

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Sekhukhune District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Sekhukhune District Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Financial Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (DoRA).

Basis for qualified opinion

Employee benefits

3. I was unable to obtain sufficient appropriate audit evidence for various leave days taken. Adequate internal controls were not in place as there were no sufficient and appropriate audit evidence for leave days taken. I was unable to confirm the leave days taken by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unutilised leave benefit stated at R27 781 000 (2023: R27 074 000) in note 17 to the financial statements.

Irregular expenditure

4. Not all irregular expenditure was included in note 52 to the financial statements, as required by section 125(2)(d) of the MFMA. Expenditure incurred in contravention of supply chain management requirements, which resulted in irregular expenditure of R137 549 269 was not included in note 52. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in note 52 to the financial statements as sufficient appropriate audit evidence was not provided. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R74 904 123.

Context for opinion

5. 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.
6. 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.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Material impairment - trade debtors

9. As disclosed in note 13 to the financial statements, material losses of R474 399 056 and R33 752 814 were incurred as a result of non-payment by consumers and non-collection of revenue by the municipality.

Underspending of the conditional grants

10. As disclosed in note 16 to the financial statements, conditional grants were unspent by R62 247 635, we noted a significant underspending on the Municipal Infrastructure Grant.

Uncertainty relating to the future outcome of litigation

11. In reference to note 40 to the financial statements, the municipality is the defendant in various litigations. The municipality is opposing these claims, as it believes there are reasonable grounds to defend each claim. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Restatement of corresponding figures

12. As disclosed in note 42 and 43 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2024.

Unauthorised expenditure

13. As disclosed in note 47 to the financial statements, the municipality incurred unauthorised expenditure of R21 732 435 due to overspending of the budget for contracted services.

Material losses - water

14. As disclosed in note 50 to the financial statements, material water losses of R38 120 360 were incurred. The losses were due to illegal connections and pipe leakages.

Other matter

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

Unaudited disclosure notes

16. 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

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

18. 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

19. 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.

20. 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 15 of the annexure to the auditor's report, forms part of our auditor's report.

Report on the audit of the annual performance report

21. 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 development priorities presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

22. I selected the following development priorities presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected development priorities that measure[s] the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Development priority	Page numbers	Purpose
Basic service delivery and infrastructure	xx	Basic service delivery and infrastructure is the core mandate of the municipality. The development priorities were selected for audit because of significant importance to the public.
Local economic development	xx	Local economic development contributes to economic growth

23. I evaluated the reported performance information for the selected development priorities 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.

24. 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.
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

25. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
26. The material findings on the reported performance information for the selected development priorities are as follows:

Basic service delivery and infrastructure

Percentage of water incidents registered resolved within 14 days

27. The achievement of 86% of percentage of registered water incidents resolved within 14 days was reported against a target of 80% percentage of incidents resolved within 14 days in the annual performance report. However, the supporting evidence provided did not agree to the reported achievement

Local economic development

Number of job opportunities created through EPWP

28. An achievement of 2 690 jobs opportunities created through EPWP was reported against a target of 2 788 number of jobs opportunities created through EPWP. However, the supporting evidence provided did not agree to the reported achievement
29. I draw attention to the matters below.

Achievement of planned targets

30. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.
31. The tables that follow provides information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

Basic service delivery and infrastructure

<i>Targets achieved: 47.06%</i>		
<i>Budget spent: 104%</i>		
Key indicator not achieved	Planned target	Reported achievement
Number of kilolitres of water provided through water tankers	243 000 kl	166670,5KL
Number of feasibility studies conducted (Praktiseer)	1 WTW	0 WTW
Number of feasibility studies conducted (Mapodile)	1 WTW	0 WTW
Number of feasibility studies conducted (Waalkraal RDP)	1 WTW	0 WTW

Number of km of bulk pipeline constructed	4KM	2,4KM
Number of feasibility study ready for implementation.	1	0
Percentage of conditions assessment report and remedial works for damaged and vandalised components done	100%	80%
Number of Km for bulk pipeline constructed	3KM	0KM
Number of Km for bulk pipeline constructed	21KM	13.5KM
Percentage of concrete reservoirs and booster pump station constructed.	50%	0%
Number of detailed designs water reticulation	1	0
Number of 3 kilometres of water pipeline constructed	3KM	0KM
Number of steel tanks erected	3	0
Number of reticulation pipeline constructed, and refurbishment of package plant and steel tank.	1KM Pipeline 1 Package & steel tank	2KM Pipeline 0 Package & steel tank
Number of km of pipeline constructed and water metres installed, refurbish the existing boreholes and refurbish the low lift pump station.	2,4KM Pipeline 185 Water meter	3KM Pipeline 0 Water meter
number of elevated steel tank erected, borehole refurbished, drilled and equipped reticulation pipeline a constructed and house connections done	60kl Elevated steel tank 1 Borehole refurbished 1 Borehole drilled 5.6km Reticulation pipeline 810 House connections	0kl Elevated steel tank 1 Borehole refurbished 0 Borehole drilled 5.6km Reticulation pipeline 0 House connections
Number of Km of bulk and reticulation pipeline constructed, and number of steel tanks installed	102KM of bulk pipeline 1 Steel tank	102KM of bulk pipeline 1 Steel tank
Number of Km of bulk pipeline constructed number of packaged plants installed, number of boreholes refurbished.	5.6 bulk pipeline 24km Reticulation pipeline 1 Package water treatment plant 912 water meter 3 Boreholes refurbished	4.560 bulk pipeline 1.566km Reticulation pipeline 0 Package water treatment plant 930 water meter 3 Boreholes refurbished
Number of sludge dams and chemical dosing building constructed.	2 sludge dams 1 Chemical dosing building	0 sludge dams 1 Chemical dosing building

Number of pipelines 1 hydraulically tested and commissioned, a number of self-supportive borehole solar Installation	1 pipeline Hydraulically tested 8 self-supportive boreholes solar installations 1 KM of bulk pipeline 2 Concrete reservoirs	0 pipeline Hydraulically tested 0 self-supportive boreholes solar installations 0 KM of bulk pipeline 0 Concrete reservoirs
Number of boreholes, pipeline and elevated steel tank constructed	1 Borehole 2,4 KM Pipeline 60KL Elevated steel tank	0 Borehole 0 KM Pipeline 0 KL Elevated steel tank
Number of km of bulk pipelines constructed and concrete reservoirs completed	1KM Bulk pipeline 2 Concrete reservoirs	0KM Bulk pipeline 0 Concrete reservoirs
Number of reverse osmosis plant and wastage line to specified discharge point constructed	1 Reverse osmosis 1 wastage line	0.8 Reverse osmosis 0.8 wastage line
Number of mechanical and electrical (M & E) components tested and commissioned for the extensions to the Groblersdal Water Treatment Works and pump station. Civil works for clarifier and filter. Rebuilding of walls.	2 M & E components tested 1 clarifier works 1 filter rebuilding	0 M & E components tested 1 clarifier works 1 filter rebuilding
Number of Kilometres of bulk water supply pipeline tested and commissioned and reservoir tested and commissioned	31KM Of bulk pipeline tested 31 KM of bulk pipeline commissioned 1 Command reservoir tested and commissioned	0 KM Of bulk pipeline tested 0 KM of bulk pipeline commissioned 0 Command reservoir tested and commissioned
Number of km of roads assessed, traffic counting stations completed and road asset management plan developed.	3000KM Of roads assessed 200 traffic counting station 1 road asset management plan	175 KM Of roads assessed 0 traffic counting station 1 road asset management plan

Local economic development

<i>Targets achieved: 83.33%</i>		
<i>Budget spent: 54%</i>		
Key indicator not achieved	Planned target	Reported achievement
Number of jobs opportunities created through EPWP	2788	2690

Material misstatements

32. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery and infrastructure and local economic development. Management did not correct the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

33. 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 policy is responsible for the municipality's compliance with legislation.
34. 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.
35. 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.
36. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual report

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

Material misstatements of non-current assets, current assets, current liabilities, expenditure and disclosures identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

38. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
39. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with 2022 preferential procurement regulations.

40. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R797 517, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was as a result of interest on historic debts and litigation.

Procurement and contract management

41. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by supply chain management (SCM) regulation 17(1)(a) and (c).
42. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
43. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
44. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
45. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
46. The preference point system was not applied some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). Similar non-compliance was also reported in the prior year.
47. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of section 2(1)(a) of the PPPFA and its regulations.
48. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of the PPPFA and 2022 preferential procurement regulation 4(4) and 5(4). Similar non-compliance was also reported in the prior year.
49. Some of the construction contracts were awarded to contractors that were not registered with the CIDB and/or did not qualify for the contract in accordance with section 18(1) of the CIDB Act [and CIDB Regulations 17 and 25(7A)].
50. 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. Similar non-compliance was also reported in the prior year.

51. 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.
52. Awards were made to providers who were in the service of other state institutions in contravention of MFMA 112(1)(j) and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).

Consequence management

53. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
54. Irregular expenditure, fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
55. Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.
56. Cases of financial misconduct, which constitute a crime committed by officials, were not always reported to the South African Police Service, as required by the municipal regulations on financial misconduct procedures and criminal proceedings 10(1).
57. Allegations of theft, fraud, extortion, forgery and uttering a forged document which exceeded R100 000 were not reported to the South African Police Service, as required by section 34(1) of the Prevention and Combating of Corrupt Activities Act 12 of 2004.

Strategic planning and budgeting

58. The service delivery budget implementation plan (SDBIP) for the year under review did not include monthly revenue projections by source of collection and/or the monthly operational and capital expenditure by vote.
59. Annual performance objectives and indicators were not established for the Sekhukhune Development Agency's annual performance plan, as required by section 93B(a) of the MSA.

<h3>Other information in the annual report</h3>

60. 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 development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.
61. 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.

62. 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 development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
63. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

64. 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.
65. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
66. Leadership did not adequately exercise effective monitoring over the implementation of the audit action plan resulting in recurring prior year findings.
67. Senior management did not adequately oversee the operations of the municipality, as the financial statements and annual performance report contained material misstatements not detected by the municipality's own system of internal control.
68. Internal controls for monitoring compliance with legislation were ineffective as it did not detect and prevent instances of non-compliance with legislation.
69. The municipality's reactive approach in addressing inadequate systems of internal control indicates that mitigating processes are not effective.

Material irregularities

70. 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

Payments into incorrect bank account

71. In terms of section 65 (2)(a) of MFMA, the accounting officer of a municipality is responsible for the management of the expenditure of the municipality. The accounting officer must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.
72. The municipality received an assessment statement and instalment plan from the Department of Labour, reference number 2000532591. The statement/instalment plan indicated that the municipality has outstanding payments amounting to R12 084 011, due by 30 June 2019. The outstanding amount was to be settled in 12 equal annual instalments of R1 007 011 commencing on 30 July 2018 and completed by 30 June 2019.
73. An email purported to be from an official at Department of Labour was sent to an official at the municipality indicating that payments made by the municipality towards the outstanding balance will only reflect on the municipality's Compensation for Occupational Injuries and Diseases Act 130 of 1993 (COIDA) statement once all the payments are made.
74. Once all the payments were made, it came to the attention of the municipality that the payments were made into an incorrect bank account. This resulted in non-compliance with section 65 (1)(2) of the MFMA.
75. The non-compliance resulted in a material financial loss of R12 084 011 due to the payments made into an incorrect bank account.
76. The accounting officer was notified of the material irregularity on 30 January 2023 and invited to make a written submission on the actions taken and that will be taken to address the material irregularity. The accounting officer responded on 12 April 2023 and the following actions have been taken to address the material irregularity:
 - A bilateral meeting was arranged between the municipality and the Department of Labour (COIDA) for purposes of obtaining and verifying banking details. The municipality submitted the correct banking details which was verified.
 - Controls for payments of supplier invoices and third parties were strengthened. New controls were also introduced within the accounts payable unit. The municipality's banker has also introduced additional controls such as the verification of banking details.
77. The matter is currently subject to a criminal investigation by the South African Police Service (SAPS) CAS 119/12/2019. The expenditure was reported as fruitless and wasteful expenditure in the annual financial statements. Upon the conclusion of the criminal investigation by the SAPS, recovery will be made from any person or persons found liable of the theft/ fraud in a court of law. As of the date of this report, the case was still under investigation by the SAPS and still waiting for a decision by the Director of Public Prosecutions to pursue the matter further.

78. Council directed the Executive Mayor and the accounting officer on 8 December 2020, SC 02/12/20 to ensure that the full amount of R12 084 132 is recovered, in terms of section 32(2) of the MFMA, from any person or persons convicted of the theft/fraud in a court of law upon the conclusion of the criminal investigation by the SAPS.
79. I received the written submission from the accounting officer on 7 December 2023 and the supporting evidence was provided on 31 October 2024. I considered the representations made and the substantiating documents provided and concluded that appropriate actions have been taken to address the material irregularity. Therefore, I will not pursue this matter any further.

Use of consultants

80. In terms of section 62 (1)(b) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.
81. The municipality appointed consultants to assist them with operational and maintenance material tagging, recording and asset management support which included work in progress assets.
82. The municipality has been qualified on work-in-progress since the 2018-19 (including 2019-20 and 2020-21) financial year, due to differences identified between the amount as per the work-in-progress register and the last payment certificates for various projects. Similar differences were identified in 2019-20 and 2020-2021 financial years which resulted in modification paragraphs in the audit reports, as a result of the absence of individual payment certificates to support the total amount as per the last payment certificate per project.
83. The non-compliance with section 62 (1)(b) of the MFMA is a likely material financial loss of R3 291 913 due to poor record keeping controls which resulted in the failure by the municipality to provide records and information to consultants to do their work properly
84. The accounting officer was notified of the material irregularity on 23 March 2023 and invited to make a written submission on the actions taken and that will be taken to address the material irregularity. The accounting officer responded on 12 April 2023 and the following actions have been taken to address the material irregularity.
- The accounting officer indicated that the municipality filing storage burnt down and this resulted that the work in progress register balance does not agree to the remaining available supporting documents. The municipality appointed service providers to assist with justification compiling and reconciling the work in progress register balance, as the filing storage facility burnt down and employees responsible for the upkeep of the register, resigned from the municipality. It became difficult for the municipality to produce the supporting documents to support the expenditure incurred to date. In 2018-19 and 2019-20 the service provider, together with the municipality, tried to resolve the misstatements but it did not bear fruit up until the service provider's contract expired.
 - The accounting officer took steps to address the material irregularity by developing an approach during the 2021-2022 financial year, which was shared with the department of co-operative governance, human settlements and traditional affairs (Coghsta) and with the

provincial treasury. Another service provider was appointed on a three year contract on 6 May 2021 to assist the municipality to resolve the matter on the work in progress register and the misstatement was reduced in the first year of appointment and then in 2021-22 financial year the material misstatement was 100% resolved. Therefore, there was value for money in the use of the consultants over the period to assist the municipality with the asset management. The municipality managed to capitalize and unbundle projects amounting to R700 million. The challenges relating to the legacy matters on work in progress is well documented and was provided to the auditor general, the provincial treasury and Coghsta.

85. The municipality took steps to prevent a re-occurrence by ensuring that monthly reconciliations are done for both the movable and immovable fixed asset registers and that physical verifications are done every quarter. The municipality continued to improve its controls over record keeping management of both movable and immovable assets. Processes are also in place to ensure the transfer of skills from the consultants to the municipal officials.
86. I received the written submission from the accounting officer on 28 September 2023 and the supporting evidence provided. I have considered the representations made and the substantiating documents provided and concluded that appropriate actions have been taken to address the material irregularity. Therefore, I will not pursue this matter any further.

Auditor - General

Polokwane

30 November 2024



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 development priorities 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 municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	<p>Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii),</p> <p>Sections: 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f),</p> <p>Sections: 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a),</p> <p>Sections: 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)</p>
MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	<p>Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e),</p> <p>Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i),</p> <p>Regulations: 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)</p>
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	<p>Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2),</p> <p>Sections: 54A(1)(a), 56(1)(a), 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)</p> <p>Parent municipality with ME:</p>

Legislation	Sections or regulations
	Sections: 93B(a), 93B(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1),31
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), Regulations: 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)