Report of the auditor-general to Limpopo Provincial Legislature and the council on Mopani District Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of Mopani District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, the cash flow statement and the 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 Mopani District Municipality as at 30 June 2025 and financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (DoRA).

Basis for qualified opinion

Property, plant and equipment

3. The conditions of property, plant and equipment were not adequately reviewed at the end of the reporting date in accordance with GRAP 17, *Property, plant and equipment*. As a result, some items of property, plant and equipment were found to be in poor condition and a conditional assessment was performed to determine the current state, remaining useful life, and recoverable amount of the affected assets, however it was not performed in accordance with the requirement of GRAP 21, *Impairment of non-cash-generating assets*. Consequently, I was unable to determine the impact on the net carrying amount of property, plant and equipment stated at R10 110 571 791 (2024: R9 710 502 659) in note 8 to the financial statements as it was impracticable to do so. Additionally, there is a resultant impact on accumulated surplus.

Inventory consumed and bulk purchases

4. The municipality did not maintain adequate internal control systems for recording and accounting for Inventory consumed in accordance with *GRAP 1, Presentation of financial statements*. I identified differences amounting to R46 244 326 between the annual financial statements and the inventories note. Consequently, inventory consumed stated at R455 544 233 in note 32 to the financial statements is overstated by the same amount.

Receivables from exchange transactions

5. The municipality did not maintain adequate internal control systems for reporting and accounting for receivables from exchange transactions. I identified unexplained differences amounting to R1 763 294 229 (2024: R2 471 206 600) between note 4 and its sub-notes and unexplained differences of R1 704 847 501 between the general ledger and the financial statements. Additionally, I identified differences on the gross amount of the Ba-Phalaborwa receivable amounting to R44 067 638 (2024: R115 825 935) between note 4 and the supporting documents. Consequently, receivables from exchange transactions stated at R1 941 515 223 (2024: R2 592 065 314) in note 4 to the financial statements are misstated by the same amounts.

6. The municipality did not accurately calculate the provision for impairment for Ba-Phalaborwa loan accounts in accordance with *GRAP 104, Financial instruments.* I identified differences amounting to R38 243 170 between impairment provision amount in the financial statements of the municipality and underlying records. Consequently, receivables from exchange transactions relating to Ba-Phalaborwa municipality stated at R2 094 896 in note 4.1 was overstated by the same amount. Additionally, there is a resultant impact on accumulated surplus.

Revenue from exchange transactions

7. The municipality did not maintain adequate internal control systems for recording and accounting for Revenue from exchange transactions in accordance with GRAP 1, *Presentation of financial statements*. I identified differences emanating from sales of water amounting to R44 943 341 and sewage and sanitation charges amounting to R63 229 712 between the municipality`s financial statements and underlying records from the local municipalities. Additionally, I was unable to obtain sufficient appropriate audit evidence for incomplete billing relating to revenue from sale of water as debtors were identified for which service charges from sales of water were not billed and recorded. I was unable to determine the full extent of the error as it was impractical to do so. Consequently, I could not determine whether any adjustments to the revenue from exchange transactions stated at R 223 864 906 in note 18 to the financial statements and related receivable from exchange transactions, stated at R145 794 871 in note 4.2 to the financial statements were necessary. This also has an impact on the surplus for the period and on the accumulated surplus.

8. The municipality did not maintain adequate internal control systems for reporting and accounting for revenue from exchange transactions. I was unable to obtain sufficient appropriate audit evidence for revenue from sale of water and sewerage and sanitation charges due to the status of record keeping. I identified unexplained differences in corresponding figures amounting to R51 152 821 between financial statements of the municipality and underlying records. I was unable to confirm the revenue by alternative means. I was unable to determine whether any adjustment to revenue from exchange transactions stated at R195 962 703 in note 18 of the financial statements were necessary.

Debt Impairment

9. The municipality did not maintain adequate internal control systems for recording and accounting for debt impairment in accordance with GRAP 1, *Presentation of financial*

statements. I identified differences amounting to R760 395 276 (2024: R2 180 712 862) between the financial statements and note 4. Consequently, debt impairment disclosed in note 31 is overstated. This also has an impact on the surplus for the period and on the accumulated surplus.

Distribution losses

10. The municipality did not accurately measure water inventory consumed in accordance with the requirements of GRAP 1, *Presentation of financial statements* and section 125(2)(d) of the MFMA. This was due to unreliable, non-functional meters at key points of the water value chain, together with broader operational factors such as ageing and incomplete infrastructure and weak billing processes. These conditions contributed to water distribution losses being misstated and remaining above the 30% norm for two consecutive years. I was unable to determine the full extent of the misstatement as it was impractical to do so. Consequently, I could not determine whether any adjustments to the water distribution losses stated at R135 840 378 (2024: R126 531 581) in note 32 to the financial statements were necessary.

Cash flow from operating activities

11. Receipts from sales of goods and services was incorrectly calculated as it included other impairment differences, which constitutes a departure from GRAP 2, *Statement of Cash Flows*. Consequently, receipts from sales of goods and services were understated by R113 426 591 (2024: R99 897 501) in the financial statements.

Unauthorised expenditure

12. The municipality did not maintain adequate internal control systems for reporting and accounting for unauthorised expenditure. I identified differences amounting to R907 299 096 between unauthorised expenditure per the register and the supporting records. Consequently, unauthorised expenditure stated at R1 417 111 635 in note 49 to the financial statements are overstated by the same amount.

Unauthorised, irregular and fruitless and wasteful expenditure

13. I identified unauthorised, irregular and fruitless and wasteful expenditure amounting to R777 077 402, R141 613 871, R351 532 978 respectively which was written off without proper investigations. Consequently, the Unauthorised, fruitless and wasteful and irregular expenditure stated at R1 417 111 635, R181 050 970 and R1 238 822 294 in notes 49, 51 and 50 respectively, were understated by the same amount.

Commitments

14. The municipality did not maintain adequate internal control systems for recording and accounting for commitments in accordance with GRAP 1, *Presentation of financial statements*. I identified differences amounting to R49 209 712 (2024: R715 089 205) were identified between commitments as per the commitments register and the supporting records. In addition, sufficient and appropriate audit evidence could not be obtained to confirm existence of some of the capital commitments as some commitments had been raised on expired contracts. Consequently, commitments stated at R932 161 895 (2024: R966 891 403) in note 42 to the financial statements are overstated by the same amount.

Payables from exchange transactions

15. The municipality did not account for VAT output accrued in accordance with GRAP 104, *financial instruments*. I was unable to confirm whether VAT output accrued amounts arising from the impairment of receivables were correctly calculated and disclosed in the financial statements. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the VAT output accrued amount stated at R279 379 439 (2024: 270 422 247) in note 12 to the financial statements.

16. Accrued interest on historic debt payable to Lepelle Northern Water in the next 12 months was not correctly classified as a current liability, in accordance with GRAP 1, Presentation of financial statements. Consequently, long-term liabilities stated at R564 383 119 in note 12 to the financial statements were overstated by R41 555 666.

Prior-year adjustments

17. I was unable to obtain sufficient appropriate audit evidence for the adjustments to prior period amounts of inventory, property, plant and equipment, receivables from exchange transactions and accumulated surplus, as the supporting information was not provided. I was unable to confirm these adjustments by alternative means. Additionally, I identified material differences of R238 505 152 in intangible assets stated at R241 525 122 and R236 930 916 in employee benefit obligation (current portion) stated at R9 930 583. Consequently, I was unable to determine whether any adjustments relating to the prior-year adjustments disclosed in note 45 to the financial statements was necessary.

Current assets

18. In addition to the individually material uncorrected misstatement on receivables from exchange transactions, total current assets were materially misstated by R41 963 516 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

    - Cash and cash equivalents stated at R168 068 056 was overstated by R4 541 859.
    - Receivables from exchange transactions stated at R1 918 315 223 was overstated by R11 374 918.
    - Receivables from exchange transaction arising from Vhembe District municipality stated at R57 353 850 was overstated by R 22 553 849.

    In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm the following item by alternative means:

    - Receivables from non-exchange transactions of R26 242 727 as included in the disclosed balance of R174 465 482.

Context for opinion

19. 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.

20. 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.

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

Emphasis of matters

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

23. With reference to note 43 to the financial statements, the municipality is currently involved in litigation with various service providers and third parties. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Other matters

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

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

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

Responsibilities of the accounting officer for the financial statements

27. The accounting officer is responsible for the preparation and fair presentation of 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.

28. 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

29. 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.

30. 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 my auditor's report.

Report on the audit of the annual performance report

31. 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 against predetermined objectives for the selected key performance areas presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

32. I selected the following key performance areas presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected key performance areas that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Key performance area	Page numbers	Purpose
KPA 2 – Basic service delivery	XX	o To accelerate sustainable infrastructure and maintenance in all sectors of development. o To have integrated infrastructure development. o To improve community safety, health and social well-being.
KPA 3 – Local economic development	XX	• To promote economic sectors of the district.

33. I evaluated the reported performance information for the selected key performance areas 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.

34. 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 is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance.

35. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

36. The material findings on the reported performance information for the selected key performance areas are as follows:

KPA 2 – Basic service delivery

Various indicators

37. Based on the audit evidence, the actual achievement for three indicators did not agree to the achievements reported. The achievement against the target was better than reported.

Indicator	Target	Reported achievement	Actual achievement
Construction of Ritavi Water Scheme	100%	63%	99%
Construction of Makhushane Water Scheme	100%	84%	99%
Thabina to Lenyenye Bulk Water Supply	25%	24%	92%

of HH with access to water

38. An achievement of 10 835 was reported against a target of 5 000. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the target was not achieved.

Water Reticulation Infrastructure for Middle Letaba Water Scheme Cluster 6

39. Measures taken to improve performance against the underachieved target of Water Reticulation Infrastructure for Middle Letaba Water Scheme Cluster 6 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.

KPA 2 – Local economic development

of jobs created opportunities created through EPWP

40. An achievement of 1 016 was reported against a target of 1 000. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the target was not achieved.

of SEDA Trainings conducted

41. An achievement of nine was reported against a target of four. However, the audit evidence showed the actual achievement to be only six. Consequently, the achievement against the target was lower than reported.

Other matters

42. I draw attention to the matters below.

Achievement of planned targets

43. 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.

44. The table that follows provides information on the achievement of planned targets and list the key service delivery 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.

KPA 2: Basic service delivery

Targets achieved: 56% *Budget spent: 87%*		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Number of by-laws gazetted by 30 June 2025	03	02
# in KMs of gravel roads graded	400	55,95
# of HH with access to sanitation	20 794	0
Construction of Kampersrus Bulk water reticulation	100%	00%
Construction of Bulk Water supply at Lulekani water scheme	100%	81%
Construction of Makhushane water scheme	100%	84%
Construction of Ritavi water scheme	100%	63%
Purchase & Delivery of Fire & Rescue Equipment by 30 June 2025	100%	00%
Thabina to Lenyenye Bulk supply	25%	24%
Thapane Water Treatment Plant and replacement of Rensing Us	25%	0%
Water Reticulation Infrastructure for Middle Letaba Water Scheme Cluster 6	25%	0%
Construction of VIP toilets units – Rural Household Sanitation (BPM	25%	0%
Construction of VIP toilets units – Rural Household Sanitation (Maruleng)	25%	0%
Construction of VIP toilets units – Rural Household Sanitation (Greater Tzaneen LM)	25%	0%
Construction of VIP toilets units – Rural Household Sanitation (Greater Letaba LM)	25%	0%
Construction of VIP toilets units – Rural Household Sanitation (Greater Giyani LM)	25%	0%

Material misstatements

45. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 2 – Basic service delivery and KPA 3 – Local economic development. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

46. 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.

47. 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.

48. 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.

49. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statement

50. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

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

Revenue management

51. 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.

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

Expenditure management

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

54. Reasonable steps were not taken to prevent irregular expenditure amounting to R14 314 406 as disclosed in note 51 to the annual financial statements, as required by section 62(1)(d) of the MFMA.. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations.

55. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R6 423 651, as disclosed in note 50 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 interest incurred on late payment of suppliers.

56. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R336 263 348, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by under budgeted items in the various departments.

Consequence management

57. 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.

58. Irregular, fruitless and wasteful 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.

59. Unauthorised expenditure was certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.

60. Losses resulting from irregular expenditure and fruitless and wasteful expenditure were certified council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA.

Strategic planning and performance management

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

Procurement and contract management

62. Some of the contracts were awarded through a competitive bidding process that were not adjudicated by the bid adjudication committee as required by SCM Regulation 29(1)(a) and (b). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Mametja Sekororo Regional Water Scheme Phase 2A – Contracts A to E.

63. 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.

64. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.

Other information in the annual report

65. 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 key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.

66. 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.

67. 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 key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

68. 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

69. 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.

70. 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 report and the material findings on compliance with legislation included in this report.

71. The basic accounting and internal control disciplines of daily and monthly reconciliation of transactions was not adequately implemented and monitored.

72. Measures put in place for the preparation, review and approval of the annual financial statements and annual performance report are inadequate as the annual financial statements and annual performance report submitted for audit contained misstatements that were not detected and rectified prior to submission of the report for audit.

73. The accounting officer did not exercise his oversight responsibilities regarding compliance and related internal controls to ensure that all instances of unauthorised, irregular and fruitless and wasteful expenditure are investigated to determine if any person is liable for the expenditure.

74. The accounting officer did not implement effective controls to ensure that compliance with the applicable laws and regulations is reviewed and monitored at all times

75. There was no proper implementation of controls over daily and monthly processing and reconciling of achievements reported and supporting evidence.

76. The municipality did not budget appropriately resulting in the municipality receiving a letter from National Treasury declaring their budget as unfunded.

Material irregularities

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.

Material irregularities in progress

78. I identified a material irregularity during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. This material irregularity will be included in next year's auditor's report.

Status of previously reported material irregularities

Payment for duplication of work

79. In terms of section 78(1)(b) of the MFMA, each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently.

80. On the Mametja-Sekororo Regional Water Scheme (RWS) project there was a duplication of a significant portion of the works completed by contractors. My audit focused on the mechanical and electrical items component of the scheme.

81. The first contractor appointed on the project was appointed at a contract amount of R19 201 350, for a period of four months commencing on 1 October 2015. The first contractor was officially terminated due to poor performance and breach of contract in June 2019; after having incurred expenditure totalling R12 992 201 on the project. However, the project was not complete at the time. The municipality appointed a second contractor for a revised contract amount of R27 375 737 with a commencement date of 21 May 2018. The mechanical and electrical works on the scheme was eventually completed on 22 December 2020 after additional expenditure of R25 437 749 was incurred by the second contractor.

82. The relevant officials and senior managers involved in the project did not thoroughly review invoices and payment certificates issued to ensure that items claimed by the first and second contractors are not duplicated. This resulted in the municipality double paying for some of the goods and services said to be rendered by the two contractors.

83. The above resulted in non-compliance with section 78(1)(b) of the MFMA, which states that "each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently".

84. The above non-compliance is likely to result in a material financial loss for the municipality.

85. The accounting officer was notified of the material irregularity on 9 May 2023. The following actions have been taken to resolve the material irregularity:

- The accounting officer appointed a law firm to investigate the matter on 9 May 2023. The investigation was concluded in September 2024 and tabled to the council on 31 October 2024.

- The investigation report made the following key findings and recommendations –

    - The senior manager for Water and Sanitation as the senior Engineer of the project, has failed to adhere to the General Conditions of Contracts (GCC) and section 62 of the MFMA. It is therefore recommend that a disciplinary enquiry be sanctioned against the senior manager for water and sanitation in accordance and compliance with the Labour relations Act and as prescribed by 43(1) of Local Government regulations, for the allegations of misconduct in failure to perform his duties as expected by the service level agreement (SLA) as well as the MFMA, more specifically amongst others section 62, 171 (1) (a) – c) and 78, the "171 of the MFMA
    - The duplication of work resulted from the reconfiguration done by the consulting engineer, which was unnecessary. Senior manager for water and sanitation failed to ensure that there were effective systems of expenditure control, by authorising a reconfiguration that would attract more unnecessary costs to the municipality, when the previous design was sound. Therefore, It is recommended that senior manager for water and sanitation as the director of the department be sanctioned and charged in terms of section 43(1) of the Local Government regulations and/or any relevant and related legislation, for the allegations of misconduct in failure to perform his duties as expected by the SLA as well as the MFMA, more specifically amongst others, section 62 and 78 of the MFMA.
    - The municipality failed to ensure that the resources of the municipality are used effectively, thus violating section 62 (1) of the MFMA; The municipality failed to prevent fruitless and wasteful expenditure. The decision to approve the reconfiguration of the designs was not in the best interest of the Municipality. Senior manager for water and sanitation, as the director and the head of the engineering department failed to manage the contract properly in a manner that would achieve the best results for the municipality. It is therefore recommended that senior manager for water and sanitation be charged for contravening sections 62(1) and 78 of the MFMA and his contract of employment.
    - Employees of the municipality are expected to always comply with the request from their management /supervisors or the appointed coordinator/agent in

furnishing records and/or documents as requested, especially during audit process or at any other given time. Employees who fail to adhere to this request, did not act in the best interest of the municipality. Employees who failed to give documents when requested even they had such documents in their private laptops should be given written warnings for such conduct. It is therefore, recommended that the alleged employees be given written warning in accordance with clause 7.5 of the Disciplinary procedure collective agreement.

- It is further recommended that the contract with consulting engineer be set aside in accordance with section 172 of the Constitution as outlined in the case of Gijima.
- The law firm that is appointed to do the self-review process is likely to look into whether there is any money to be recovered from the consulting engineer. This might require evidence from an expert engineer demonstrating which parts of the consulting engineer's designs constituted additional work that was done by the first contractor.
- The municipal manager should monitor the Mametja Sekororo project going forward and ensure that any new engineers do not ignore the work that has already done.
- The financial misconduct process should be implemented within 90 days following the decision taken by the Management and/or the Accounting Officer and/or the Council.

• The council took a resolution on 31 October 2024 that the report be referred to the accounting officer for further processing and Legal Services for advice.

• The accounting officer appointed a law firm in April 2024 to conduct a self-review process in accordance with the law. The law firm is to investigate whether moneys can be recovered from the service provider and whether to declare the appointment of the contractor and engineers as irregular or to verify its authenticity based on value for money.

• The process of the self-review is still in progress and on 2 June 2025 the law firm has made the following recommendations to the accounting officer thus far-

  - The municipality must proceed to launch condonation to the National Treasury and simultaneously launch a self-review to correct the irregularity in the appointment of the consulting engineer.
  - The municipality must conduct a consequence management process in line with the recommendation in the investigation report concluded by the first law firm for the alleges misconduct against any person and/or employee indebted to the Mametja Sekororo project.

86. The accounting officer is in the process of implementing the following actions which are expected to be concluded on or before 30 June 2026.

• Three employees were implicated in the investigation report, and are currently being subjected to consequence management, which may include recovering lost or wasted funds.

- The senior manager for Water and Sanitation is undergoing a disciplinary hearing initiated by another law firm.

87. I will follow up on the implementation of the planned actions during my next audit.

Auditor-General

Polokwane

30 November 2025

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 key performance areas 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 the 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	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), 32(7),33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)a, 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 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), 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)
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), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
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), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b) **Parent municipality with ME:** Sections: 93B(a), 93B(b) **Parent municipality with shared control of ME:** Sections: 93C(a)(iv), 93C(a)(v)

Legislation	Sections or regulations
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
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), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)
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), 26(5), 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(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), 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)