



# NYANDENI LOCAL MUNICIPALITY

Audit Report

*For the year ended 30 June 2024*



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

# Report of the auditor-general to Eastern Cape Provincial Legislature and council on Nyandeni Local Municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Nyandeni Local Municipality set out on pages xx to xx, 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 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 below, the financial statements present fairly, in all material respects, the financial position of the Nyandeni local municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with South African 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 qualified opinion

#### Investment property

3. I was unable to obtain sufficient appropriate audit evidence to substantiate the amount disclosed as a fair value adjustment for investment property as disclosed in note 8 to the financial statements. This was due to the municipality not implementing effective internal control systems to verify the source data used to determine the fair value adjustment of the investment property. I could not confirm the recorded amounts by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to investment property stated at R90,8 million and fair value adjustment stated at R5,3 million, in notes 8 and 46 to the financial statements, respectively.

#### Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence to substantiate property plant and equipment as disclosed in note 9 to the financial statements. An unreconciled difference of R62 million was identified between the general ledger and balance of property plant and equipment disclosed in note 9 to the financial statements. The municipality did not have an adequate system of internal control for reconciling transactions to the financial statements. As a result I was unable to obtain the required evidence by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R801,4 million in the financial statements.

### General expenses – wet fuel

5. I was unable to obtain sufficient appropriate audit evidence to support wet fuel expenses due to poor record management. I was unable to confirm wet fuel by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to wet fuel, stated at R4.9 million in note 42 to the financial statements.

### Capital commitments

6. The municipality did not recognise commitments in accordance with GRAP 1, *Presentation of financial statements*. The municipality recorded some of its capital commitments at incorrect amounts for the year under review. This was due to the fact that the municipality did not take into account the accruals in determining the commitment amounts disclosed in the financial statements. Consequently, I was unable to determine the full extent of the misstatement of commitments as stated at R190.7 million in note 59 to the financial statements, as it was impracticable to do so.

### Irregular expenditure

7. I was unable to obtain sufficient appropriate evidence for irregular expenditure due to the municipality not having adequate systems to identify and disclose irregular expenditure as required by section 125(2) (d) (1) of the MFMA. I was unable to determine the full extent of the understatement of irregular expenditure disclosed in note 54 to the financial statements. as it was impractical to do so.

### Prior period error and reclassification

8. The municipality did not disclose all prior period errors as required by GRAP 3, *Accounting policies, estimates and errors*. There were differences between the amounts disclosed in the note and the amounts in the financial statements. This has resulted from inadequate reviews of financial information. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in note 60 to the financial statements.

### Context for opinion

9. 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.
10. 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.
11. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## **Emphasis of matters**

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

### **Restatement of corresponding figures**

13. As disclosed in note 60 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.

### **Material impairment of statutory receivables**

14. As disclosed in note 4 to the financial statements, cumulative debt impairments of R41.3 million (2022-2023: R34.5 million) were made to statutory receivables.

## **Other matter**

15. I draw attention to the matter 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 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.

## **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 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.

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.

### 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 priority 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 priority presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a development priority that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Development priority	Page numbers	Purpose
Basic service delivery	xx	To provide access to quality infrastructure and sustainable basic services to the communities within available resources

23. I evaluated the reported performance information for the selected development priority 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 and is comparable and understandable.
- 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 development priority are as follows:

### Basic service delivery

#### Tonnage of wasted collected from peri-urban/ informal / formal settlements by 30 June 2024

27. An achievement of 1052 tonnes of waste collected from seven peri urban informal/formal settlements was reported against a target on the collections of waste from seven peri urban informal/formal settlements. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

#### Number of kilometres constructed for Bidiza to Sundwana access road at ward 13 by 30 June 2024

28. The approved planning documents included a commitment to construct 8.5 kilometres for Bidiza to Sundwana access road at ward 13 by 30 June 2024. However, an achievement of establishment 100%, roadbed 100%, layer works 80%, processing 80%, drainage 10% was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Furthermore, households will be energised before end September 2024, was reported as a measure aimed at improving performance against the target of constructed 8.5 kilometres Bidiza to Sundwana access road at ward 13 by 30 June 2024. However, the measures reported are not consistent with the planned and reported target as such are not adequate to improve performance. Consequently, I could not verify whether the reported measures were indeed taken.

### Various indicators

29. Some supporting evidence was not provided for auditing and where it was, I identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved

Indicator	Planned target	Reported achievement
KPI 17: Number of qualifying households provided with electricity coupons by 30 June 2024	960 qualifying households provided with electricity coupons	1 306 households provided with electricity coupons

Indicator	Planned target	Reported achievement
% Construction of community hall at ward 22 by 30 June 2024 (Establishment 100% foundation trenches 100% walls 100% roof 80% ablution 50% fencing 100% plastering 20%)	Construct 1 (one) community hall project to be at 80 % complete at ward 22 by 30 June 2024((Project 80% complete, establishment 100%, foundation trenches 100%, walls 100%, roof 80%, ablution 50%, fencing 100%, plastering 20%)	The project is at 74% in progress  1. Establishment 100% 2. Foundation trenches 100% 3. Walls 100% 4. Roof 100% 5. Ablution 75% 6. Fencing 90% 7. Plastering 20%
Number of households connected into electricity Infrastructure at Mpimbo, ward 25 ward 5 by 30 June 2024	Construct electricity infrastructure for 16 households at Mpimbo, ward 25 ward 5 by 30 June 2024	Practical completed construction of electricity infrastructure for 16 households at Mpimbo, ward 25 ward 5
Number of households connected into electricity Infrastructure at Mzonyane in ward 25 by 30 June 2024	Construct electricity infrastructure for 55 households at Mzonyane ward 25 by 30 June 2024	Practical completed construction of electricity infrastructure for 55 households at Mzonyane ward 25
Number of households connected into electricity Infrastructure at Mamolweni ward 25 by 30 June 2024	Construct electricity infrastructure for 20 households at Mamolweni ward 25 by 30 June 2024	Practical Completed construction of electricity infrastructure for 20 households at Mamolweni ward 25
Number of households connected into electricity Infrastructure at Lwandile, ward 25 by 30 June 2024	Construct electricity infrastructure for 58 households at Lwandile, ward 25 by 30 June 2024	Practical construction of electricity infrastructure for 58 households at Lwandile, ward 25
Number of households connected into electricity Infrastructure at Ntshilini I ward 26 by 30 June 2024	Construct electricity infrastructure for 40 household at Ntshilini I ward 26 by 30 June 2024	Practical completed Constructed electricity infrastructure for 40 households at Ntshilini I ward 26
Number of households connected into electricity Infrastructure at Zinkumbini ward 24 by 30 June 2024	Construct electricity infrastructure for 42 households at Zinkumbini, ward 24 by 30 June 2024	Practical completed Construction of electricity infrastructure for 42 households at Zinkumbini ward 24
Number of households connected into electricity Infrastructure at Zixambuzi ward 26 by 30 June 2024	Construct electricity infrastructure for 42 households at Zixambuzi, ward 26 by 30 June 2024	Practical completed Construction of electricity infrastructure 42 households at Zixambuzi ward 26
Number of households connected into electricity Infrastructure at Sizindeni in ward 28 by 30 June 2024	Construct electricity infrastructure for 69 households at Sizindeni in ward 28 by 30 June 2024	Practical completed constructed electricity infrastructure for 69 households at Sizindeni in ward 28

Indicator	Planned target	Reported achievement
Number of households connected into electricity Infrastructure at Mankosini in ward 26 by 30 June 2024	Construct electricity infrastructure for 24 household at Mankosini in ward 26 by 30 June 2024	Practical completed construction of electricity infrastructure for 24 households at Mankosini in ward 26
Number of households connected into electricity Infrastructure at Ntsimbini at ward 26 30 June 2024	Construct electricity infrastructure for 24 households at Ntsimbini in ward 26 by 30 June 2024	Practical completed construction of electricity infrastructure for 24 households at Ntsimbini in ward 26

### Various indicators

30. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Furthermore, some supporting evidence was not provided for auditing and where it was, I identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Planned target	Reported achievement
Constructed Ngqeleni pound office and storage unit by 30 June 2024	Construction of Ngqeleni Pound office and storage units by 30 June 2024	Tender was advertised on the 17 November 2023 and closed on the 11 December 2023, BEC set on 30 January 2024. Bidders were disqualified, then after subjected to re - advertisement: The service provider was appointed for construction of the Ngqeleni pound storage on the 27 June 2024. The inception meeting convened on the 28 June 2024.
Number of qualifying households provided with social relief support as part of Isidima Projects by 30 June 2024	Provide social relief support to 96 indigent qualifying households (64 tanks, 32 fencing,)	The concept for executing the target was developed and signed, however, the project could not proceed. Meetings have set with the service provider in the panel to finalise the deliverables that were already given in the order
Number of kms completed for construction for Tholeni Access Road (5,5km) at ward 26 by 30 June 2024	Number of kms completed for construction of Tholeni Access Road (5,5km) by 30 June 2024: a) Site establishment to be	Practical completed 5,5 km of Tholeni access road. 1) Sit establishment 100% 2) Roadbed preparation 100%

Indicator	Planned target	Reported achievement
	at 100%) b) Setting out formation level to be at 100% c) Subgrade to be at 100% d) Subbase to be at 100 % e) Base layer to be at 100%	3) Box cutting 100% 4) layer works 100% 5) Processing 100% 6) Surfacing 90% 7) Drainage and low level bridge 80%  Overall progress is at 95%
Number of kms completed for construction of Ntshazini to Canzibe (11.2km) at ward 28 and ward 23 at by 30 June 2024	Complete construction of Ntshazini to Canzibe (11,2 km) by 30 June 2024 at ward 23 and 28:  a) Site establishment to be at 100%  b) Setting out formation level to be at 100%  c) Subgrade to be at 100%  d) Subbase to be at 100%  e) Base layer to be 100%	Practical completed Ntshazini access road.  1) Site establishment 100%  2) Roadbed preparation 100%  3) Box cutting 100%  4) layer works and fencing 100%  5) Processing 100%  6) Surfacing 85%  7) Drainage road signs 100%  Overall progress is at 98%
Number of kms completed for construction of Majikija to Dokodela (11.3km) at ward 3 by 30 June 2024	Complete construction of Majikija to Dokotela access road (11,3 km) by 30 June 2024	Completed construction of Majikija to Dokodela access road
Number of kilometres constructed for Mafini FPSU access road at ward 16 by 30 June 2024	Construct 6 km Access Road for Mafini FPSU at ward 16 by 30 June 2024	Technical design report developed
Constructed storm water structures at Libode ward 7 by 30 June 2024	Construction of storm water at Libode at ward 01 by 30 June 2024	This project was initially planned to be a stand-alone project but later it was decided to be included in the sidewalks contract which is under construction. So its implementation was delayed due to the above reason.
% Progress in construction of Marubeni Public Transport Facility at ward 4 by 30 June 2024	Construct Marubeni Public Transport Facility project to be at 80% complete at ward 4 by 30 June 2024	The project is still on progress but the following progress performance is registered:  1. Establishment 100% 2. Foundation trenches 100% 3. Walls 0% 4. Roof 0% 5. Ablution 0% 6. Fencing 0%

Indicator	Planned target	Reported achievement
		7. Plastering 0%
Number of community hall constructed at ward 31 by 30 June 2024	Construct 1 (one) community hall at ward 31 by 30 June 2024	The project is still on progress but the following progress performance is registered: 1. Establishment 100% 2. Foundation trenches 100% 3. Walls 15% 4. Roof 20% 5. Ablution 0% 6. Fencing 70% 7. Plastering 10%
Number of high mast installed at ward 13 by 30 June 2024	Install two (2) high masts at ward 13 Buntingville by 30 June 2024	service provider appointed and the project is in the design stage
Number of high mast installed at ward 11 by 30 June 2024	Install one highmast at Nyangilizwe (ward 11) by 30 June 2024	Service provider appointed and the project is in the design stage
Upgraded of street lights in Libode Town ward 07 by 30 June 2024	Upgrade of 38 Street Lights in Libode Town main street ward 07	Service provider appointed and the project being redesigned for new streetlights
Number of streetlights upgraded in Ngqeleni Town at ward 21 by 30 June 2024	Upgrade of 43 Street Lights Ngqeleni Town main street ward 21 by 30 June 2024	Service provider appointed and the project is in the design stage
Number of households connected into electricity Infrastructure at Bomvana, ward 5 by 30 June 2024	Construct electricity infrastructure for 82 households at Bomvini, ward 5 by 30 June 2024	Awaiting Eskom to energise the households

## Other matter

31. I draw attention to the matters below.

### Achievement of planned targets

32. 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.

33. The table that follows 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.

### Basic service delivery

<p><b>Targets achieved: 46%</b>  <b>Budget spent: 100%</b></p>		
Key basic service delivery indicator not achieved	Planned target	Reported achievement
Number of qualifying households provided with social relief support as part of Isidima Projects by 30 June 2024	Provide social relief support to 96 indigent qualifying households (64 Tanks, 32 fencing,)	The concept for executing the target was developed and signed, however, the project could not proceed. Meetings have set with the service provider in the panel to finalise the deliverables that were already given in the order
Number of kms completed for construction for Tholeni Access Road (5,5km) at ward 26 by 30 June 2024	Number of kms completed for construction of Tholeni Access Road (5,5km) by 30 June 2024: a) Site establishment to be at 100%) b) Setting out formation level to be at 100% c) Subgrade to be at 100% d) Subbase to be at 100 % e) Base layer to be at 100%	Practical completed 5,5 km of Tholeni access road. 1) Sit establishment 100% 2) Roadbed preparation 100% 3) Box cutting 100% 4) layer works 100% 5) Processing 100% 6) Surfacing 90% 7) Drainage and lowlevel bridge 80%  Overall progress is at 95%
Number of kms completed for construction of Ntshazini to Canzibe (11.2km) at ward 28 and ward 23 at by 30 June 2024	Complete construction of Ntshazini to Canzibe (11,2 km) by 30 June 2024: a) Site establishment to be at 100% b) Setting out formation level to be at 100% c) Subgrade to be at 100% d) Subvase to be at 100% e) Base layer to be 100%	Practical completed Ntshazini access road. 1) Sit establishment 100% 2) Roadbed preparation 100% 3) Box cutting 100% 4) layer works and fencing 100% 5) Processing 100% 6) Drainage road signs 100% 7) Bridge 100% 6) Surfacing 85%  Overall progress is at 98%
Number of kms constructed for Libode internal street phase 2 at ward 7 by 30 June 2024	Construct 8 km for Libode Internal Street Phase 2 at Ward 7 by 30 June 2024	No kilometres completed km but the following progress is registered:

**Targets achieved: 46%**

**Budget spent: 100%**

Key basic service delivery indicator not achieved	Planned target	Reported achievement
		<ol style="list-style-type: none"><li>1. Establishment 100%</li><li>2. Roadbed 60%</li><li>3. Layer works 50%</li><li>4. Processing 50%</li><li>5. Drainage 0%</li></ol>
Number of kilometres constructed for Nggeleni Internal Street Phase 2 at ward 21 by 30 June 2024	Construct 2.2km for Nggeleni Internal Street Phase 2 at ward 21 by 30 June 2024	No kilometres completed km but the following progress is registered: <ol style="list-style-type: none"><li>1. Site establishment 100%</li><li>2. Roadbed 50%</li><li>3. Processing 16%</li><li>4. Surfacing 0%</li><li>5. Drainage 0%</li></ol>
Number of kilometres constructed for Ngolo to Corana at ward 11 and 12 by 30 June 2024	Construct 5.2km for Ngolo to Corana at ward 11 & 12 by 30 June 2024	Construction of 5,2 km for Ngolo to Corana at ward 11 & 12 not done but the project has been advertised and tender closed
Number of kilometres constructed for Mabululu to Ncitwa access road at ward 2 by 30 June 2024	Construct 6.5 km for Mabululu to Ncitwa Access Road at Ward 2 by 30 June 2024	Construction of 6,5 km for Mabululu to Ncitwa access road ward 2 not done. The project is delayed by EIA as the approved lapsed
Number of kilometres constructed for Bidiza to Sundwana access road at ward 13 by 30 June 2024	Construct 8.5km for Bidiza to Sundwana AR Ward 13 by 30 June 2024	The project is still in progress, the following progress is registered: <ol style="list-style-type: none"><li>1. Establishment 100%</li><li>2. Roadbed 100%</li><li>3. Layer works 80%</li><li>4. Processing 80%</li><li>5. Drainage 10%</li></ol>
Number of kilometres constructed for Mvilo access road and Bridge at ward 20 by 30 June 2024	Construct 11.9 km for Mvilo Access Road & Bridge at ward 20 by 30 June 2024	No kilometres completed but the following progress is registered: <ol style="list-style-type: none"><li>1. Establishment 100%</li><li>2. Roadbed 100% and box cutting 100%</li><li>3. Layer works and processing and borrow material 80%</li><li>4. Drainage 55%,</li><li>5. bridge 0%</li><li>6. Guard rails and 5 road signs 0%</li></ol>

<b>Targets achieved: 46%</b>		
<b>Budget spent: 100%</b>		
<b>Key basic service delivery indicator not achieved</b>	<b>Planned target</b>	<b>Reported achievement</b>
Number of kilometres constructed for Mafini FPSU access road at ward 16 by 30 June 2024	Construct 6 km Access Road for Mafini FPSU at ward 16 by 30 June 2024	Technical design report developed
Number storm water structures constructed at ward 7 by 30 June 2024	Construction of storm water at Libode at ward 01 by 30 June 2024	This project was initially planned to be a standalone project but later it was decided to be included in the sidewalks contract which is under construction. So its implementation was delayed due to the above reason.
Number of Highmast installed at ward 13 by 30 June 2024	Install two (2) High masts at ward 13 Buntingville by 30 June 2024	service provider appointed and the project is in the design stage
Number of Highmast installed at ward 11 by 30 June 2024	Install one Highmast at Nyangilizwe (ward 11) by 30 June 2024	service provider appointed and the project is in the design stage
Upgraded of Street Lights in Libode Town ward 07 by 30 June 2024	Upgrade of 38 Street Lights in Libode Town main street ward 07	service provider appointed and the project iberig redesigned for new streetlights
Number of street lights upgraded in Ngqeleni Town at ward 21 by 30 June 2024	Upgrade of 43 Street Lights Ngqeleni Town main street ward 21 by 30 June 2024	service provider appointed and the project is in the design stage
Number of households connected into electricity infrastructure at Bomvana, ward 5 by 30 June 2024	Construct electricity infrastructure for 82 households at Bomvini, ward 5 by 30 June 2024	Awaiting Eskom to energise the households
Number of households connected into electricity Infrastructure at Gebane ward 5 by 30 June 2024	Construct electricity infrastructure for 78 households at Gebane ward 5 by 30 June 2024	Practical completed construction of electricity infrastructure for 78 households at Gebane ward
Number of households connected into electricity Infrastructure at Mpimbo, ward 25 ward 5 by 30 June 2024	Construct electricity infrastructure for 16 households at Mpimbo, ward 25 ward 5 by 30 June 2024	Practical completed construction of electricity infrastructure for 16 households at Mpimbo, ward 25 ward 5
Number of households connected into electricity Infrastructure at Mzonyane in ward 25 by 30 June 2024	Construct electricity infrastructure for 55 households at Mzonyane ward 25 by 30 June 2024	Practical completed construction of electricity infrastructure for 55 households at Mzonyane ward 25
Number of households connected into electricity infrastructure at Mamolweni ward 25 by 30 June 2024	Construct electricity infrastructure for 20	Practical Completed construction of electricity infrastructure for 20

<b>Targets achieved: 46%</b>		
<b>Budget spent: 100%</b>		
<b>Key basic service delivery indicator not achieved</b>	<b>Planned target</b>	<b>Reported achievement</b>
	households at Mamolweni ward 25 by 30 June 2024	households at Mamolweni ward 25
Number of households connected into electricity infrastructure at Lwandile, ward 25 by 30 June 2024	Construct electricity infrastructure for 58 households at Lwandile, ward 25 by 30 June 2024	Practical construction of electricity infrastructure for 58 households at Lwandile, ward 25
Number of households connected into electricity infrastructure at Ntshilini ward 26 by 30 June 2024	Construct electricity infrastructure for 40 household at Ntshilini I ward 26 by 30 June 2024	Practical completed Constructed electricity infrastructure for 40 households at Ntshilini I ward 26
Number of households connected into electricity infrastructure at Zinkumbini ward 24 by 30 June 2024	Construct electricity infrastructure for 42 households at Zinkumbini, ward 24 by 30 June 2024	Practical completed Construction of electricity infrastructure for 42 households at Zinkumbini ward 24
Number of households connected into electricity infrastructure at Zixambuzi ward 26 by 30 June 2024	Construct electricity infrastructure for 42 households at Zixambuzi, ward 26 by 30 June 2024	Practical completed Construction of electricity infrastructure 42 households at Zixambuzi ward 26
Number of households connected into electricity infrastructure at Sidanda in ward 28 by 30 June 2024	Construct electricity infrastructure for 78 households at Sidanda in ward 28 by 30 June 2024	Practical completed construction of electricity infrastructure for 78 households at Sidanda in ward 28
Number of households connected into electricity infrastructure at Sizindeni in ward 28 by 30 June 2024	Construct electricity infrastructure for 69 households at Sizindeni in ward 28 by 30 June 2024	Practical completed constructed electricity infrastructure for 69 households at Sizindeni in ward 28
Number of households connected into electricity infrastructure at Mankosini in ward 26 by 30 June 2024	Construct electricity infrastructure for 24 household at Mankosini in ward 26 by 30 June 2024	Practical completed construction of electricity infrastructure for 24 households at Mankosini in ward 26
Number of households connected into electricity infrastructure at Ntsimbini at ward 26 30 June 2024	Construct electricity infrastructure for 24 households at Ntsimbini in ward 26 by 30 June 2024	Practical completed construction of electricity infrastructure for 24 households at Ntsimbini in ward 26

### **Material misstatements**

34. 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. Management did not correct all of the misstatements, and I reported material findings in this regard.

## Report on compliance with legislation

35. 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.
36. 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.
37. 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.
38. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial statements, annual performance report, annual report

39. 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, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

### Procurement and contract management

40. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2).
41. The performance of 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.
42. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was also reported in the prior year.

### Conditional grants

43. Performance in respect of programmes funded by the Municipal Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

### **Expenditure management**

44. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval of funds, as required by section 65(2)(a) of the MFMA.
45. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R168.5 million as disclosed in note 54, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by contravention of the provisions of section 112 of MFMA.

### **Asset management**

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

### **Consequence management**

47. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

### **Strategic planning and performance**

48. The performance management system and related controls were not maintained or were inadequate as it did not describe how the performance monitoring, measurement, review, reporting and improvement processes should be conducted or organised and managed, as required by municipal planning and performance management regulation 7(1).

### **Other information in the annual report**

49. The accounting is responsible for the other information included in the annual report which includes the directors' report, 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.
50. 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.
51. 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.
52. 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

53. 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.
54. 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.
55. Leadership did not adequately implement all necessary disciplines to enable effective oversight on the implementation and monitoring of internal controls to ensure sound financial, performance management and compliance with legislation. There was a lack of stability in key position including the positions of the chief financial officer and the municipal manager that were vacant and occupied by different acting incumbents for a greater part of the financial year under review. This resulted to a lack of accountability which further deepened a lack of high-performance culture within the municipality.
56. Leadership did not effectively monitor the implementation of corrective actions to address internal control deficiencies and compliance with legislation requirements. There was a lack of effective controls in the municipality over daily processing, reconciling, reviewing, storage, and monitoring of financial and performance information. This resulted in the material findings identified during the audit of the financial statements, annual performance report and the audit of compliance with laws and regulations.
57. The municipality developed an audit action plan to address the prior year findings, but this was not effectively implemented, which resulted in repeat findings on the financial statements, annual performance report and compliance with relevant laws and regulations.

*Auditor General*

East London

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>
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)

Legislation	Sections or regulations
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(8), 7(1), 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(4), 5(1), 5(4)