: Number of precast flushing toilets (Phase3) constructed by end June 2024	900	830
IDTS2: KM of internal road and stormwater constructed in Reagile Ext 6&7 by end June 2024	2,5	2,5
IDTS3: Km of internal road and stormwater constructed in Mazista Phase 2 by end June 2024	0,9	Designs completed
IDTS 4: KM of bulk water supply pipe constructed by end June 2024	6	5
IDTS 6: Number of households in Moedwil	200	200

provided with VIP toilets by end June 2024		
IDTS 7: Percentage of Upgrading of Mazista bulk water supply by end December 2023	100	100
IDTS 8: number of substations refurbished by end June 2024	2	2
IDTS 9: Number of transformers purchased and installed by end June 2024	3	3
IDTS 10: Km of roads paved in Mandela road (Borolelo) by end June 2024	1,4	1,4
IDTS 11: 1 km ² of potholes patched by end June 2024	1000	1000
IDTS 12: number of Road signage replaced by end June 2024	20	20
IDTS 13: Number of kl of water provided through water tankering by end June 2024	5000	5000
IDTS 14: Number of sewer pump stations maintained by end June 2024	2	0

Other matter

37. I draw attention to the matter below.

Achievement of planned targets

38. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.
39. The table that follows provides information on the achievement of planned targets and list the key indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages 30 to 31 and 34 to 37.

Basic service delivery and infrastructure development

<p><i>Targets achieved: 54%</i></p> <p><i>Budget spent 91%</i></p>		
Key basic service delivery and infrastructure development indicators not achieved	Planned target	Reported achievement
CSPS2: Percentage of refuse removal extended by end March 2024	5% of refuse removal extended by end March 2024	0
CSPS3: number of grave plates purchased by end June 2024	400	0
CSPS4: Development of a Business plan and submission to MIG for registration by end June 2024 (Access to parks)	1	0
IDTS 1: Number of precast flushing toilets (Phase3) constructed by end June 2024	900	830
IDTS3: Km of internal road and stormwater constructed in Mazista Phase 2 by end June 2024	0,9	Designs completed
IDTS 4: KM of bulk water supply pipe constructed by end June 2024	6	5
IDTS 14: Number of sewer pump stations maintained by end June 2024	2	0

Material misstatements

40. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery and infrastructure development. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

41. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
42. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

43. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
44. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statement and annual reports

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

Expenditure management

46. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
47. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R32 156 115, 00, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by municipality incurring interest on late payments.
48. Reasonable steps were not taken to prevent unauthorized expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorized expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorized expenditure was caused by overspending on the approved budget.
49. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed in note 48 does not reflect the full extent of the irregular expenditure as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by municipality's contravening supply chain management requirements.
50. The total unforeseen and unavoidable expenditure incurred exceeded 5% of own revenue, in contravention of section 29(2)(b) of the MFMA and municipal budget and reporting regulation 72.

Strategic planning and performance management

51. The performance management system and related controls were not maintained, as it did not describe how the performance planning, monitoring, measurement, review and reporting

processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).

Revenue management

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

Asset management

- 55. 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.

Human resource management

- 56. Senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.
- 57. The municipal manager developed the staff establishment, however it was not submitted to the municipal council for approval as required by section 66(1)(a) of the MSA
- 58. The section 57 managers appointed during the year did not disclose financial interests within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.

Consequence management

- 59. Some of the unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
- 60. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 61. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA

Procurement and contract management

- 62. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM Regulation 19(a). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the water tankering services

63. Some of the contracts were awarded to provider whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43
64. The performance of some of the contractors or providers was not monitored monthly, as required by section 116(2)(b) of the MFMA.

Conditional Grants

65. Performance in respect of programmes funded by the Water Services Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 5 of 2023).

Other information in the annual report

66. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in objectives presented in the annual performance report that have been specifically reported on in this auditor's report .
67. My opinion on the financial statements, the findings on the reported performance information and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
68. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
69. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
70. 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

71. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

72. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance and the material findings on compliance with legislation included in this report.
73. Leadership did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls. Investigations were not conducted on instances of- unauthorized, irregular, fruitless and wasteful expenditure.
74. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. Management could provide information to support information reported in the annual performance report as well as information to support unauthorised, irregular, fruitless and wasteful expenditure.
75. Management did not implement controls over daily and monthly processing and reconciling of transactions to ensure reported information is accurate and complete.
76. Management did not review and monitor compliance with applicable laws and regulations.

Material irregularities

Status of previously reported material irregularities

Full and proper records not kept (2018-19) – property plant and equipment, cash and cash equivalents, receivables, services charges and payables

77. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.
78. Reasonable steps were not taken in the 2018-19 financial year to ensure that full and proper records were kept of property, plant and equipment, receivables, service charges, payables and commitments, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a disclaimed audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.
79. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to a material uncertainty regarding its ability to continue operations. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.
80. The accounting officer was notified of the material irregularity on 10 June 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to respond to the material irregularity. I recommended that the accounting officer take the following actions to address the material irregularity, which should be implemented by 1 May 2022:

- a. The non-compliance with section 62(1)(b) of the MFMA should be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.
- b. Based on the reasons and circumstances, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
 - Billing information and reconciliations to support revenue from service charges.
 - Consumer debtor reconciliations (including age analysis) of all amounts owed to the municipality.
 - Creditors reconciliations of amounts due by the municipality to third parties.
 - Reconciliations of all bank accounts in the name of the municipality
 - Complete asset registers of all the municipality's property, plant and equipment
- c. I further recommend that the accounting officer take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA, by 1 August 2022. The plan should describe the anticipated timeframe and milestones to be achieved and include the following as a minimum strategy:
 - Implement the debt collection policy and increase the collection of revenue.
 - Efficiently manage the available resources of the municipality
 - Enter into payment arrangements with major suppliers.
 - Fund routine maintenance as well as urgent repairs of infrastructure assets

81. The accounting officer did not adequately implement the above recommendations. The failure of the municipality to take appropriate action was referred to the executive authority. On 07 August 2023, I notified the accounting officer of the following remedial actions to address the MI, which should be implemented by within six months from the date of the notification, with a progress report after three months:

- a. The non-compliance with section 62(1)(b) of the MFMA should be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.
- b. Based on the reasons and circumstances, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
 - Billing information and reconciliations to support revenue from service charges.
 - Consumer debtor reconciliations (including age analysis) of all amounts owed to the municipality.

- Creditors reconciliations of amounts due by the municipality to third parties.
 - Reconciliations of all bank accounts in the name of the municipality
 - Complete asset registers of all the municipality's property, plant and equipment
- c. I further recommended that the accounting officer take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA, by 1 August 2022. The plan should describe the anticipated timeframe and milestones to be achieved and include the following as a minimum strategy:
- Implement the debt collection policy and increase the collection of revenue.
 - Efficiently manage the available resources of the municipality
 - Enter into payment arrangements with major suppliers.
 - Fund routine maintenance as well as urgent repairs of infrastructure assets

82. A progress report on the implementation of the remedial actions was received on 7 November 2023 and the final progress report was received on 7 March 2024. I have duly considered the written responses and substantiating documents submitted on the implementation of the remedial action.

83. I have concluded that appropriate actions have been taken to address the material irregularity. The material irregularity is therefore resolved.

Auditor General

Rustenburg

30 November 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	Section 1 (a), (b) & (d) of the definition: irregular expenditure Section 1 Definition of SDBIP Sections 11(1); 13(2); 14(1); 14(2)(a); 14(2)(b); 15 Sections 24(2)(c)(iv); 29(1); 29(2)(b); 32(2) Sections 32(2)(a); 32(2)(a)(i); 32(2)(a)(ii); 32(2)(b) Sections 32(6)(a); 32(7); 53(1)(c)(ii); 54(1)(c) Sections 62(1)(d); 62(1)(f)(i); 62(1)(f)(ii); 62(1)(f)(iii) Sections 63(2)(a); 63(2)(c); 64(2)(b); 64(2)(c); 64(2)(e) Sections 64(2)(f); 64(2)(g); 65(2)(a); 65(2)(b); 65(2)(e) Sections 72(1)(a)(ii); 95(a); 112(l)(iii); 112(1)(j) Sections 116(2)(b); 116(2)(c)(ii); 117; 122(1); 122(2) Sections 126(1)(a); 126(1)(b); 127(2); 127(5)(a)(i) Sections 127(5)(a)(ii); 129(1); 129(3); 133(1)(a) Sections 133(1)(c)(i); 133(1)(c)(ii); 170; 171(4)(a); 171(4)(b)
LG: MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1); 71(2); 72
LG: MFMA: Municipal investment regulations, 2005	Regulations 3(1)(a); 3(3); 6; 7; 12(2); 12(3)
LG: MFMA: Municipal regulations on financial misconduct procedures and criminal proceedings, 2014	Regulations 5(4); 6(8)(a); 6(8)(b); 10(1)
LG: MFMA: Municipal supply chain management (SCM) regulations, 2017	Regulations 5; 12(1)(b); 12(1)(c); 12(3); 13(b); 13(c); 13(c)(i) Regulations 16(a); 17(1)(a); 17(1)(b); 17(1)(c); 19(a) Regulations 21(b); 22(1)(b)(i); 22(2); 27(2)(a); 27(2)(e) Regulations 28(1)(a)(i); 28(1)(a)(ii); 29(1) (a) and (b) Regulations 29(5)(a)(ii); 29(5)(b)(ii); 32; 36(1) Regulations 38(1) (c); 38(1)(d)(ii); 38(1)(e); 38(1)(g)(i) Regulations 38(1)(g)(ii); 38(1)(g)(iii) Regulations 43; 44; 46(2)(e); 46(2)(f)
Municipal Systems Act 32 of 2000 (MSA)	Sections 25(1); 26(a); 26(c); 26(i); 26(h); Sections 29(1)(b)(ii); 29(3)(b); 34(a); 34(b); Sections 38(a); 41(1)(a); 41(1)(b); 41(1)(c)(ii); 42; 43(2) Sections 56(a); 57(2)(a); 57(4B); 57(6)(a) Sections 66(1)(a); 66(1)(b); 67(1)(d); 74(1) Sections 93B(a); 93B(b); 93C(a)(iv); 93C(a)(v); 96(b)
LG: MSA: Municipal planning and performance management regulations, 2001	Regulations 2(1)(e); 2(3)(a); 3(3); 3(4)(b); 3(5)(a); 7(1); 8 Regulations 9(1)(a); 10(a); 12(1); 15(1)(a)(i); 15(1)(a)(ii)
LG: MSA: Municipal performance regulations for municipal managers and managers directly accountable to municipal managers, 2006	Regulations 2(3)(a); 4(4)(b); 8(1); 8(2); 8(3)
LG: MSA: Regulations on appointment and conditions of employment of senior managers, 2014	Regulations 17(2); 36(1)(a)

Legislation	Sections or regulations
LG: MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2); 5(3); 5(6); 8(4)
Annual Division of Revenue Act (DoRA)	Sections 11(6)(b); 12(5); 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1)
CIDB regulations	Regulations 17; 25(7A)
Municipal Property Rates Act 6 of 2004 (MPRA)	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Sections 2(1)(a); 2(1)(f)
Preferential Procurement regulations (PPR), 2017	Regulations 5(1); 5(3); 5(6); 5(7) Regulations 6(1); 6(2); 6(3); 6(5); 6(6); 6(8) Regualtions 7(1); 7(2); 7(3); 7(5); 7(6); 7(8) Regulations 8(2); 8(5); 9(1); 10(1); 10(2);11(1)
Preferential Procurement regulations (PPR), 2022	Regulations 3(1) Regulations 4(1); 4(2); 4(3); 4(4) Regualtions 5(1); 5(2); 5(3); 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)