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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Vhembe District Municipality set out on pages … to …, which comprise the statement of financial position as at 30 June 2021, statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the possible effects of the matters described in the basis for qualified section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Vhembe District Municipality as at 30 June 2021, and its 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, 2003 (Act no 56 of 2003) (MFMA), and the Division of Revenue Act, 2020 (Act no 4 of 2020) (DoRA).

Basis for qualified opinion

Inventory

3. I was unable to obtain sufficient appropriate audit evidence that water inventory was properly accounted for as I could not perform water count due to bulk meters not being functional. I was unable to determine water inventory by alternative means. Consequently, I was unable to determine whether any adjustment relating to water inventory stated at R2 319 375 (2020: R2 319 375) in note 2 to the financial statements was necessary. Additionally. there was a resultant impact on water losses stated at R457 328 431 in note 44 to the financial statements.

Payables from exchange transactions

4. The municipality did not have adequate systems in place to account for retentions. I identified differences of R68 628 505 between retentions and payment certificates due to the inconsistent methodology applied to calculate retentions. I was unable to confirm the retentions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to retentions stated at R166 873 677 (2020: R131 056 462) in note 13 to the financial statements.

VAT payable

5. The municipality did not have an adequate system in place to account for VAT transactions. I identified differences between the municipality's calculation of VAT and the underlying records stated at R132 822 805 in note 34 to the financial statements as the municipality charged VAT on revenue estimates that are not taxable supplies for VAT purposes. Consequently, VAT stated at R132 822 805 (2020: R26 784 061) in note 5 and note 34, respectively to the financial statements is materially misstated.

Revenue from exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for service charges, as the municipality did not have adequate systems in place to bill consumers for water consumptions for both current and prior year. Meter readings and estimations were not consistently done on a monthly basis, which resulted in consumers not being billed. I was unable to determine the full extent of the understatement of revenue from service charges and understatement of receivables from exchange transactions as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to revenue from service charges stated at R1 286 883 407 (2020: R766 110 873) in note 17 to the financial statements.

7. I was unable to obtain sufficient appropriate audit evidence for service charges, as the estimation assumptions used to calculate revenue did not allow for a consistent calculation of service charges. I was unable to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue from service charges stated at R1 286 883 407 (2020: R766 110 873) in note 17 to the financial statements.

Impairment of trade and other receivables

8. The municipality did not review possible provisions for impairments on receivables from exchange transactions at each reporting date in accordance with GRAP 104, *Financial instruments and debt impairment policy,* as there was no age analysis for impairment of trade and other receivables arising from revenue estimations. I was unable to determine impairment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to impairment of trade and other receivables stated at R1 490 229 120 (2020: R1 075 811 359) in note 28 to the financial statements and receivables from exchange transactions stated at R10 692 951 (2020: R30 974 723) in note 3 to the financial statements.

Commitments

9. The municipality did not have an adequate system in place to account for capital commitments. I identified differences of R85 563 901 between capital commitments amounts and my recalculations. Consequently, I was unable to determine whether any adjustments were necessary to capital commitments stated at R1 341 421 354 (2020: R1 226 422 897) in note 36 to the financial statements.

10. The municipality did not have adequate systems in place to account for capital commitments. I identified completed projects which were incorrectly included as capital commitments stated

at R1 341 421 354 in note 36 to the financial statements. Consequently, capital commitments stated at R1 341 421 354 in note 36 to the financial statements were overstated by R31 279 590

Context for the opinion

11. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

12. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matters

Litigations and claims

14. With reference to note 37 to the financial statements, the municipality is the defendant in various claims, which it is opposing. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result was made in the financial statements.

Material losses

15. As disclosed in note 44 to the financial statements, material water losses of R457 328 431 (2020: R323 540 495) was incurred, which represents 41.5% of total water purchased. Material losses were due to leakages on transmission and distribution mains and leakages on service connections up to the point of customer meter.

Restatement of corresponding figures

16. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2020 have been restated as a result of an error discovered in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Other matters

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

Unaudited supplementary schedules

18. 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.

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

20. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA, and the DoRA and for such internal controls 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.

21. 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.

Auditor-general's responsibilities for the audit of the financial statements

22. 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.

23. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

24. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

25. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

26. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the municipality's annual performance report for the year ended 30 June 2021:

Programme Name	Pages in the annual performance report
KPA 1: Service delivery and infrastructure development	x – x

27. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

28. The material findings on the usefulness and reliability of the performance information of the selected programmes are as follows:

Annual performance report was submitted without complete and accurate underlying records for performance indicators

29. I was unable to audit the usefulness and reliability of the selected programme listed below as the annual performance report was presented without accurate and complete underlying performance records. This placed a limitation on the scope of my work as I was unable to obtain sufficient and appropriate audit evidence and to audit the reported performance information by alternative means;

Reported performance indicator
% of water interruption resolved within 24 hours
% expenditure of project budgeted amount: drilling of new boreholes - Makhado town
% expenditure of project budgeted amount: drilling of new boreholes – Mutshedzi

Performance indicators were not well defined and targets were not specific, measurable and time bound

30. I was unable to obtain sufficient appropriate audit evidence that clearly defined the nature and required level of performance to support the reported achievement of indicators. This was due to a lack of technical indicator descriptions and proper performance management systems and processes that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicators by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of the indicators and reported achievement as reported in the annual performance report.

Indicator	
Malonga water reticulation	
% expenditure of project budgeted amount	Vuwani to Vyeboom and construction of Reservoir (Makhado)
% expenditure of project budgeted amount	Mashau and surrounding villages BWS & Ret.
% expenditure of project budgeted amount	Mutshedzi Regional Water Scheme
% expenditure of project budgeted amount	Increasing the Capacity of Vondo WTW & Upgrading of water related infrastructure in the area
% expenditure of project budgeted amount	Block A (Miluwani and Tshidaulu) water reticulation
% expenditure of project budgeted amount	Jerome Command Reservoir (3.5ML) Sub-system
% expenditure of project budgeted amount	Upgrading of Damani Water treatment plant from 4ML/day and associated Bulk line pipes.
% expenditure of project budgeted amount	Malamulele west Regional Water Scheme(RWS)
% expenditure of project budgeted amount	Mutale RWS upgrading of purification works
% expenditure of project budgeted amount	Xikundu mhinga bulk water supply
% expenditure of project budgeted amount	Vhembe PMU Management
% expenditure of project budgeted amount	Sinthumule Kutama bulk water argumentation
% expenditure of project budgeted amount	Consultant fees (engineer WSIG projects)
% expenditure of project budgeted amount	VONDO RWS
% expenditure of project budgeted amount	Thohoyandou Q water reticulation (Extension of the Water reticulation line to the township)
% expenditure of project budgeted amount	Itsani west and Matieni water Reticulation project water (Construction of Bulk Pipeline, Storage and reticulation)
% expenditure of project budgeted amount	Refurbishment of weir and drilling of borehole at Thengwe, Mutshetshete, Mulodi and Tshitunguni (Refurbishment of Weir

Indicator	
	and Sitting, drilling, testing, equipping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Dzimauli Drilling of borehole (Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage. Fixing of the Pipeline and pump linking the old and the new infrastructure.)
% expenditure of project budgeted amount	Lagos Water reticulation (Construction of reticulation to the remaining part of the village)
% expenditure of project budgeted amount	Mutele new village (Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Masakona underground water supply and reticulation (Testing, equiping, construction of rising main, construction of gravity mains and reticulations lines. Construction of Pump house and palisade fencing)
% expenditure of project budgeted amount	Development of Boreholes at Mahatlane Village (Sitting, drilling, testing, equipping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Muananzhele and Mavhungeni Water reticulation (Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Development of Boreholes at Tiyani (Sitting, drilling, testing, equipping, construction of pump

Indicator	
	house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Development of Boreholes at Mailaskop (3 x Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Development of Boreholes at Mpheni (2 x Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Refurbishment of Mhinga Plant and construction of Bulk line from the plant to Wisani T-Junction. (Refurbishment of Mhinga plant and Construction of the parallel line from the plant to T-Junction to Wisani Booster Pump Station.)
% expenditure of project budgeted amount	Water Demand management (Installation of meters to village stand pipes/street taps)
% expenditure of project budgeted amount	Water Demand management (Installation of meters to village stand pipes/street taps)
% expenditure of project budgeted amount	Water Demand management (Installation of meters to village stand pipes/street taps)
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Chavani
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Riverplaats
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Makhado town
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Elim Sewer Ponds
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying

Indicator	
	them, pump houses: Njhakanjhaka/matsila
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Masakona
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Green farm
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Merwe
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Peninghotsa
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Shingwidzi
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Gumbani
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Xihosana Tshiawela
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Tshiawela
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Ngudza (Bennde Mutale))
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Masisi
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Mutele b
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Makavhini
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Manenzhe
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Shakadza

Indicator	
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Gumela
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Lupepe
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Musina
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Khakhu
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Luvhimbi
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Tshidimbini
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Mukula (woza woza)
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Makonde
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Mutale
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Tshiwani

Indicator	
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Ragwali
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Ngovhela
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Belemu
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Khalavha
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Fondwe
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Musekwa
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Mangalani
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Mutshedzi

Indicator	
Number of routine maintance of water infrastructure equipment conducted	
% Expenditure of allocate amount on Procurement of chemical reagent	Procurement of chemical reagent
% Expenditure of allocate amount on Procurement of water chemical	Procurement of water chemical
% Expenditure of allocate amount on Procurement of Garden equipment	Procurement of garden equipment
% Expenditure of allocate amount on procurement of leaks material and galvanised pipes	Procurement of materials for water leaks and replacement of rotten galvanised pipes
% Expenditure of allocate amount on procurement of laboratory instruments	Procurement of laboratory instruments

Performance indicators were not verifiable

31. I was unable to determine or verify the processes or actions that will be used to produce the desired outputs and ultimately outcomes of the reported achievements of indicators. This was due to a lack of proper performance management systems and processes that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm the reported achievement of the indicators by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of the indicators and reported achievement as reported in the annual performance report.

Indicator	
Malonga water reticulation	
% expenditure of project budgeted amount	Vuwani to Vyeboom and construction of Reservoir (Makhado)
% expenditure of project budgeted amount	Mashau and surrounding villages BWS & Ret.
% expenditure of project budgeted amount	Mutshedzi Regional Water Scheme
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% expenditure of project budgeted amount	Jerome Command Reservoir (3.5ML) Sub-system
% expenditure of project budgeted amount	Upgrading of Damani Water treatment plant from 4ML/day and associated Bulk line pipes.
% expenditure of project budgeted amount	Malamulele west Regional Water Scheme(RWS)
% expenditure of project budgeted amount	Mutale RWS upgrading of purification works
% expenditure of project budgeted amount	Xikundu mhinga bulk water supply

Indicator	
% expenditure of project budgeted amount	Vhembe PMU Management
% expenditure of project budgeted amount	Sinthumule Kutama bulk water argumentation
% expenditure of project budgeted amount	Consultant fees (engineer WSIG projects)
% expenditure of project budgeted amount	VONDO RWS
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% expenditure of project budgeted amount	Refurbishment of weir and drilling of borehole at Thengwe, Mutshetshete, Mulodi and Tshitunguni (Refurbishment of Weir and Sitting, drilling, testing, equipping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Dzimauli Drilling of borehole (Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage. Fixing of the Pipeline and pump linking the old and the new infrastructure.)
% expenditure of project budgeted amount	Lagos Water reticulation (Construction of reticulation to the remaining part of the village)
% expenditure of project budgeted amount	Mutele new village (Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Masakona underground water supply and reticulation (Testing, equiping, construction of rising main, construction of gravity mains and reticulations lines. Construction of Pump

Indicator	
	house and palisade fencing)
% expenditure of project budgeted amount	Development of Boreholes at Mahatlane Village (Sitting, drilling, testing, equipping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Muananzhele and Mavhungeni Water reticulation (Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Development of Boreholes at Tiyani (Sitting, drilling, testing, equipping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Development of Boreholes at Mailaskop (3 x Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Development of Boreholes at Mpheni (2 x Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)
% expenditure of project budgeted amount	Refurbishment of Mhinga Plant and construction of Bulk line from the plant to Wisani T-Junction. (Refurbishment of Mhinga plant and Construction of the parallel line from the plant to T-Junction to Wisani Booster Pump Station.)
% expenditure of project budgeted amount	Water Demand management (Installation of meters to village stand pipes/street taps)

Indicator	
% expenditure of project budgeted amount	Water Demand management (Installation of meters to village stand pipes/street taps)
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% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Elim Sewer Ponds
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Njhakanjhaka/matsila
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Masakona
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Green farm
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Merwe
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Peninghotsa
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Shingwidzi
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% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Xihosana Tshiawela
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying

Indicator	
	them, pump houses: Tshiawela
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Ngudza (Bennde Mutale))
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% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Gumela
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Lupepe
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Musina
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Khakhu
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Luvhimbi
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Tshidimbini

Indicator	
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Mukula (woza woza)
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Makonde
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Mutale
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Tshiwani
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Ragwali
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Ngovhela
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Belemu

Indicator	
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Khalavha
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Fondwe
% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Musekwa
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% expenditure of project budgeted amount	Drilling of new boreholes, equipping and electrifying them, pump houses: Mutshedzi
Number of routine maintance of water infrastructure equipment conducted	
% Expenditure of allocate amount on Procurement of chemical reagent	Procurement of chemical reagent
% Expenditure of allocate amount on Procurement of water chemical	Procurement of water chemical
% Expenditure of allocate amount on Procurement of Garden equipment	Procurement of garden equipment
% Expenditure of allocate amount on procurement of leaks material and galvanised pipes	Procurement of materials for water leaks and replacement of rotten galvanised pipes
% Expenditure of allocate amount on procurement of laboratory instruments	Procurement of laboratory instruments

Reported indicators are not consistent or complete when compared to planned indicators

32. The reported performance indicators targets as per the Annual performance report did not agree with the planned performance indicators targets as per the Service Delivery and Budget Implementation Plan (SDBIP).

Indicator	SDBIP target	APR target	APR reported
Number of Ventilated Improved Pit latrines (VIP) constructed: The whole of Vhembe District	726	726	0%
Number of Ventilated Improved Pit latrines (VIP) constructed: Thulamela	212	212	0%
Number of Ventilated Improved Pit latrines (VIP) constructed: Musina	133	133	0%
Number of Ventilated Improved Pit latrines (VIP) constructed: Collins Chavani	189	189	0%
Number of Ventilated Improved Pit latrines (VIP) constructed: Makhado	192	192	0%
% of water interruption resolved Within 24 hours	100%	100%	0
% expenditure of project budgeted amount Development of Boreholes at Mpheni (2 x Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)	100%	100%	0
% expenditure of project budgeted amount Refurbishment of Mhinga Plant and construction of Bulk line from the plant to Wisani T-Junction. (Refurbishment of Mhinga plant and Construction of the parallel line from the plant to T-Junction to Wisani Booster Pump Station.)	100%	100%	0
% expenditure of project budgeted amount Water Demand management (Installation of meters to village stand pipes/street taps)	100%	100%	0
% expenditure of project budgeted amount Water Demand management (Installation of meters to village stand pipes/street taps)	100%	100%	0
% expenditure of project budgeted amount Njhakanjhaka/matsila	100%	100%	0
% expenditure of project budgeted amount Peninghotsa	100%	100%	0
% expenditure of project budgeted amount Gumbani	100%	100%	0
% expenditure of project budgeted amount Xihosana	100%	100%	0
% expenditure of project budgeted amount Tshiawela	100%	100%	0
% Expenditure of allocate amount on procurement of pumps and drilling of boreholes	100%	100%	0

Indicator	SDBIP target	APR target	APR reported
The % of households to access the basic level of water in the financial year	3.2%	3.2%	0
The % of households to access the basic level of sanitation in the financial year	0.2%	0.2%	0

Measures taken to improve performance not disclosed

33. The municipality did not disclose measures taken to improve performance on non-achieved indicators in the Annual performane report;

Indicator	SDBIP target	APR Target	APR reported
Number of Ventilated Improved Pit latrines (VIP) constructed: The whole of Vhembe District	726	726	0%
Number of Ventilated Improved Pit latrines (VIP) constructed: Thulamela	212	212	0%
Number of Ventilated Improved Pit latrines (VIP) constructed: Musina	133	133	0%
Number of Ventilated Improved Pit latrines (VIP) constructed: Collins Chavani	189	189	0%
Number of Ventilated Improved Pit latrines (VIP) constructed: Makhado	192	192	0%
% of water interruption resolved Within 24 hours	100%	100%	0
% expenditure of project budgeted amount Development of Boreholes at Mpheni (2 x Sitting, drilling, testing, equiping, construction of pump house, Constriction of supplying lines and reticulations. Construction of storage)	100%	100%	0
% expenditure of project budgeted amount Refurbishment of Mhinga Plant and construction of Bulk line from the plant to Wisani T-Junction. (Refurbishment of Mhinga plant and Construction of the parallel line from the plant to T-Junction to Wisani Booster Pump Station.)	100%	100%	0
% expenditure of project budgeted amount Water Demand management (Installation of meters to village stand pipes/street taps)	100%	100%	0
% expenditure of project budgeted amount Water Demand management (Installation of meters to village stand pipes/street taps)	100%	100%	0

Indicator	SDBIP target	APR Target	APR reported
% expenditure of project budgeted amount Njhakanjhaka/matsila	100%	100%	0
% expenditure of project budgeted amount Peninghotsa	100%	100%	0
% expenditure of project budgeted amount Gumbani	100%	100%	0
% expenditure of project budgeted amount Xihosana	100%	100%	0
% expenditure of project budgeted amount Tshiawela	100%	100%	0
% Expenditure of allocate amount on procurement of pumps and drilling of boreholes	100%	100%	0
The % of households to access the basic level of water in the financial year	3.2%	3.2%	0
The % of households to access the basic level of sanitation in the financial year	0.2%	0.2%	0

Reported achievement did not agree with the evidence provided, i.e. not valid and/or accurate and/or complete

34. The achievements of the below indicators was reported against their target in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement as .

Indicators: % expenditure of project budgeted amount	Reported Actual as per APR	Per supporting documents	Difference
The % of households to access the basic level of water in the financial year	0	Unquantifiable	Unquantifiable

Other matters

35. I draw attention to the matters below;

Achievement of planned targets

36. Refer to the annual performance report on pages … to … for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets. This information should be considered in the context of the material

findings on the usefulness and reliability of the reported performance information in paragraphs 29 to 34 of this report.

Report on the audit of compliance with legislation

Introduction and scope

37. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

38. Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA.

Annual financial statements, performance and annual reports

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

Strategic planning and performance management

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

Expenditure management

41. Reasonable steps were not taken to prevent irregular expenditure amounting to R83 283 154, as disclosed in note 41 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 regulations.

42. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R472 292 491, as disclosed in note 44 to the annual financial statements, in contravention of section 62(1) (d) of the MFMA. The majority of the unauthorised expenditure was caused by expenditure in excess of the budgeted amount.

Revenue management

43. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2) (e) of the MFMA.

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

Consequence management

45. 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.

43. 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.

44. 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.

Other information

45. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report, etc.). The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

46. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

47. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

48. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

49. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

50. The accounting officer and management did not exercise adequate oversight responsibility regarding financial and performanceeporting and compliance with laws and regulations.

51. Consequence management was not implemented to deter non-performance and promote clean administration. The control environment remains concerning.

52. The basic accounting principles of daily and monthly accounting and reconciling of transactions have not been adequately implemented and monitored.

53. The accounting officer does not review the financial statements and the annual performance report for accuracy and completeness.

54. Internal controls for monitoring compliance with laws and regulations are ineffective as they do not detect and prevent instances of non-compliance with applicable laws and regulations.

55. The internal control monitoring mechanisms of the municipality are not functioning optimally, as many control weaknesses are only discovered during the audit of the financial statements and performance information.

Material irregularities

56. 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 the material irregularities reported in the previous year's auditor's report.

Material irregularities identified during the audit

69. The material irregularities identified are as follows:

Revenue due to the municipality not calculated on a monthly basis

70. The district municipality did not read water meters for the purposes of revenue billing on a monthly basis. This resulted in a significant number of accounts being without variables to enable estimations. The district then estimated consumption for the affected consumers to be zero.

71. The non-compliance has resulted in a likely material financial loss. Further losses are likely to occur, as the municipality does not perform readings monthly.

72. The accounting officer was notified of the material irregularity on 02 August 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The following actions have been taken to address the material irregularity:

- The municipality has requested Development Bank of South Africa (DBSA) to assist with a revenue enhancement strategy, which will focus on database cleansing, tariff review and structuring thereof along with audit of water meters.

- DBSA has agreed to assist the municipality through a grant and both parties have entered into a grant agreement signed on 19 April 2021

- DBSA has confirmed that evaluation of the tender submissions received in respect of revenue enhancement support is underway and this will be followed by the appointment of the successful Service Provider to undertake Revenue Enhancement process. It is envisaged that the appointment of the successful Service Provider will be finalised by end of January 2022.
- The Revenue Enhancement support from the DBSA will be implemented over a period of 18 months. The date of the project inception will mark the beginning of the Project.

Prohibited investment with a mutual bank

73. Vhembe district municipality made investments since 12 of February 2015 with Venda Building Society (VBS) Mutual Bank. At the time (12 March 2018) of placing VBS Mutual Bank under curatorship, the municipality had investments amounting to R316 385 542 including interest.

74. The district municipality received a letter from the curator of VBS mutual bank on 12 March 2018 informing them that VBS mutual bank is under curatorship and that all deposits with VBS mutual bank are frozen until such time the bank is in a position to repay these deposits.

75. In terms of regulation 6 of the municipal investment regulations, a municipality may only invest deposits with banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990) (Bank Act). The district municipality did not comply with municipal investment regulations, as VBS Mutual Bank is not registered in terms of the Banks Act.

76. This non-compliance is likely to result in a financial loss for the municipality if the amount invested is not recovered in full from the estate of VBS Mutual Bank.

77. The accounting officer was notified of the material irregularity on 19 October 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded on 24 November 2021 and the following actions have been taken to address the material irregularity:

    - Council suspended the accounting officer (MM) and the Chief Financial Officer (CFO) with immediate effect on 30 October 2018. The suspension was with full pay for a period of three months ending 30 January 2019.
    - Disciplinary steps were taken against the MM and CFO and both their services were terminated after settlement agreements entered into on 18 February 2019 and 27 February 2019 respectively.
    - The municipality has lodged a claim with the curator as a creditor on 06 November 2019 in the Polokwane High Court before the master of the high court.

78. I will follow up on the material irregularities during my next audit.

Auditor General

Polokwane

10 December 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the municipality's compliance with respect to the selected subject matters.

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the the accounting officer.
- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists 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

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

4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to 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.