

Report of the auditor-general to Western Cape Provincial Parliament and Council of the Central Karoo District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Central Karoo District Municipality set out on pages 5 to 100, 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, the financial statements present fairly, in all material respects, the financial position of the Central Karoo 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 (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).

Basis for opinion

3. 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.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Restatement of corresponding figures

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

Events after reporting date

8. As disclosed in note 45 to the financial statements, the key event after the reporting date relates to Binding General Ruling 74 that was issued by SARS on 3 October 2024 relating to the VAT treatment of certain supplies of goods or services made by a municipality to national or provincial government.

Other matters

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

Unaudited disclosure notes

10. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Unaudited supplementary schedules

11. The supplementary information set out on pages 101 to 102 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
13. 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

14. 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.
15. 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 7, forms part of our auditor's report.

16. 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 information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
17. I selected the following material performance indicators related to strategic objectives presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.
- Create job opportunities in terms of skills and labour needs within identified road projects by 30 June 2024.
 - Spend 95% of the total approved Roads budget by 30 June 2024.
 - Regravel 40 kilometres of road by 30 June 2024.
18. I evaluated the reported performance information for the selected material performance indicators 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.
19. 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 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 measures taken to improve performance.

20. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
21. I did not identify any material findings on the reported performance information for the selected indicators.

Other matters

22. I draw attention to the matters below.

Achievement of planned targets

23. 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.
24. The table that follows provides information on the achievement of planned targets and lists the key 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.

Strategic Objective 4: Improve and maintain district roads and promote safe roads transport

Key service delivery indicator not achieved	Planned target	Reported achievement
Regravel 40 kilometres of road by 30 June 2024	40 kilometres	22.19 kilometres

Material misstatements

25. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Strategic Objective 4: Improve and maintain district roads and promote safe roads transport. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

26. 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 municipality's compliance with legislation.
27. 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.

28. 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.
29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

30. Reasonable steps were not taken to prevent irregular expenditure amounting to R7 340 204, as disclosed in note 34 to the annual financial statements, as required by section 62(1)(d) of the MFMA.
31. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R6 758 719, as disclosed in note 34 to the annual financial statements, as required by section 62(1)(d) of the MFMA.

Procurement and contract management

32. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1).

HR management

33. The municipal manager was appointed without the necessary minimum competencies, as required by section 54A of the MSA and regulations on appointment and conditions of employment of senior managers.

Other information in the annual report

34. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in objective presented in the annual performance report that have been specifically reported on in this auditor's report.
35. 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.
36. 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 material indicators in the scoped-in objective presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
37. I have nothing to report in this regard.

Internal control deficiencies

38. 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.
39. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
40. Lack of effective oversight over the appointment of the municipal manager position during the financial year has resulted in material non-compliance with Section 54A of the Municipal System Amendment Act and Regulation 9 of the Municipal System Act Regulations.
41. Management did not ensure that the municipality complied with Section 62(1)(d) of the Municipal Finance Management Act by ensuring that reasonable steps were taken to prevent unauthorised and irregular expenditure in the current financial year.
42. Management did not ensure that the municipality complied with Section 15 of the Municipal Finance Management Act by ensuring that expenditure was only incurred in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget or an adjustment budget.
43. Management did not ensure that effective internal controls were implemented to ensure that compliance risks associated with reason for deviations and approvals were adequately in place, to ensure compliance with the Municipal Supply Chain Management Regulations.

Other reports

44. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
45. The Department of Public Works and Infrastructure investigated an allegation of misappropriation of grant funding in relation to the Expanded Public Works Programme grant during the period of 5 June 2024 to 14 June 2024. The investigation was concluded on 3 July 2024. The municipality has opened a case on the alleged fraud with the South African Police Service. Investigations into these allegations are currently ongoing.

Auditor-General

Cape Town

29 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 material performance indicators 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	<ul style="list-style-type: none"> • Section 1 – paragraph (a), (b) and (d) of the definition of 'irregular expenditure' • Section 11(1) • Section 13(2) • Sections 14(1), 14(2)(a), 14(2)(b) • Section 15 • Section 24(2)(c)(iv) • Section 28(1) • Section 29(1), 29(2)(b) • Section 32(2)(a), 32(2)(a)(ii), 32(2)(a)(l), 32(2)(b), 32(6)(a), 32(7) • Section 53(1)(c)(ii) • Section 54(1)(c) • Section 62(1)(d) • Sections 63(2)(a), 63(2)(c) • Sections 65(2)(a), 65(2)(b), 65(2)(e) • Section 72(1)(a)(ii) • Section 112(1)(j) • Sections 116(2)(b), 116(2)(c)(ii) • Section 117 • Section 122(1) • Section 126(2)(a) • Sections 127(2), 127(5)(a)(i), 127(5)(a)(ii) • Sections 129(1), 129(3) • Sections 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii) • Section 170 • Sections 171(4)(a), 171(4)(b)

Legislation	Sections or regulations
Municipal Budget and Reporting Regulations, 2009	<ul style="list-style-type: none"> • Regulations 71(1)(a), 71(1)(b), 71(2)(a), 71(2)(b), 71(2)(d) • Regulations 72(1), 72(b), 72(c)
Municipal Investment Regulations, 2005	<ul style="list-style-type: none"> • Regulations 3(1)(a), 3(3) • Regulation 6 • Regulation 7 • Regulations 12(2), 12(3)
Disciplinary Regulations for Senior Managers, 2010	<ul style="list-style-type: none"> • Regulations 5(2), 5(3), 5(4), 5(6) • Regulation 8(4)
Municipal Regulations of Financial Misconduct Procedures and Criminal Proceedings, 2014	<ul style="list-style-type: none"> • Regulation 6(8)(a) • Regulation 10(1)
Prevention and Combating of Corrupt Activities Act 12 of 2004	<ul style="list-style-type: none"> • Section 34(1)
Municipal Systems Act 32 of 2000	<ul style="list-style-type: none"> • Sections 34(a), 34(b) • Section 38(a) • Sections 41(1)(a), 41(1)(b), 41(1)(c)(ii) • Section 43(2) • Sections 54A(1)(a), 54A(2) • Section 56(1)(a) • Sections 57(2)(a), 57(6)(a) • Sections 66(1)(a), 66(1)(b) • Section 67(1)(d)
Municipal Planning and Performance Management Regulations, 2001	<ul style="list-style-type: none"> • Regulations 3(3), 3(5)(a) • Regulation 4(4)(b) • Regulation 7(1) • Regulation 8 • Regulation 9(1)(a) • Regulation 10(a) • Regulation 15(1)(a)(ii) • Regulation 12(1)
Division of Revenue Act	<ul style="list-style-type: none"> • Section 11(6)(b) • Section 12(5) • Section 16(3)
Municipal Supply Chain Management Regulations, 2005	<ul style="list-style-type: none"> • Regulation 5 • Regulations 12(1)(c), 12(3) • Regulation 13(c) • Regulation 16(a) • Regulations 17(1)(a), 17(1)(b), 17(1)(c) • Regulations 19(a), 19(b)

Legislation	Sections or regulations
	<ul style="list-style-type: none"> • Regulation 21(b) • Regulations 22(1)(b), 22(2) • Regulations 27(2)(a), 27(2)(e) • Regulation 28(1)(a)(i) • Regulations 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i) • Regulation 32 • Regulation 36(1)(a) • Regulations 38(1)(c), 38(1)(d)(ii), 38(1)(d)(g)(iii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii) • Regulation 43 • Regulation 44 • Regulations 46(2)(e), 46(2)(f)
Preferential Procurement Policy Framework Act 5 of 2000	<ul style="list-style-type: none"> • Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2022	<ul style="list-style-type: none"> • Regulations 4(1), 4(4) • Regulations 5(1), 5(4)
Construction Industry Development Board Act 38 of 2000	<ul style="list-style-type: none"> • Section 18(1)
Construction Industry Development Regulations, 2004	<ul style="list-style-type: none"> • Regulation 17 • Regulation 25(7A)
Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006	<ul style="list-style-type: none"> • Regulation 2(3)(a) • Regulation 4(4)(b) • Regulations 8(1), 8(2), 8(3)
Regulations of Appointment and Conditions and Employment of Senior Managers, 2014	<ul style="list-style-type: none"> • Regulation 36(1)(a)