Report of the auditor-general to the North West Provincial Legislature and the council on the Bojanala Platinum District Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Bojanala Platinum District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with 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 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 Bojanala Platinum District Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

Basis for qualified opinion

Revenue from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for the revenue from the health and environmental safety certificates issued by the municipality. This was due to ineffective controls and systems in place to ensure proper record keeping for the health and environmental safety certificates issued. I was unable to confirm the revenue from health certificates issued by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to revenue from exchange transactions relating to the issue of health and environmental safety certificates as no revenue was disclosed as per note 15 and unidentified deposits of R3 839 782 disclosed in notes 14 to the financial statements.

Revenue from non-exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for the revenue from the health and environmental safety penalties issued by the municipality. This was due to ineffective controls and systems in place to ensure proper record keeping for the health and environmental safety penalties. I was unable to confirm the revenue from health and

environmental safety penalties by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to revenue from non-exchange transactions relating to health and environmental safety penalties as no revenue was disclosed in this regard as discloded in note 15 and unidentified deposits of R3 839 782 as disclosed in notes 14 to the financial statements.

Property, plant and equipment

5. I was unable to obtain sufficient appropriate audit evidence for the remaining useful lives and residual values of buildings, plant and machinery, motor vehicles, office equipment and computer equipment, as required by GRAP 17, *Property, plant and equipment*. This was due to the inadequate records of the asset register which does not contain an updated determination of the remaining useful lives and residual values of assets. In addition, I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for property, plant and equipment due to the inadequate records of the asset register. I could not confirm these amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment of R29 210 360 (2021: R33 440 891) as disclosed in note 3, and the depreciation of R5 678 358 (2021: R10 631 605) as disclosed in note 20 to the financial statements. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus.

Context for the opinion

6. 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 this auditor's report.

7. 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.

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

Emphasis of matters

9. I draw attention to the matters below.

Unauthorised and irregular expenditure

10. As disclosed in note 35 to the financial statements, unauthorised expenditure of R577 341 was incurred in the current year and unauthorised expenditure of R16 043 288 from prior years had not yet been dealt with in accordance with section 32 of the MFMA.

11. As disclosed in note 37 to the financial statements, irregular expenditure of R24 401 777 was incurred in the current year and irregular expenditure of R149 462 496 from prior years had not yet been dealt with in accordance with section 32 of the MFMA.

Restatement of corresponding figures

12. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the district municipality at, and for the year ended, 30 June 2022.

Other matters

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

Unaudited disclosure notes

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

Unaudited supplementary schedules

15. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

16. 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.

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

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

18. 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 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.

19. 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

20. 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 usefulness and reliability of the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

21. 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 also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

22. 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 development priority presented in the municipality's annual performance report for the year ended 30 June 2022:

Development priority	Pages in the annual performance report
Development priority 3 – basic services delivery and infrastructure development	x – x

23. 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.

24. The material findings in respect of the usefulness and reliability of the selected development priority is as follows:

Development priority 3 – basic services delivery and infrastructure development

Number of reports submitted on inspection of roads infrastructure

25. I was unable to obtain sufficient appropriate audit evidence for the achievement reported in the annual performance report of four reports submitted on inspection of roads infrastructure. This was due to the lack of accurate and complete records as all quarterly reports were not dated together with the content. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement. Furthermore, the planned target for this indicator of four reports submitted on inspection of roads infrastructure did not specify the recipients of the reports.

Number of reports on road safety awareness submitted

26. The evidence submitted for the indicator number of reports on road safety awareness programmes is not well defined, as the source information for achieving the planned indicator was not clearly defined.

Other matters

27. I draw attention to the matters below.

Achievement of planned targets

28. Refer to the annual performance report on pages x to x; for information on the achievement of planned targets for the year. This information should be considered in the context of the qualified opinions expressed on the usefulness and reliability of the reported performance information in paragraphs 25 and 26 of this report.

Adjustment of material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of the development priority basic services delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the basis for qualified opinion paragraphs.

Report on audit of compliance with legislation

Introduction and scope

30. 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.

31. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements and annual reports

32. 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 identified by the auditors in the submitted financial statements relating to non-current assets, current liabilities, expenditure and disclosure notes, were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Consequence management

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

Expenditure management

34. Reasonable steps were not taken to prevent unauthorised expenditure of R577 341, as disclosed in note 35 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by management overspending on certain votes within their budget and without applying virement.

35. Reasonable steps were not taken to prevent irregular expenditure amounting to R24 401 777 as disclosed in note 37 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations due to contract extentions and deviations.

36. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R90 625, as disclosed in note 36 to the 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 and penalties on late payments to suppliers.

Assets management

37. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Revenue management

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

39. A credit control and debt collection policy was not adopted, as required by section 96(b) of the Municipal Systems Act and section 62(1)(f)(iii) of the MFMA.

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

Strategic planning and performance management

41. A performance management system was not established, as required by section 38(a) of the Municipal Systems Act.

Procurement and contract management

42. Goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

43. The preference point system was not applied in the procurement of some goods and services above R30 000, as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.

44. Contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5. Similar non-compliance was also reported in the prior year.

45. The performance of contractors or providers was not monitored monthly, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

46. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

Other information

47. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

48. 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.

49. 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 development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

50. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, 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

51. 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 thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

52. The leadership did not adequately exercise their oversight responsibility regarding financial and performance reporting and compliance with legislation. The municipality did not have sufficient monitoring and reviewing controls to ensure that financial and performance reports submitted for auditing were accurate and complete, and that action plans developed were adequately and timeously implemented to address all prior year audit findings. This resulted in repeat findings.

53. There was a lack of consequences with regard to compliance with legislation, specifically for legislation relating to procurement and contract management, and the management of unauthorised, irregular, fruitless and wasteful expenditure.

54. There was significant instability in senior management which weakened the internal control environment, and an overreliance on consultants with inadequate internal reviews of their work.

Other reports

55. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

56. The SAPS was investigating an allegation of fraud or improper conduct relating to unauthorised debit orders on the municipality's bank account. The investigation was concluded during the year under audit and the recovery process has commenced.

Auditor-General

Rustenburg

30 November 2022

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 development priorities 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 the 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 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 related to events or conditions that may cast significant doubt on the Bojanala Platinum District Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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 confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.