

# Report of the auditor-general to the Free State Provincial Legislature and the council on the Thabo Mofutsanyana District Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Thabo Mofutsanyana District 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, the financial statements present fairly, in all material respects, the financial position of the Thabo Mofutsanyana District 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 opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

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

### Irregular expenditure

7. As disclosed in note 30 to the financial statements, irregular expenditure of R10 158 359 (2023: R16 090 700) 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

8. As disclosed in note 29 to the financial statements unauthorised expenditure of R1 085 589 (2023: R1 497 133) was incurred, due to overspending of the budget.

### Restatement of corresponding figures

9. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2024.

### Material uncertainty relating to claims against the municipality

10. With reference to note 24 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

### Material impairment

11. As disclosed in notes 4 and 5 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R3 746 877 (2023: R3 169 146).

### Other matters

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

### Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

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

14. 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 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.
15. 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

16. 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.
17. 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 xx, forms part of our auditor's report.

### Report on the annual performance report

18. 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.
19. I selected the following material performance indicators related to basic service delivery 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.
- Development of rural road asset management system – the extent & conditions of the road network & RRAMS system implementation on the 30<sup>th</sup> June 2024.
  - Construction of a culvert bridge in Maluti-A-Phofung (MAP) local municipality on the 30<sup>th</sup> June 2024.
  - Retrofitting of high mast & streetlights with the LED tubes on the 30<sup>th</sup> June 2024.
  - Number of water samples taken on the 30<sup>th</sup> June 2024.
  - Number of water treatment plants inspected on the 30<sup>th</sup> June 2024.
  - Number of food premises inspected on the 30<sup>th</sup> June 2024.
  - Number of milk samples taken on the 30<sup>th</sup> June 2024.
  - Number of food labelling inspections on the 30<sup>th</sup> June 2024.
  - Number of premises inspected under different categories on the 30<sup>th</sup> June 2024.
  - Number of learning institutions inspected (schools and colleges) on the 30<sup>th</sup> June 2024.
  - Number of accommodation establishments (Hotels, BnBs and Guest Houses) inspected on the 30<sup>th</sup> June 2024.

- Number of old age homes and disability centers inspected on the 30<sup>th</sup> June 2024.
- Number of police stations and correctional services centers inspected on the 30<sup>th</sup> June 2024.
- Number of beauty salons and hair salons inspected on the 30<sup>th</sup> June 2024.
- Number funeral parlors inspected on the 30<sup>th</sup> June 2024.
- Number of health care risk waste generators inspected on the 30<sup>th</sup> June 2024.
- Number of reports with specific focus on waste management activities performed in various areas across the 6 local municipalities on the 30<sup>th</sup> June 2024.
- Number of environmental services reports with specific focus on waste management activities performed in various areas across the 6 local municipalities on the 30<sup>th</sup> June 2024.
- Procurement of the tools of trade for eight youth SMMEs on the 30<sup>th</sup> June 2024.

20. 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.

21. 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

22. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
23. I did not identify any material findings on the reported performance information for the selected indicators below:
- Number of reports with specific focus on waste management activities performed in various areas across the 6 local municipalities on the 30<sup>th</sup> June 2024.
  - Retrofitting of high mast & streetlights with the LED tubes on the 30<sup>th</sup> June 2024.
  - Number of accommodation establishments (Hotels, BnBs and Guest Houses) inspected on the 30<sup>th</sup> June 2024.
  - Number of environmental services reports with specific focus on waste management activities performed in various areas across the 6 local municipalities on the 30<sup>th</sup> June 2024.
24. The material findings on the reported performance information for the selected material indicators are as follows:

[Development of rural road asset management system – the extent & conditions of the road network & RRAMS system implementation on the 30 June 2024](#)

25. An achievement of “0% completion of development of rural road asset management system on the extend & conditions of the road network & RRAMS system (non-achievements) during the period under review” was reported against a target of “100% completion of development of rural road asset management system on the extend & conditions of the road network & RRAMS system implementation by the 30th of June 2024”. I could not determine whether the reported achievement was correct, as the indicator was not well defined, and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.
26. Furthermore, the target in the annual performance report differed from what was committed to in the approved revised planning documents. The reported target was “100% completion of development of rural road asset management system on the extend & conditions of the road network & RRAMS system implementation by the 30th of June 2024”, while the planned target was “POE changed to number of major progress project and RRAMS evaluation report”. This change was made without obtaining the required approval, which undermines transparency and accountability.
27. Moreover, the target of “POE changed to number of major progress project and RRAMS evaluation report” does not relate directly to the indicator which measures “development of rural road asset management system - The extend & conditions of the road network & RRAMS system implementation on the 30th June 2024”. This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievement does not provide useful information on the indicator’s achievement.
28. In addition, the target set for this indicator did not express a specific level of performance. No reason for this was provided by the accounting officer. Consequently, the target is not useful for measuring and monitoring progress against the municipality’s planned objectives.

29. Additionally, “the specifications submissions will be made earlier than November to accommodate worst case scenario regarding SCM processes” was reported as a measure aimed at improving performance against the target of “100% completion of development of rural road asset management system on the extend & conditions of the road network & RRAMS system implementation by the 30th of June 2024.” However, I could not determine if the measure was 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.
30. Lastly, the approved planning documents included a commitment to “POE changed to number of major progress projects and RRAMS evaluation report”. However, an achievement of “0% completion of development of rural road asset management system on the extend & conditions of the road network & RRAMS system (non-achievements) during the period under review” was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

#### Procurement of the tools of trade for eight youth SMMEs on the 30 June 2024.

31. “Youth SMMEs were identified, and those qualified were listed, submissions for Procurement were made by the office of LED”, was reported as a measure aimed at improving performance against the target of “procurement of tools of trade for 8 SMME's on 30 June 2024”. However, I could not determine if the measure was 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.

#### Construction of a culvert bridge in MAP local municipality on the 30<sup>th</sup> June 2024.

32. The target in the annual performance report differed from what was committed to in the approved revised planning documents. The reported target was “100% completion of culvert bridge, while the planned target was “procurement process time frames”. This change was made without obtaining the required approval, which undermines transparency and accountability.
33. In addition, the approved planning documents included a revised commitment, however, it was inconsistent with the achievement of “0% completion of culvert bridge during the period under review” reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.
34. Furthermore, the target had not been clearly defined during the planning process. The target is not specific to what level of outcome is expected to be achieved at the end of the financial year. The type of outcome and method calculation of the procurement time frames is not clear in the target. Consequently, the target is not useful for measuring and reporting on progress against the municipality’s planned objectives.
35. Moreover, the revised target does not relate directly to the indicator. This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievement does not provide useful information on the indicator’s achievement.

36. Lastly, the target set for this indicator did not express a specific level of performance. No reason for this was provided by the accounting officer. Consequently, the target is not useful for measuring and monitoring progress against the municipality's planned objectives.

#### Number of water samples taken on the 30<sup>th</sup> June 2024.

37. An achievement of 70 water samples across multiple locations was reported against a target of 240 water samples across multiple locations. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

38. Lastly, "payment of invoices on time and communicate results with stakeholders", was reported as a measure aimed at improving performance against the target of 240 water samples across multiple locations. However, I could not determine if the measure was 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.

#### Number of food labelling inspections on the 30<sup>th</sup> June 2024

39. An achievement of 108 food selling inspections across multiple locations was reported against a target of 408 food selling inspections across multiple locations. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

40. Moreover, the target of 408 food selling inspections across multiple locations does not relate directly to the indicator which measures "number of food labelling inspections on 30 June 2024". This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievement does not provide useful information on the indicator's achievement.

41. Lastly, "requested national department of health food control unit to provide training", was reported as a measure aimed at improving performance against the target of 408 food selling inspections across multiple locations. However, I could not determine if the measure was 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.

#### Number of milk samples taken on the 30<sup>th</sup> of June 2024

42. Measures taken to improve performance against the underachieved target of 204 milk samples across multiple locations were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target.

#### Various indicators

43. Measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding

the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets.

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

Indicators	Targets	Reported achievements
Number of health care risk waste generators inspected on the 30th June 2024	48 inspections	60 inspections
	Dhlabeng 12 inspections	15
	Setsoto 8 inspections	14
	Mantsopa 8 inspections	12
	Nketoana 4 inspections	2
	Phumelela 4 inspections	5
	Maluti A Phofung 12 inspections	12
Number of childcare facilities inspected under different categories on the 30 <sup>th</sup> of June 2024.	240 inspections	349 inspections
	Dhlabeng 60 inspections	64
	Setsoto 48 inspections	60
	Mantsopa 24 inspections	32
	Nketoana 24 inspections	20
	Phumelela 24 inspections	24
	Maluti A Phofung 72 inspections	149

#### Various indicators

45. The targets below do not relate directly to their indicators. This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievements do not provide useful information on the achievement of the indicators and the irrelevant targets hinder appropriate planning for the achievement of the indicators.
46. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicators	Targets	Reported achievements
Number of water treatment plants inspected on the 30 <sup>th</sup> June 2024	22 inspections of water treatment plant were to be inspected as on the 30th of June 2024	12 inspections
	Dhlabeng 04 inspections	0
	Setsoto 04 inspections	5
	Mantsopa 02 inspections	2

	Nketoana 04 inspections	2
	Phumelela 04 inspections	3
	Maluti A Phofung 04 inspections	0
Number of food premises inspected on the 30 <sup>th</sup> June 2024	1 080 food inspections were to be inspected as on the 30th of June 2024	1 321 inspections
	Dihlabeng 300 inspections	313
	Setsoto 180 inspections	266
	Mantsopa 120 inspections	135
	Nketoana 60 inspections	68
	Phumelela 60 inspections	100
	Maluti A Phofung 360 inspections	439

#### Various indicators

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

Indicators	Targets	Reported achievements
Number of learning institutions inspected (schools and colleges) on the 30 <sup>th</sup> June 2024.	160 inspections	100 inspections
	Dihlabeng 24 inspections	0
	Setsoto 24 inspections	26
	Mantsopa 04 inspections	13
	Nketoana 08 inspections	03
	Phumelela 16 inspections	16
	Maluti A Phofung 84 inspections	42
Number of old age homes and disability centers inspected on the 30 <sup>th</sup> June 2024.	40 inspections	47 inspections
	Dihlabeng 12 inspections	12
	Setsoto 12 inspections	17
	Mantsopa 02 inspections	03
	Nketoana 04 inspections	04
	Phumelela 04 inspections	06
	Maluti A Phofung 06 inspections	16
Number of police stations and correctional services centers inspected on the 30 <sup>th</sup> June 2024.	33 inspections	16 inspections
	Dihlabeng 60 inspections	0
	Setsoto 48 inspections	03
	Mantsopa 24 inspections	07
	Nketoana 24 inspections	02
	Phumelela 24 inspections	03
	Maluti A Phofung 72 inspections	01

Number funeral parlors inspected on the 30 <sup>th</sup> June 2024.	100 inspections	121 inspections
	Dihlabeng 16 inspections	20
	Setsoto 12 inspections	24
	Mantsopa 12 inspections	15
	Nketoana 12 inspections	12
	Phumelela 12 inspections	16
	Maluti A Phofung 36 inspections	38
Number of beauty salons and hair salons inspected on the 30 <sup>th</sup> June 2024.	164 inspections	107 inspections
	Dihlabeng 48 inspections	22
	Setsoto 24 inspections	26
	Mantsopa 12 inspections	11
	Nketoana 24 inspections	13
	Phumelela 24 inspections	27
	Maluti A Phofung 32 inspections	08

## Other matters

48. I draw attention to the matters below.

### Achievement of planned targets

49. 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.

50. The table that follows provides information on the achievement of planned targets and lists 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 xx to xx.

<p><i>Targets achieved: 48%</i></p> <p><i>Budget spent: Undeterminable</i></p> <p><i>The budget spent is not available as the municipality's actual spending is not aligned with the key performance areas</i></p>		
Key indicators not achieved	Planned targets	Reported achievements
100% development of rural road asset management system - The extend & conditions of the road network & RRAMS system implementation by the 30 <sup>th</sup> of June 2024	100% completion of development of rural road asset management system on the extend & conditions of the road network & RRAMS system implementation by the 30 <sup>th</sup> of June 2024	0% completion of development of rural road asset management system on the extend & conditions of the road network & RRAMS system. (Non-achievements) during the period under review.

Construction of a culvert bridge in MAP local municipality by the 30 <sup>th</sup> of June 2024	100% completion of culvert bridge in MAP local municipality by 30th of June 2024	0% completion of culvert bridge during the period under review.
Number of reports with specific focus on waste management activities performed in various areas across the 6 local municipalities on the 30th of June 2024.	04 quarterly report on waste management activities performed per local municipality on the 30th of June 2024	03 quarterly environmental services reports with specific focus on waste management activities were performed in 3 local municipalities in the district on the 30th of June 2023
Procurement of tools of trade for 8 Youth SMMEs on the 30th of June 2024	Procurement of tools of trade for 8 Youth SMMEs on the 30th of June 2024	No procurement of tools of trade for eight Youth SMMEs during the period under review
Number of beauty salons and hair salons inspected on the 30th June 2024.	164 inspections	107 inspections
	Dihlabeng 48 inspections	22
	Mantsopa 12 inspections	11
	Nketoana 24 inspections	13
	Maluti A Phofung 32 inspections	08
Number of police stations and correctional services centers inspected on the 30th June 2024.	33 inspections	16 inspections
	Dihlabeng 60 inspections	0
	Setsoto 48 inspections	03
	Mantsopa 24 inspections	07
	Nketoana 24 inspections	02
	Phumelela 24 inspections	03
	Maluti A Phofung 72 inspections	01
Number of learning institutions inspected (schools and colleges) on the 30th June 2024.	160 inspections	100 Inspections
	Dihlabeng 24 inspections	0
	Nketoana 08 inspections	03
	Maluti A Phofung 84 inspections	42
Number of water treatment plants inspected on the 30th June 2024	22 inspections	12 Inspections
	Dihlabeng 04 inspections	0
	Nketoana 04 inspections	2

	Phumelela 04 inspections	3
	Maluti A Phofung 04 inspections	0
Number of accommodation establishments (Hotels, B&Bs and Guest Houses) inspected on the 30th of June 2024.	128 inspections	68 inspections
	Dihlabeng 48 inspections	7
	Nketoana 16 inspections	04
	Phumelela 16 inspections	09
	Maluti A Phofung 24 inspections	10
Number of milk samples taken on the 30th of June 2024.	204 samples	157 samples
	Dihlabeng 48 samples	24
	Mantsopa 24 samples	14
	Nketoana 24 samples	20
	Maluti A Phofung 48 samples	28
Number of water samples taken on the 30th of June 2024.	240 Water samples	70 samples
	Dihlabeng 48 samples	10
	Setsoto 72 samples	07
	Mantsopa 24 samples	12
	Nketoana 24 samples	5
	Phumelela 24 samples	11
	Maluti A Phofung 48 samples	25
Number of food labelling inspections on the 30th of June 2024.	408 inspections	108 Inspections
	Dihlabeng 120 inspections	06
	Setsoto 60 inspections	59
	Nketoana 60 inspections	03
	Phumelela 24 inspections	02
	Maluti A Phofung 120 inspections	7
Number of childcare facilities inspected under different categories on the 30th of June 2024.	Nketoana 24 inspections	20

Number of health care risk waste generators inspected on the 30th June 2024	Nketoana 4 Inspections	2
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### Material misstatements

51. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic services. Management did not correct all of the misstatements, and I reported material findings in this regard.

### Report on compliance with legislation

52. 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.
53. 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.
54. 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.
55. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial statements

56. 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 current assets, liabilities and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

### Expenditure management

57. 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.
58. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R10 158 359 as disclosed in note 30, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure.

The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management regulations.

59. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 085 589, as disclosed in note 29 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

### **Assets management**

60. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services and considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by sections 14(2)(a) and 14(2)(b) of the MFMA.

### **Human resource management**

61. 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 32 of 2000 (MSA) and regulation 31 of municipal staff regulations.

### **Utilisation of conditional grants**

62. Performance in respect of programmes funded by the expanded public works programme - integrated grants for municipalities was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

### **Consequence management**

63. Some of the 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.
64. Some of the 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**

65. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
66. 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). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
67. Some of the contracts were awarded to 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).

68. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
69. Some of the quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of section 2(1)(a) of the preferential procurement policy framework act 5 of 2000 (PPPFA) and its regulations.
70. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2)(b) of the MFMA. Similar limitation was also reported in the prior year.
71. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was also reported in the prior year.

### **Strategic planning and performance management**

72. The service delivery and budget implementation plan (SDBIP) for the year under review did not include monthly operational expenditure projections by vote, as required by section 1 of the MFMA.
73. The performance management system and related controls were inadequate as established processes for performance planning, monitoring, measurement, review and reporting were not implemented as required by municipal planning and performance management regulation 7(1).

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

74. 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 key performance area (KPA) presented in the annual performance report that have been specifically reported on in this auditor's report.
75. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
76. 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 KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
77. 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

78. 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.
79. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and, the material findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.
80. Council did not adequately monitor the implementation of action plans to address internal control deficiencies that were raised as part of the prior year audits due to slow response in dealing with audit matters.
81. 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 performance reporting resulting in material misstatements on several selected material indicators.
82. Management did not implement adequate controls over daily and monthly processing and reconciling of transactions, resulting material findings being identified on the annual financial statements as well as the annual performance report. Furthermore, a thorough review of the financial statements was not performed before they were submitted, resulting in material misstatements that had to be corrected.
83. Management did not review and monitor compliance with applicable legislation, resulting in material compliance matters being reported on various compliance subject matters.

*Auditor-General*

Bloemfontein

30 November 2024



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure to the auditor's report**

1. 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**

2. 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**

3. 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

4. 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.
5. 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

6. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), Sections 29(1), 29(2)(b), 32(2), 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), 62(1)(d), 63(2)(a), 63(2)(c), Sections 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), Sections 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), Sections 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), Regulations 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MSA: Municipal Staff Regulations	Regulations 7(1), 31
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), Regulations 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), Regulations 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), Regulations 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), Sections 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 54A(1)(a), 56(1)(a), Sections 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), Regulations 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)

Legislation	Sections or regulations
Directly Accountable to Municipal Managers, 2006	
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Division of Revenue Act 5 of 2023	Sections 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)