Report of the auditor-general to the North West Provincial Legislature and the council on Ngaka Modiri Molema District Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of Ngaka Modiri Molema 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, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of Ngaka Modiri Molema District Municipality as at 30 June 2025, 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 24 of 2024 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not have adequate systems in place to record assets in accordance with GRAP 17, Property, plant and equipment. The municipality did not accurately account for work in progress included in infrastructure assets in the current year as some items of repairs and maintenance were capitalised in the projects. Differences were also identified between additions to work in progress and supporting invoices. Consequently, work in progress included in infrastructure assets was overstated by R63 505 020 and repairs and maintenance included in contracted services understated by R43 649 320. Additionally, there was a resultant impact on the accumulated surplus and surplus for the year.
4. I was unable to obtain sufficient appropriate audit evidence that impairment of infrastructure assets and reversals thereof, had been properly accounted for, due to the status of accounting records. The municipality did not properly assess the impairment of infrastructure assets. I was unable to determine the full extent of the misstatement, as it was impracticable to do so. I was unable to confirm impairment of infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustment relating infrastructure assets of R5 427 773 974, as disclosed in note 7 to the financial statements, was necessary.
5. During 2024, the municipality did not have adequate systems in place to record assets in accordance with GRAP 17, Property plant and equipment. The municipality incorrectly classified buildings as infrastructure assets. Consequently, infrastructure assets were

understated by R12 024 236, and buildings was overstated by R12 024 236. In addition, the municipality's assets that were recorded could not be located during the asset verification process, consequently, the infrastructure assets were overstated by R19 525 861. Furthermore, the municipality did not record all additions for replacement assets and work in progress related to infrastructure assets. I was unable to determine the full extent of the understatement as it was impracticable to do so. Additionally, there was a resultant impact on the accumulated surplus and surplus for the year.

6. During 2024, the municipality did not accurately account for work in progress included in infrastructure assets as, differences were also identified between the invoices and the work in progress register. Consequently, work in progress included in infrastructure assets and trade payables were overstated by R15 451 394. Furthermore, I was unable to obtain sufficient appropriate audit evidence for work in progress additions included in infrastructure assets due to the status of the accounting records. Management did not maintain adequate records for additions. I was unable to confirm these additions by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to work in progress relating infrastructure assets of R537 904 643 in note 7 to the financial statements.

Service charges

7. The municipality did not account for service charges in accordance with GRAP 1, Presentation of Financial Statements, as material unreconciled differences were identified between the recorded monthly billing and meter readings information. Consequently, trade receivables from exchange transactions were misstated. I was unable to quantify the full extent of the misstatement as it was impracticable to do so. Furthermore, I was unable to obtain sufficient appropriate audit evidence that service charges had been properly accounted for, as adequate supporting information was not provided to support some billing transactions. I was unable to confirm service charges by alternative means. Consequently, I was unable to determine whether any adjustment relating to service charges of R170 552 928, as disclosed in note 14 to the financial statements, was necessary.

General expenses

8. I was unable to obtain sufficient appropriate audit evidence that fuel and oil had been properly accounted for, due to the status of accounting records. The municipality did not maintain accurate and complete records of fuel and oil movement and usage. I was unable to confirm fuel and oil by alternative means. Consequently, I was unable to determine whether any adjustment relating to fuel and oil of R23 412 319, as disclosed in note 29 to the financial statements, was necessary.

Loss on disposal of assets

9. During 2024, I was unable to obtain sufficient appropriate audit evidence for the loss on disposal of infrastructure assets due to the status of accounting records. I was unable to confirm these disposals by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to disposals stated at R53 722 835 in note 7 to the financial statement.

Prior year adjustments

10. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment, as disclosed in note 50 to the financial statements, due to unexplained material differences identified between the restated figure of buildings in note 7 and prior year adjustments note 50. There is also lack of appropriate audit evidence for infrastructure assets and repairs and maintenance expenditure in the prior year adjustments note. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior year adjustments disclosed in the financial statements.

Irregular expenditure

11. Irregular expenditure was not accounted for in terms of GRAP 1, Presentation of financial statements. The municipality incorrectly disclosed the irregular expenditure on cash basis. Consequently, irregular expenditure is overstated by R50 732 051 (2024: R13 196 771).

Unauthorised expenditure

12. I was unable to obtain sufficient appropriate audit evidence for the restated opening balance of unauthorised expenditure as the municipality did not have adequate control measures in place to maintain records. I was unable to confirm this unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unauthorised expenditure of R10 624 068 060 as disclosed in note 40 to the financial statements.

Net cash flows from operating activities

13. In 2024, net cash flows from operating activities were not correctly prepared and disclosed as required by GRAP 2, Cash flow statements. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the net cash flow from operating activities for the current period.

Net cash flows from investing activities

14. In 2024, net cash flows from investing activities were not correctly prepared and disclosed as required by GRAP 2, Cash flow statements. This was due to multiple errors in determining cash flows from investing activities. I was not able to determine the full extent of the errors in the net cash flows from investigation activities as it was impracticable to do so. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the net cash flow from investing activities for the current period.

Context for opinion

15. 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.

16. 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.

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

Other matter

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

19. 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 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 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.

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.

Responsibilities of the auditor-general 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. This description, which is located at page xx-xx, forms part of our auditor's report.

Report on the audit of the annual performance report

24. 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 area presented in the annual performance report. The municipality is responsible for the preparation of the annual performance report.

25. I selected the following key performance area 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.

Development priority	Page numbers	Purpose
KPA 2: Basic service delivery and infrastructure development	[xx]	To improve access to basic services
KPA 4: Local economic development	[xx]	To promote local economic development

26. 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.

27. 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 for the measures taken to improve performance

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

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

KPA 2: Basic service delivery and infrastructure development

Missing indicators

30. The Municipal Systems Act (MSA) defines the legislative mandate of the municipality. Section 43 of the MSA, read in conjunction with section 10 of the Local Government: Municipal Planning and Performance Management Regulations, outlines the prescribed indicators for local government. However, the indicator relating to the percentage of households with access to basic level of water and sanitation was omitted from the approved planning documents. The municipality indicated that this was due to lack of readiness in the current financial year. Consequently, achievement against the mandate was not planned or accounted for, which is likely to result in it not being delivered and undermines transparency and accountability for delivery on the mandated responsibilities.

Various indicators

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

Indicator number	Indicator	Planned target	Reported achievement
KPI 15	Number of monitoring reports of the water service providers submitted to the municipal manager	Six water service providers monitored by 30 June 2025	The Ngaka Modiri Molema District Municipality and the Ditsobotla Local Municipality have been having on going engagements during the 2024-25 financial year however the two municipalities are at an advanced stage of signing the service level agreement 2. The municipality conducted engagements with five water service providers (Mahikeng, Magalies, Ratlou, Tswaing and Ramotshere Moiloa Local Municipalities to monitor their water provision performance.
KPI 16A	Quantity of water delivered	13 506 000 litres of water delivered through water tankering by 30 June 2025	16 156 000 litres water delivered through tankering.

KPI 18: Number of wastewater treatment plants maintained by 30 June 2025

32. An achievement of 12 wastewater treatment works maintained was reported against a target of 13 wastewater treatment works maintained. However, some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and

reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining whether the target had been achieved.

Other matters

33. I draw attention to the matters below.

Achievement of planned targets

34. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements and measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

35. The tables that follow provide 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.

KPA 2: Basic service delivery and infrastructure development

Targets achieved: 67%

Budget spent: 125%

Key service delivery indicator not achieved	Planned target	Reported achievement
KPI 12: Number of fire stations constructed and refurbished	One fire station to be constructed One fire station to be refurbished	One fire station practically completed Refurbishment of fire station not done
KPI 13: Number of boreholes drilled, equipped and refurbished	62 boreholes to be drilled and equipped 4 boreholes to be refurbished	27 boreholes drilled and equipped 4 boreholes refurbished
KPI 18: Number of wastewater treatment works maintained	13 wastewater treatment works to beMaintained	12 wastewater treatment works Maintained
KPI 20: Number of water projects completed	3 water projects to be completed	Water projects not completed

KPA 4: Local economic development

Targets achieved: 44% Budget spent: 37%		
Key indicator not achieved	**Planned target**	**Reported achievement**
KPI 32: Number of business support programmes facilitated	7 business support programmes to be facilitated	5 business support programme facilitated
KPI 39: Lodging of small, medium, and micro enterprises (SMME) hub development applications of erven 10, 11, 12, 30, 31 and 32 of Delareyville in Tswaing Local Municipality	One SMME hub development application lodged	SMME development not lodged

Material misstatements

36. 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 infrastructure development and KPA 4: Local Economic development.

Report on compliance with legislation

37. 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.
38. 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.
39. 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.
40. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

41. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided, but the uncorrected material misstatements and supporting

records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

42. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA.

43. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with quotation and competitive bidding procurement processes.

44. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the allocated budget.

Procurement and contract management

45. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of supply chain management (SCM) regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

46. Goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.

47. Some of the contracts were awarded to bidders based on points given for legislative requirement that were not stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.

48. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. This non-compliance was identified in the procurement processes for various water projects.

Strategic planning and performance management

49. No KPIs were set in respect of the provision of basic water and sanitation services, as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).

50. The performance management system and related controls were not adequately maintained as they did not describe how the performance measurement, reviewing and reporting processes should be managed, as required by municipal planning and performance management regulation 7(1). This is evident from the findings raised during the assessment of the reported pre-determined objectives.

Consequence management

51. Unauthorised expenditure incurred by the municipality was not investigated to determine whether any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
52. Irregular expenditure incurred by the municipality was not investigated to determine whether any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
53. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Asset management

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

Revenue management

55. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.
56. A credit control and debt collection policy was not adopted, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.

Other information in the annual report

57. The accounting officer is responsible for the other information included in the annual report which includes the audit committee's 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.
58. 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.
59. 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.
60. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and 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

61. 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.

62. 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.

63. The accounting officer did not effectively provide oversight of financial and performance reporting to ensure compliance with legislation. Furthermore, the municipality did not have sufficient monitoring and review controls to ensure the accuracy and completeness of financial and performance reports submitted for audit, and action plans were neither adequately nor promptly implemented.

64. Slow response in monitoring of audit action plans and inadequate implementation of daily and monthly processing and reconciliation controls have resulted in recurring misstatements in financial statements and performance information, as well as ongoing non-compliance with applicable laws and regulations

65. There is a significant lack of implementation of proper record keeping to ensure that information is submitted for audit in a timely manner and that complete, relevant and accurate information is accessible and available to support financial reporting and performance information. This is due to ineffective human resource management to ensure adequate and sufficiently skilled resources are in place and performance is monitored.

66. The lack of sustainable systems and processes for recording, reconciling and reporting of financial information, combined with an overreliance on consultants to perform these tasks after year-end, contributed to material misstatements, omissions and instances of non-compliance identified during the audit process.

Material irregularities

67. 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.

Status of previously reported material irregularities

Overpayment on water tankering services to communities

68. The municipality appointed a supplier in June 2018 to provide water tankering services to communities within the district. An effective system of expenditure control was not in place to ensure that the claims paid were based on the actual kilometres travelled and that the services were actually rendered as required by section 65(2)(a) of the MFMA, resulting in overpayments to the supplier. The municipality paid R14 228 533 and R23 992 033 in the comparative year for the water tankering services. This was determined to likely to result in a material financial loss if the overpayments are not recovered.

69. The accounting officer was notified of this MI on 28 November 2019. The accounting officer indicated that an independent person should investigate the claims and quantify the financial loss. It is planned that this process will start in February 2020 and a report will be available by 31 May 2020. The accounting officer planned to take appropriate steps based on the outcome of this investigation.

70. The accounting officer failed to implement the planned actions as committed and I recommended that the accounting officer should take the following actions to address the MI by 18 November 2021:

    - The financial loss in the form of overpayments should be quantified, and appropriate action should commence to recover the loss from the supplier.
    - Implement a system of expenditure control, as required by section 65(2)(a) of the MFMA, for the provision of water tankering services, to prevent over invoicing for kilometres and hours.
    - The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
    - Disciplinary or, when appropriate, criminal proceeding should begin against any official alleged to have committed an act of financial misconduct or an offence as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and criminal proceedings.
    - If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

71. The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 1 October 2021 and 1 November 2021 respectively. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.

72. On 10 December 2021, I issued a directive to the accounting officer in terms of section 5A (3) of the PAA to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person by 11 April 2022.

73. In addition, I notified the accounting officer of the following remedial actions to address the MI, which should have been implemented by the same date:
    - The investigation into the non-compliance should be completed.
    - The investigation must identify any person(s) that must be held liable for the losses suffered and any official(s) that might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
    - Evidence must be provided on the reasonable steps taken to implement a system of expenditure control, as required by section 65(2)(a) of the MFMA, to prevent further losses through over invoicing for the provision of water tankering services.
    - Disciplinary or, when appropriate, criminal proceedings must begin against any official alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.

- If it appears that the municipality suffered the financial loss through fraud, such must be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

74. The accounting officer failed to respond by the stipulated due date (11 April 2022) with a written response and substantiating documentation on the implementation of the remedial action and the execution of the directive. The failure to respond was escalated to the executive mayor to intervene but no response was forthcoming. On 5 May 2022, I received a request from the accounting officer for an extension of time to 1 August 2022 for the implementation of the remedial action. On 25 May 2022 the request was considered and approved with certain conditions. On 30 May 2022, the accounting officer was notified of the extension up to 1 August 2022.

75. On 1 August 2022, the accounting officer's written response on the implementation of the remedial action with substantiating documentation was received. The response and substantiating documentation were assessed to determine whether the accounting officer adequately implemented or made satisfactory progress with the implementation of the remedial actions and the execution of the directive.

76. It was noted that the accounting officer had made progress with addressing the MI as far as it relates to the following remedial action:
    - Completing the investigation into the MI.
    - Quantifying the financial loss.
    - Steps taken to recover the financial loss from the service provider.
    - Implementing consequence management against liable officials.
    - The services are not outsourced anymore and thereby further losses were prevented.

77. As the recovery process was still in progress, I requested the accounting officer to submit progress reports on the recovery of the financial loss to me every three months for purposes of monitoring the recovery.

78. Several engagements between the AGSA's team, the accounting officer, the executive mayor and the municipality's team was held between February 2023 and September 2024 and many follow-up various letters were issued to the accounting officer to obtain progress on the recovery of the financial loss. The accounting officer during these engagements and follows committed that the municipality's legal unit will provide a progress update on the recovery, however no progress feedback was forthcoming.

79. On 06 September 2024, a request for a progress report was issued to the accounting officer to provide feedback on the implementation of the remedial action by 16 September 2024, specifically the recovery of the financial loss. No response was received and I followed-up on 16 October 2024 requesting the accounting officer to submit the requested feedback by 17 October 2024. No response was received by the due date and after further follows, the municipality on 20 November 2025 provided a letter dated 17 August 2024, confirming that no legal actions had been instituted to recover the financial loss.

80. I considered the written responses and the substantiating documentation provided between 1 August 2022 to 20 November 2024 on the actions taken to implement the remedial action and to execute the directive. Based on the outcome of my assessment, I concluded that the

remedial action was not adequately implemented and no progress was not made with execution of the directive and appropriate actions were not taken to address the material irregularity.

81. I notified the accounting officer on 13 March 2025 of my intention to issue a certificate of debt for the failure by the accounting officer to execute the directive. I invited the accounting officer to submit written representations and substantiating documents on the matter to me by 10 April 2025. The accounting officer's written representation and substantiating documentation was received on 11 April 2025. Additional information was received on 14 April 2025. I duly considered the written representation and the substantiating documentation and concluded to proceed with the issuing of a certificate of debt based on the following reasons:
    - The remedial action issued was not implemented at the stipulated due date; and
    - The financial loss was quantified but the accounting officer failed to take adequate steps to execute the directive by recovering the financial loss suffered by the municipality from the responsible persons and/or parties.

82. I invited the accounting officer on 18 June 2025 to make oral presentation to the advisory committee on material irregularities. The accounting officer notified the AGSA on 1 July 2025 that he intends to make an oral representation to the advisory committee. The accounting officer appeared before the advisory committee for the oral representation on 4 August 2025.

83. I considered the outcome of the oral representation process and decided to issue a certificate of debt to the accounting officer. I notified the accounting officer of my decision to issue the certificate of debt on 13 October 2025 and provide a copy of the certificate of debt. On the same day, I notified the executive mayor of my decision and provided a copy of the certificate of debt to him to collect the amount stipulated in the certificate of debt from the accounting officer. The executive mayor must provide me with a progress report on the recovery of the amount by 31 December 2025.

Procurement of generators for Boikhutsong pump stations at excessive prices

84. The municipality appointed a supplier using SCM regulation 36 for repairs in the Boikhutsong pump station project, at a contract amount of R25 884 435. The project comprised five sites: Blydeville Ext 1, Blydeville Ext 3, Boikhutso Pump Station, Biesiesvlei Pump Station and Lichtenburg Wastewater Treatment Plant. The scope of work entailed repairs of the electrical and mechanical equipment and putting the pump stations and the wastewater treatment plant back into operation.

85. As part of the work done at these pump stations, the municipality also procured four generator sets. The payment certificate indicated that the supplier was to deliver and install 100KVA, 80kw diesel generators at a cost of R250 000 each. However, the contractor procured four 137KVA diesel generator sets at a revised amount of R550 000 each. The accounting officer did not determine whether the supplier was charging reasonable market-related prices for these generators. In total, the municipality paid R2 200 000 for four 137 KVA diesel generator sets. Awarding the contract to the supplier is likely to result in a material financial loss, as the price paid for the generators was significantly higher than the market price.

86. The accounting officer was notified of this MI on 18 August 2021. The accounting officer agreed with MI and indicated that this MI would be included in the investigation scope of the MIs being investigated by the panel of investigation firms that is investigating all the MIs raised. It was, however, noted that this MI was not included in the project plan of MIs to be

investigated. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.

87. I notified the accounting officer on 14 October 2022 of the following recommendations to address the MI, which should have been implemented by 14 March 2023:

- The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- The financial loss should be quantified.
- All person(s) liable for the loss should be identified and appropriate action should be taken to recover the financial loss. The recovery process should not be unduly delayed.
- Disciplinary proceedings should begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

88. I also referred the MI to the Special Investigating Unit (SIU) on 7 July 2023, as provided for in section 5(1A) of the PAA. The SIU acknowledged receipt of the referral on 10 August 2023 and indicated that the matter will be included in the investigation scope under the Covid-19 proclamation.

89. The accounting officer failed to provide a written response on the implementation of the recommendations by the due date and requested an extension to submit a response by 30 April 2023. Subsequently to an engagement with the accounting officer, it was established that the accounting officer did not commence with the investigation as feedback on the scope of the SIU investigation was pending and budget constraints were experienced in contracting an investigator to investigate. I decided to grant the accounting officer additional time for implementation of the recommendation up to 31 January 2024 with a progress report by August 2023.

90. A response was submitted by the accounting officer on 1 February 2024 stating that the North West Department of Cooperative Governance and Traditional Affairs were assisting with an investigation into the MIs at the municipality and the municipality is awaiting the outcome of this investigation.

91. Subsequently, on 16 September 2024, the accounting officer provided a progress update indicating that a meeting was held with the SIU on 18 March 2024 and the SIU confirmed that they are investigating this MI that was referred by the AGSA. The accounting officer further indicated that the documentation relating to the MI was handed-over to the SIU and the matter is no longer within the ambits of the municipality, as the SIU is investigating it further. The municipality will await the final report from the SIU for implementation.

92. Based on the outcome of my assessment of the accounting officers response, I decided not pursue the matter further under the MI process, as the merits of the MI was under

investigation by the SIU, and the SIU will, within their functions, powers and mandate take actions to recover any losses and will identify responsible officials for disciplinary actions.

93. The SIU has informed me that the investigation has been completed and that civil litigation proceedings were instituted in the Special Tribunal. The matter was heard on 25 March 2025 and judgement was reserved and is awaited.

94. I will continue to monitor the implementation of the actions to address the material irregularity through the referral made to the SIU.

Procurement of generators at excessive prices (Boitshepegi)

95. During March 2020, the municipality made an emergency procurement of generators to the value of R5 299 985 from a supplier. The procurement was done using SCM regulation 36(1). The deviation was approved by the municipal manager on 6 March 2020 and payment was made on 8 May 2020. The reason stated for the deviation was the timeous response and monitoring of the covid-19 pandemic. While the municipality had had a contract with a panel of suppliers to supply water material (including generators), it had expired on 3 February 2020. This deviation was therefore due to poor planning, as the municipality was aware of the end date for the contract to supply water material. The municipality should have begun the tender process to appoint new service providers early enough to ensure that they could follow a competitive bidding process. Awarding the contract to the supplier was determined to likely to result in a material financial loss, as the price paid for the generators was significantly higher than the market-related price.

96. The accounting officer was notified of this MI on 15 October 2021.The accounting officer disagreed with MI and stated that no financial loss was suffered. Based on this, the accounting officer did not commit to taking any actions to address the MI. I therefore concluded that the accounting officer was not taking appropriate actions to address the MI.

97. I notified the accounting officer on 14 October 2022 of the following recommendations to address the MI, which should have been implemented by 14 March 2023:
    - The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
    - The financial loss should be quantified.
    - All person(s) liable for the loss should be identified and appropriate action should be taken to recover the financial loss. The recovery process should not be unduly delayed.
    - Disciplinary proceedings should begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
    - If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

98. I also referred the MI to the Special Investigating Unit (SIU) on 7 July 2023, as provided for in section 5(1A) of the PAA. The SIU acknowledged receipt of the referral on 10 August 2023

and indicated that the matter will be included in the investigation scope under the Covid-19 proclamation.

99. The accounting officer failed to provide a written response on the implementation of the recommendations by the due date and requested an extension to submit a response by 30 April 2023. The accounting officer submitted a response on 15 May 2023 and requested a further extension up to 31 August 2023 due budget constraints in contracting an investigator to investigate. I decided to grant the accounting officer an extension for implementation of the recommendation up to 31 January 2024 with a progress report by October 2023.

100. A response was submitted by the accounting officer on 1 February 2024 stating that the North West Department of Cooperative Governance and Traditional Affairs were assisting with an investigation into the MIs at the municipality and the municipality is awaiting the outcome of this investigation.

101. Subsequently, on 16 September 2024, the accounting officer provided a progress update indicating that a meeting was held with the SIU on 18 March 2024 and the SIU confirmed that they are investigating this MI that was referred by the AGSA. The accounting officer further indicated that the documentation relating to the MI was handed-over to the SIU and the matter is no longer within the ambits of the municipality, as the SIU is investigating it further. The municipality will await the final report from the SIU for implementation.

102. Based on the outcome of my assessment of the accounting officers response, I decided not pursue the matter further under the MI process, as the merits of the MI was under investigation by the SIU, and the SIU will, within their functions, powers and mandate take actions to recover any losses and will identify responsible officials for disciplinary actions.

103. The SIU has informed me that the investigation has been completed, and no irregularities were identified based on the evidence obtained. I am following up with the SIU if any systemic recommendations were made for implementation by the accounting officer.

Procurement of water service material, tools and electrical components without following competitive bidding process

104. The previous water services material contract ended in February 2020 and, due to the procurement process not being initiated in time to appoint a new service provider to supply water services materials, tools and electrical components, the municipality appointed two service providers through SCM regulation 36(1) on 26 March 2020.

105. SCM regulation 19(a) requires that goods and services above a transaction value of R200 000 (VAT included) be procured by the municipality only through a competitive bidding process. The district municipality's responsibilities as a water service authority includes the restoration/operation and maintenance of boreholes, water tankering and repairing water leakages, which includes replacing leaking items and burst pipes. As a result, it is expected to always have a contract in place for the supply of water materials to deliver in line with its mandate. The deviation from following a competitive bidding process after the previous contract expired was, therefore, not due to an emergency but rather as a result of poor planning by management to ensure that a new tender process was followed in time. Not following a competitive bidding process precluded the municipality from having an opportunity to assess market-related prices from different suppliers who would have submitted bids for this procurement.

106. As a result of the deviation and the municipality not following a competitive bidding process as required by SCM regulation 19(a), the municipality did not ensure that water services materials, tools and electrical components were procured at market-related prices, which resulted in overpayment in procuring these materials. The total payment made to the two service providers for water services materials, tools and electrical components as a result of the deviation was R12 062 991 (excluding VAT).

107. The non-compliance was determined to likely to result in a material financial loss for the municipality if the overpayments was not recovered.

108. The accounting officer was notified of this MI on 9 March 2022 and invited to make written representation on the actions taken, or to be taken, to address the matter. The accounting officer disagreed with the MI. The disagreement was based on the accounting officer indicating that the process of acquiring the service of a panel of service providers was not delayed but was in the process of being advertised when the country was placed under lockdown. This restricted the municipality's ability to advertise and complete the process of appointing a panel to supply of water material. The accounting officer also indicated that the municipality did not suffer any financial loss by using the emergency procurement process as it had used the expired contract which stipulated prices agreed by the municipality and the panel of service providers.

109. The accounting officer failed to implement any planned actions based on the disagreement with the MI. Consequently, I concluded that the accounting officer had not taken appropriate action to resolve the material irregularity.

110. I referred the material irregularity to the Special Investigating Unit on 7 July 2023 for investigation as provided for in section 5(1A) of the PAA. The SIU acknowledged receipt on 8 July 2023. The SIU has informed me that the investigation has been completed, and no irregularities were identified based on the evidence obtained. I am following up with the SIU if any systemic recommendations were made for implementation by the accounting officer.

111. I also referred certain aspects of the material irregularity to the Public Protector South Africa (PPSA) for investigation on 7 July 2023 as provided for in section 5(1A) of the PAA read with regulation 5(2) of the MI regulations. The referral was accepted by the PPSA on 12 July 2023. Based on the latest update on 22 September 2025, documentation was requested from the municipality on 1 September 2025 and the municipality has failed to submit the documentation. A subpoena was in process of being issued to the accounting officer to submit the documentation.

Pollution of water resource not prevented – Coligny Wastewater Treatment Works

112. The municipality did not take reasonable measures at the Coligny Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. Neither the wastewater treatment works nor the new pump station were operational due to the lack of electricity supply for a period of eighteen months during 2020 and 2021. The old pump station equipment was vandalised and also not operational. This resulted in the wastewater not reaching the plant for treatment and continued spilling of raw sewerage / untreated effluent into the adjacent environment, including the groundwater, the Taaibosspruit and its extended watercourse. The river flows into the Schoonspruit through Klerksdorp and ultimately, into the Vaal River and is

used for consumption, farming and agricultural purposes by the communities and the farmers along the extended water network. The non-compliance is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

113. The accounting officer was notified of the MI on 14 December 2021 and invited to make a written submission on the actions taken, and to be taken, to address the matter. The accounting officer responded by indicating that the electricity was restored, and that the wastewater treatment works and the pump station were operational again. A contractor was appointed on a three-year contract to supply, start-up and operate the wastewater treatment works, including monthly analysis of the wastewater effluent quality disposed into the immediate environment. However, based on follow-up visits in March 2022 and September 2022, it was confirmed that despite the restored electricity, serious blockages and overflows within the sewer reticulation system were still unresolved with very little wastewater reaching the pump station or the plant for treatment and disposal processes. The accounting officer did not take appropriate action to resolve the material irregularity.

I referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023 and the investigation is still in progress.

Pollution of water resource not prevented – Itsoseng Wastewater Treatment Works

114. The municipality did not take reasonable measures at the Itsoseng Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. Although some refurbishments were in progress, the wastewater works was not operational, which resulted in the wastewater received at the inlet going directly into oxidations ponds without the required treatment process taking place. The inadequate effluent is discharged from holes in the ponds into the adjacent environment, polluting the groundwater and farmland where cattle graze and drink from untreated wastewater. The wastewater treatment works is on the southern border of one of South Africa's biggest groundwater reserves: the Grootfontein aquifer. The non-compliance is likely to cause substantial harm to the communities in the surrounding area dependent on the groundwater reserves for domestic, farming and agricultural purposes.

115. The accounting officer was notified of the MI on 14 December 2021 and invited to make a written submission on the actions taken, and to be taken, to address the matter. The accounting officer responded by indicating that the wastewater treatment works is operational again. A contractor was appointed with a three-year contract to supply, start-up and operate the wastewater treatment works, including monthly analysis of the wastewater effluent quality disposed into the immediate environment. However, based on follow up visits in March 2022 and July 2022 it was confirmed that the wastewater treatment works was still not operational, with refurbishment still underway. Wastewater received at the inlet was still directed to the maturation ponds outside of the wastewater works without proper treatment.

116. The accounting officer has not taken sufficient action to minimise and rectify the pollution or degradation of the environment. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.

117. I referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023 and the investigation is still in progress.

Pollution of water resource not prevented – Lichtenburg / Blydeville Wastewater Treatment Works

118. The municipality did not take reasonable measures at the Lichtenburg / Blydeville Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. The wastewater treatment works had totally collapsed and was not operational due to improper management of the operational and mechanical equipment, with serious maintenance and repair needs (including vandalism and theft) over a number of years. The wastewater received at the wastewater treatment works was discharged into the adjacent wetlands without treatment, while the completely clogged reticulation system caused raw sewerage overflows and spilling from manholes in the wetlands before reaching the wastewater treatment works. This resulted in the pollution of the adjacent environment, including the groundwater, the Harts Rivier and its extended watercourse. The river, which originates in Lichtenburg, flows in a south westerly direction through various towns in North West and is used for consumption, farming and agricultural purposes by the communities and the farmers along the extended water network. The non-compliance is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

119. The accounting officer was notified of the MI on 14 December 2021 and invited to make a written submission on the actions taken, and to be taken, to address the matter. The accounting officer responded by indicating that the wastewater treatment works was operational again. A contractor was appointed with a three-year contract to supply, start-up and operate the wastewater treatment works, including monthly analysis of the wastewater effluent quality disposed into the immediate environment. Based on follow up visits in March 2022 and July 2022 it was confirmed that the newly upgraded section of the wastewater treatment works was now operational. However, the old part of the wastewater treatment works was not completely cleaned and repaired, causing some sewer overflows and flooding in areas. In addition, the inflow of wastewater into the wastewater works was still lower than expected indicating blockages and overflows within the sewer reticulation system preventing wastewater from reaching the wastewater treatment works for treatment and disposal processes.

120. The accounting officer has not taken sufficient action to minimise and rectify the pollution or degradation of the environment. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.

121. I referred the MI to the Department of Water and Sanitation (DWS) on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023 and the investigation is still in progress.

Pollution of water resource not prevented – Lehurutshe Wastewater Treatment Works

122. The municipality did not take reasonable measures at the Lehurutshe Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. The wastewater treatment works had not been properly functional for years due to a lack of maintenance and repair of the inlet works and oxidations ponds. This resulted in raw sewerage filling up the ponds and overflowing into the stream adjacent to the oxidation ponds, contaminating the groundwater and a network of streams and rivers in the surrounding area, including the Mmaphanyana and Notswana rivers. These water sources are used by a number of settlements and communities in the Lehurutshe area, including Ntweletsoku, Dinokana, and Borothamadi. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.

123. The accounting officer was notified of the MI on 16 May 2022 and invited to make a written submission on the actions taken and that be taken to address the matter. The accounting officer responded by indicating that there was a plan in place for the cleaning, dredging and desludging of the Lehurutshe oxidation ponds. However, based on the follow up visit in July 2022, no progress was made and the untreated effluent from the ponds continued to be discharged into the environment.

124. The accounting officer did not take sufficient action to minimise and rectify the pollution or degradation of the environment. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.

125. I referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023 and the investigation is still in progress.

Pollution of water resource not prevented – Zeerust Wastewater Treatment Works

126. The municipality did not take reasonable measures at the Zeerust Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. The wastewater treatment works had been dysfunctional for at least three years due to the existing infrastructure, mechanical equipment and operations being dilapidated and blocked with little or no treatment of the wastewater received. This resulted in untreated effluent being discharged into the Karee and Klein Marico rivers in the area surrounding the wastewater treatment works. The Karee and Klein Marico rivers flow into the Klein Maricopoort dam outside Zeerust, which is primarily used for irrigation. The Klein Marico River is also a tributary of the Crocodile sub-basin and the great Limpopo river basin, and is used for consumption, farming and agricultural purposes by the communities and the farmers along the extended water network. The non-compliance is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

127. The accounting officer was notified of the MI on 16 May 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded by indicating that the wastewater treatment works is functional again and that steps are being taken to drastically improve the treatment and general operation and maintenance of the wastewater treatment works. However, based on follow up visits in July 2022, it was confirmed that the refurbishment of the wastewater treatment works is still underway with no change and the discharge of untreated effluent into the water resources continued. Construction of the new wastewater treatment works was also still in progress.

128. The accounting officer did not take sufficient action to minimise and rectify the pollution or degradation of the environment. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.

129. I referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023 and the investigation is still in progress.

Pollution of water resource not prevented – NMMDM-Mahikeng Wastewater Treatment Works

130. The municipality did not take reasonable measures at the Mahikeng Wastewater Treatment Works (WWTW) to prevent pollution or degradation of the environment and surrounding water resources, as required by section 28(1) of the National Environmental Management Act and section 19(1) of the National Water Act. An environmental assessment and site visit conducted on 02 October 2024 revealed that the Mahikeng WWTW was not functioning at optimal capacity, resulting in untreated wastewater being discharged into the surrounding environment. This situation is contributing to water pollution and possibly being harmful to the community. This was because measures such as regular maintenance, repairs and upgrades to the WWTWs were not in place to prevent such pollution from occurring, continuing or recurring. It was also noted that various mechanical and operational equipment were non-functional, depleted, vandalized, or in need of maintenance, repair and upgrading.

131. Untreated wastewater was observed flowing into downstream channels, past the Danville community, and ultimately into the Molopo River and the Lotlamoreng Dam. The wastewater treatment works (WWTW) is situated in close proximity to the Danville community and critical water resources, including the Molopo River and the Lotlamoreng Dam. As a result, the discharge of untreated wastewater poses a significant risk of contamination to these water sources, with potential adverse health impacts on surrounding communities. Furthermore, the untreated wastewater flows directly past the Danville community, exposing residents to direct contact and thereby creating a serious public health risk.

132. In addition, seven sludge lagoons are located outside the secured perimeter of the WWTW. These lagoons showed clear signs of vandalism and neglect at the time of the site visit. Due to the absence of access control, members of the Danville community had unrestricted access to the sludge lagoons. Children and animals were observed in close proximity to the lagoons, presenting a serious health and safety hazard.

133. The accounting officer was notified of the MI on 28 November 2024 and invited to make a written submission on the actions taken, and to be taken, to address the matter. The accounting officer did not respond by the due date of 27 January 2025. The accounting

submitted a written response to the notification on 12 February 2025 indicating that the municipality had previously appointed a Service Provider to assist with operations and maintenance (O&M) at Mafikeng WWTW. The Municipality had during the 2023-24 FY terminated the service provider due to poor performance. Poor performance by the appointed operation and maintenance service provider led to irregular maintenance and repairs of operational equipment at the WWTW and eventually untreated wastewater being discharged into the environment contributing to environmental pollution and health risks. The municipality readvertised the tender on 28 August 2024 closing on the 12 September 2024. The municipality planned to expedite the appointment of a service provider for the WWTW.

134. However, based on follow up visits in October 2025, it was confirmed that the refurbishment of the wastewater treatment works is still underway with no substantial change and the discharge of untreated effluent into the water resources continued.

135. The accounting officer did not take sufficient action to minimise and rectify the pollution or degradation of the environment. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.

136. I am in the process of making a decision on further actions to be taken.

Overpayment of service provider delivering sanitation services

137. The municipality appointed a supplier in June 2018 to provide sanitation services to communities within the Ngaka Modiri Molema District Municipality on an ad-hoc basis for a period of two years in different areas within the district. An effective system of expenditure control was not in place to ensure that the claims paid were based on the actual kilometres travelled and that the services were actually rendered as required by section 65(2)(a) of the MFMA, resulting in overpayments to the supplier. In the current financial year, the municipality paid R4 045 620 (2020: R4 847 612) for sanitation services. This was determined to likely to result in a material financial loss if the overpayments were not recovered.

138. The accounting officer was notified of this MI on 14 April 2021 and invited to make a written submission on the actions taken, or to be taken, to address the matter. The accounting officer indicated that an investigator would be appointed to investigate all material irregularities raised to date and based on the results, the municipality would develop a method by which such losses can be recovered. The accounting officer did not commit to any timeline within which such investigation will be done.

139. The accounting officer failed to implement the planned actions as committed and I recommended that the accounting officer should take the following actions to address the MI, which should have been implemented by 26 April 2022:

- The financial loss in the form of overpayments should be quantified, and appropriate action should commence to recover the loss from the supplier.
- Implement a system of expenditure control, as required by section 65(2)(a) of the MFMA, for the provision of sanitation services, to prevent over invoicing for kilometres and/or hours.
- The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.

- Disciplinary or, when appropriate, criminal proceedings should begin against any official alleged to have committed an act of financial misconduct or an offence as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and criminal proceedings.
- If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

140. The accounting officer failed to respond by the stipulated due date of 26 April 2022 with a written response and substantiating documentation on the implementation of the recommendations. On 5 May 2022, the accounting officer requested an extension of time up to 1 August 2022 for the implementation of the recommendations, which was duly granted.

141. The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 1 August 2022 and further responses on 12 August 2022 and 24 August 2022, respectively. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.

142. On 3 October 2022, I issued a directive to the accounting officer in terms of section 5A (3) of the PAA to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person by 3 February 2023.

143. In addition, I notified the accounting officer of the following remedial actions to address the MI, which should have been implemented by the same date:
    - The financial loss in the form of overpayments must be quantified, and appropriate action must commence to recover the loss from the supplier.
    - The investigation must identify all person(s) that must be held liable for the losses suffered and all the official(s) that might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
    - Evidence must be provided on the reasonable steps taken to implement a system of expenditure control, as required by section 65(2)(a) of the MFMA, to prevent further losses through payments for goods and services not delivered.
    - Disciplinary proceedings must begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
    - If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
    - If it appears that the municipality suffered the financial loss through fraud, such is expected to be reported to the South African Police Services, as required by section 32(6)(b) of the MFMA.

144. The accounting officer submitted written responses and substantiating documents for the implementation of the remedial action between February 2023 and September 2023. Based

on the outcome of the assessment, it was noted that the accounting officer had made progress with addressing the MI as far as it relates to the following remedial action:

- Completing the investigation into the MI.
- Implementing consequence management against liable officials.
- The services are not outsourced anymore and thereby further losses were prevented.

145. In December 2023, the accounting officer was engaged on the lack of progress in implementing the remaining remedial action in quantifying and recovering the financial loss and was subsequently advised that the North West Department of Cooperative Governance and Traditional Affairs were assisting with an investigation into the MIs at the municipality and the municipality is awaiting the outcome of this investigation.

146. On 06 September 2024, the accounting officer was requested to provide a progress report on the implementation of the remedial action by 16 September 2024. No response was received and I followed-up on 16 October 2024 requesting the accounting officer to submit the requested feedback by 17 October 2024.

147. Based on further assessment and engagements with the accounting officer and based on the outcome of the assessment of the investigation report, it was determined that the municipality is not able to quantify the financial loss for recovery due to the limitations noted during the investigation.

148. I have decided not to pursue this MI further under the material irregularity process.

Failure to keep full and proper records of the financial affairs of the municipality resulting in ineffective use of financial consultants.

149. The district municipality appointed a panel of three financial consultants to compile GRAP compliant financial statements for a period of three years, effective from 1 April 2019 to 31 March 2022. The consultants' scope of work was to compile annual financial statements, prepare detailed information on unauthorised, irregular, fruitless, and wasteful expenditure, and review the annual financial statements. Payments made to the consultants for the 2019- 20 and 2020-21 financial years that related directly to preparing GRAP compliant financial statements amounted to R15 608 008.

150. The municipality did not ensure that the daily accounting disciplines such as reconciliations, data capturing, payments, compiling registers and document management were done diligently and accurately to produce credible financial information for the purposes of the financial statements. This resulted in the municipality not being able to provide the financial consultants with complete, accurate and reliable information, as required by section 62(1)(b) of the MFMA, to enable them to compile GRAP compliant financial statements.

151. The accounting officer was notified of the MI on 3 August 2022 and invited to make a written presentation on the actions taken, or to be taken, to address the matter. The accounting officer indicated that the municipality had vacancies in the BTO and officials lacked skills and capabilities. Therefore, a phased in/out approach would be followed to reduce the reliance on consultants and capacitate the BTO. The process would not be implemented immediately due to other matters and approval processes. The organisational structure was also being reviewed. No timelines were provided for these actions.

152. The accounting officer further indicated that he will not be investigating this MI and no official will be held responsible/liable for the financial loss. This is inappropriate because an equivalent benefit to the money paid to consultants was not received, as the municipality did not provide accurate and complete financial information to enable the consultants to produce the GRAP compliant annual financial statements that they were appointed and paid to prepare.

153. I concluded that the accounting officer is not taking appropriate actions to address the MI and recommended that the accounting officer should take the following actions to address the MI, which should have been implemented by 30 May 2023:

- The non-compliance should be investigated to determine the root causes and whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA. This would be for the purposes of recovering the loss.
- Disciplinary proceedings should begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA, and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- The financial loss should be quantified, all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- Appropriate action should be taken to develop and begin implementing an action plan to address poor record keeping so that full and proper records are kept, as required by section 62(1)(b) of the MFMA. These records should be readily available. The plan should include the material deficiencies that resulted in the materially non-compliant annual financial statements.

154. The accounting officer submitted a written response on 6 June 2023 indicating that the municipality had challenges in implementing the recommendation and requested an extension to implement the recommendations. In December 2023, the accounting officer was engaged on the delays in addressing the MI and was subsequently advised that the North West Department of Cooperative Governance and Traditional Affairs were assisting with an investigation into the MIs at the municipality and the municipality is awaiting the outcome of this investigation.

155. The accounting officer submitted written responses on 17 April 2024 and 13 September 2024. I considered the representations made and the substantiating documents provided on the actions implemented to address the material irregularity and have decided not to pursue this matter further under the material irregularity process.

156. I will continue to monitor the actions implemented or in process and the impact thereof during the subsequent audits and if it is found that the actions are not achieving the desired impact, the AGSA will pursue further action as provided for in the PAA read with the MI regulations.

Auditor General

Rustenburg

14 December 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 area and on the municipality's compliance with selected requirements in key legislation.

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

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

Legislation	Sections or regulations
LG: MSA: Regulations on appointment and conditions of employment of senior managers, 2014	Regulations 17(2); 36(1)(a)
LG: MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2); 5(3); 5(6); 8(4)
Annual Division of Revenue Act (Dora)	Sections 11(6)(b); 12(5); 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1)
CIDB regulations	Regulations 17; 25(7A)
Municipal Property Rates Act 6 of 2004 (MPRA)	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Sections 2(1)(a); 2(1)(f)
Preferential Procurement regulations (PPR), 2022	Regulations 3(1) Regulations 4(1); 4(2); 4(3); 4(4) Regulations 5(1); 5(2); 5(3); 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)