Report of the auditor-general to the Western Cape Provincial Parliament and the council on 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 6 to 107, which comprise the statement of financial position as at 30 June 2025, the statement of financial performance, the statement of changes in net assets, the cash flow statement and the 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 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 of 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 district 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 50 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an errors in the financial statements of the municipality at, and for the year ended 30 June 2025.

Close calls relating to going concern

8. I draw attention to note 47 to the financial statements, which indicates that the Department of Infrastructure informed the district municipality on 7 April 2025 that the road function will be discontinued. The letter served as the Department's twelve-month notice of its intention to review the Roads Agency Agreement. As stated in note 47, this event, indicate that a material uncertainty exists that may cast significant doubt on the district municipality's ability to continue as a going concern.

Uncertainty relating to the future

9. With reference to note 44 to the financial statements, the ultimate Value Added Tax (VAT) position regarding the VAT treatment of revenue generated in terms of its contract with the Department of Infrastructure remains uncertain due to a number of factors, as disclosed in note 44. It is therefore not possible to determine the exact financial impact with certainty.

Other matters

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

Unaudited disclosure notes

11. 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

12. The supplementary information set out on page 108 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

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

14. In preparing the financial statements, the accounting officer is responsible for assessing the district municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the district 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

15. 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.

16. 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 9, forms part of my auditor's report.

Report on the audit of the annual performance report

17. 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.

18. I selected the following material performance indicators related to Strategic Objective 4: Improve and maintain district roads and promote safe roads transport presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected those indicators that measure the district 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 2025.
    - Spend 95% of the total approved Roads budget by 30 June 2025.
    - Regravel 40 kilometres of road by 30 June 2025.

19. 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 district municipality's planning and delivery on its mandate and objectives.

20. I performed procedures to test whether:

    - the indicators used for planning and reporting on performance can be linked directly to the district municipality's mandate and the achievement of its planned objectives

- all the indicators relevant for measuring the district 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 measures taken to improve performance.

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

22. The material findings on the reported performance information for the selected objectives are as follows:

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

- **Spend 95% of the total approved Roads budget by 30 June 2025**

23. The indicator measures spending of the total approved roads budget, which does not relate to the achievement of improving and maintaining district roads and promoting safe road transport. Consequently, the indicator is not useful for measuring and monitoring progress against the district municipality's planned objectives.

Other matters

24. I draw attention to the matters below.

Achievement of planned targets

25. 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.

26. 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 on page 13.

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

Targets achieved: 48.63% *Budget spent: 100.17%*		
Key service delivery indicators not achieved	**Planned target**	**Reported achievement**
TL81 Regravel 40 kilometres of road by 30 June 2025	40km	19.45km

Material misstatements

27. I identified preventable 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 did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

28. 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 district municipality's compliance with legislation.

29. 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.

30. 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 district 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.

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

Financial statements

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

33. Material misstatements of Trade and other receivables from exchange transactions, Trade and other payables from exchange transactions, Revenue, Expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected

and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

34. Reasonable steps were not taken to prevent irregular expenditure amounting to R3 745 974 as disclosed in note 36.2 to the annual financial statements, as required by section 62(1)(d) of the MFMA.

35. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R 221 189 as disclosed in note 36.1 to the annual financial statements, as required by section 62(1)(d) of the MFMA.

Procurement and contract management

36. Some of the 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.

Human resource management

37. I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the municipal manager within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.

Other information in the annual report

38. 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 presented in the annual performance report that have been specifically reported on in this auditor's report.

39. My opinion on the financial statements and my reports on the audit of the annual performance report and 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.

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

41. I have nothing to report in this regard.

Internal control deficiencies

42. 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.

43. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the compliance with legislation included in this report.

44. Lack of effective oversight over the appointment of the municipal manager position during the financial year has resulted in material non-compliance with Municipal Systems Act 31 of 2000 Regulation 36(1)(a).

45. 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.

46. 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.

47. Management did not ensure that the municipality complied with requirements of the Municipal Systems Act by making the first adjustment budget public within 10 days after approval by the municipal council.

48. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting.

49. The performance indicator development and review processes are not adequately designed to ensure alignment between indicators and strategic objectives. The indicator measures financial performance rather than service delivery. This indicates a lack of oversight and review in the performance planning process to ensure that indicators are directly linked to the mandate and strategic objectives and are therefore relevant.

Other reports

50. 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.

51. 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

30 November 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 material performance indicators and on the district 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 district 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 district 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 district 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	• 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)(I), 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

Legislation	Sections or regulations
	• Sections 171(4)(a), 171(4)(b)
Municipal Budget and Reporting Regulations, 2009	• 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	• Regulations 3(1)(a), 3(3) • Regulation 6 • Regulation 7 • Regulations 12(2), 12(3)
Disciplinary Regulations for Senior Managers, 2010	• Regulations 5(2), 5(3), 5(4), 5(6) • Regulation 8(4)
Municipal Regulations of Financial Misconduct Procedures and Criminal Proceedings, 2014	• Regulation 6(8)(a) • Regulation 10(1)
Prevention and Combating of Corrupt Activities Act 12 of 2004	• Section 34(1)
Municipal Systems Act 32 of 2000	• 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	• 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	• Section 11(6)(b) • Section 12(5) • Section 16(3)
Municipal Supply Chain Management Regulations, 2005	• Regulation 5 • Regulations 12(1)(c), 12(3) • Regulation 13(c)

Legislation	Sections or regulations
	• Regulation 16(a) • Regulations 17(1)(a), 17(1)(b), 17(1)(c) • Regulations 19(a), 19(b) • 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	• Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2022	• Regulations 4(1), 4(4) • Regulations 5(1), 5(4)
Construction Industry Development Board Act 38 of 2000	• Section 18(1)
Construction Industry Development Regulations, 2004	• Regulation 17 • Regulation 25(7A)
Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006	• 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	• Regulation 36(1)(a)