

Report of the auditor-general to the Free State Provincial Legislature and the council on the Mafube Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mafube Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, the 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 the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Mafube Local 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 Practices (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

Service charges

3. I was unable to obtain sufficient appropriate audit evidence for service charges as adequate systems for record keeping with respect to revenue from service charges were not in place. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the revenue from the service charges stated at R88 092 888 in note 25 to the financial statements.
4. During 2023, I was unable to obtain sufficient appropriate audit evidence for the sale of water included in service charges in note 25 to the financial statements, as the actual meter readings for several months were not available, and reliable estimates were not provided. I was unable to confirm the revenue from the sale of water included in service charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to revenue from the sale of water included in service charges stated at R46 691 214 in note 25 to the financial statements.

Receivables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions, due to the lack of adequate records in support of these receivables. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to receivables from exchange transactions stated at R37 008 196 (2023: R36 102 243) in note 7 to the financial statements.

Receivables from non-exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions, due to the lack of adequate records in support of these receivables. I was unable to confirm the gross balance of receivables from non-exchange transactions and any adjustments made to the balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the net balance of receivables from non-exchange transactions stated at R3 140 196 in note 8 to the financial statements.

Property, plant and equipment

7. The municipality did not calculate the impairment loss and impairment loss reversals for property, plant and equipment in accordance with GRAP 21, *Impairment of non-cash generating assets*. This was due to differences identified in the assumptions and inputs of the municipality's impairment calculations. Consequently, I was unable to determine the impact on the net carrying amount of property, plant and equipment stated at R1 069 956 840 (2023: R1148 866 688) in note 14 to the financial statements, as it was impracticable to do so. In addition, I was unable to quantify the impact of the incorrect application of the impairment methodology on loss on disposal as disclosed in note 14 and impairment loss in note 38.
8. The municipality did not apply a change in accounting policy for depreciation in accordance with GRAP 3, *Accounting Policies, Changes in Accounting Estimates and Errors* as the policy was applied retrospectively. The effect of the incorrect application of the change in accounting policy was that property, plant and equipment as disclosed in note 14 was overstated by R16 781 830 (2023: R37 220 068) and depreciation as disclosed in note 33 was understated by R16 781 830 (2023: R37 220 068). Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Net cash flows from operating activities

9. The municipality did not correctly prepare and disclose the net cash flows from operating activities in accordance with GRAP 2, *Cash flow statements*. This was due to

multiple errors in determining cash flows from operating activities resulting in understatement of R8 148 128.

Net cash flows from investing activities

10. The municipality did not correctly prepare and disclose the net cash flows from investing activities in accordance with GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from investing activities resulting in overstatement of cashflows of R19 224 998.

Context for opinion

11. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
12. 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.
13. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.
15. As disclosed in note 49 to the financial statements the municipality's current liabilities exceeded its current assets by R1 067 486 333 as at 30 June 2024. The municipality had deducted pension and pay as you earn from employee's salaries but were unable to pay over R239 703 912 (2023: R213 705 897) and R4 149 663 of these amounts deducted to the relevant third parties, as disclosed in note 17. In addition, the municipality owed Eskom Holdings SOC R49 012 371 (2023: R48 586 073), Rural Free State R76 232 980 (2023: R75 452 464) and Department of Water and Sanitation R521 543 050 (2023: R516 249 163) as of 30 June 2024, which was long overdue. These events or conditions, along with the other matters set forth in note 49, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Underspending of conditional grants

17. As disclosed in note 19 to the financial statements, the municipality materially underspent the conditional grants by R9 898 270 (2023: R20 511 292) due to the municipality not properly monitoring the usage of grant funding.

Unauthorised expenditure

18. As disclosed in note 52 to the financial statements, the municipality incurred unauthorised expenditure of R385 347 195 (2023: R869 539 496) due to overspending of the budget. Additionally, conditional grants non-compliance with Dora section 16(1) amounting to R8 736 040 (2023: R12 517 541) was also incurred.

Irregular expenditure

19. As disclosed in note 54 to the financial statements, the municipality incurred irregular expenditure of R27 137 303 (2023: R28 900 416) due to non-compliance with supply chain management (SCM) requirements.

Fruitless and wasteful expenditure

20. As disclosed in note 53 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R81 251 824 (2023: R62 105 761) due to interest on the late payment of suppliers.

Material losses

21. As disclosed in note 55 to the financial statements, material water distribution losses of R15 925 296 (2023: R23 508 305) were incurred by the municipality mainly due to defective meters, losses on the water network (breakage in pipelines and pumps, leaking valves, etc.), evaporation, theft, vandalism and damages due to blind excavations.

Material uncertainty relating to claims against the municipality

22. With reference to note 43 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

Restatement of corresponding figures

23. As disclosed in notes 45 and 46 to the financial statements, the corresponding figures for 30 June 2023 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2024.

Other matter

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

Unaudited disclosure notes

25. 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

26. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and 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.
27. 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

28. 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.

29. 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 17, forms part of our auditor's report.

Report on the audit of the annual performance report

30. 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 selected material performance indicators presented in the annual performance report. The municipality is responsible for the preparation of the annual performance report.

31. I selected the following material performance indicators related to basic service delivery and infrastructure development 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.

- Percentage of households with access to basic refuse removal service.
- Percentage of households with access to basic level of water services within a formalised settlement.
- Percentage of households with access to basic level of water services within a formalised settlement.
- Percentage of reported water leaks repaired within 48 hours.
- Number of blue drop status reports submitted to the accounting officer.
- Percentage of households with access to basic electricity service.
- Percentage of households with access to basic sanitation service.
- Percentage reported sewage blockages repaired within 48 hours.
- Number of water quality green drop status reports submitted to the accounting officer.
- Percentage of Qalabotjha / Villiers construction of a 6,5ml concrete clean water reservoir and pipe (phase 2).
- Percentage of Upgrading of Namahadi Zomba stadium (Phase 1).
- Percentage of Namahadi construction of 0,7km paved road and storm water at Mposula, Mashego and Thadi Street.
- Percentage of Qalabotjha construction of 0,993km paved road and storm water drain.
- Percentage of Namahadi fencing of cemetery in Ward 6.

32. 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.

33. 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.
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance.

34. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

Various indicators

35. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

Indicator	Target	Reported achievement
Percentage of households with access to basic refuse removal service.	86%	40%

Percentage of households with access to basic level of water services within a formalised settlement.	86%	0%
Percentage of reported water leaks repaired within 48 hours.	75%	0%
Number of blue drop status reports submitted to the accounting officer.	3	0
Percentage of households with access to basic electricity service standard.	97%	0%
Percentage reported sewage blockages repaired within 48 hours	85%	0%
Number of water quality green drop status reports submitted to the accounting officer.	12	0
Percentage of Qalabotjha / Villiers construction of a 6,5ml concrete clean water reservoir and pipe (phase 2).	100%	0%
Percentage of upgrading of Namahadi Zomba stadium (Phase 1).	100%	0%
Percentage of Namahadi construction of 0,7km paved road and storm water at Mposula, Mashego and Thadi Street	100%	0%
Percentage of Qalabotjha construction of 0,993km paved road and storm water drain.	5%	0%
Percentage of Namahadi fencing of cemetery in Ward 6.	100%	0%

Other matter

36. I draw attention to the matter below.

Achievement of planned targets

37. The annual performance report includes information on reported achievements against planned targets and provide measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.
38. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report.

Basic service delivery

Indicator	Target	Reported achievement
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<i>Targets achieved: 0%</i>		
<i>Budget spent: 134%</i>		
Percentage of households with access to basic refuse removal service	86%	40%
Percentage of households with access to basic level of water services within a formalised settlement.	86%	0%
Percentage of reported water leaks repaired within 48 hours.	75%	0%
Number of blue drop status reports submitted to the accounting officer	3	0
Percentage of households with access to basic electricity service standard	97%	0%
Percentage of reported sewage blockages repaired within 48 hours	85%	0%
Number of water quality green drop status reports submitted to the accounting officer.	12	0
Percentage of Qalabotjha/Villiers construction of a 6,5ml concrete clean water reservoir and pipe (phase 2)	100%	0%
Percentage of Upgrading of Namahadi Zomba stadium (Phase 1)	100%	0%
Percentage of Namahadi construction of 0,7km paved road and storm water at Mposula, Mashego and Thadi Street	100%	0%
Percentage of Qalabotjha construction of 0,993km paved road and storm water drain.	5%	0%
Percentage of business public entities and industries with access to basic refuse removal	86%	50%
Percentage of households with access to basic sanitation services standard	76%	0%
Percentage of Namahadi fencing of cemetery in Ward 6	100%	0%

Material misstatements

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

[Report on the audit of compliance with legislation](#)

Introduction and scope

40. 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.
41. 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.
42. 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.
43. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual report

44. 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 current assets and revenue items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
45. The annual financial statements were not submitted to the auditor-general, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
46. The council failed to adopt an oversight report containing the council's comments on the 2022-23 annual report, as required by section 129(1) of the MFMA.

Strategic planning and performance

47. Amendments to the Integrated Development Plan (IDP) were made without making the proposed amendments available for public comment, as required by section 34(b) of the MSA and municipal planning and performance management regulation 3(4)(b) and/or 15(1)(a)(ii)].
48. Amendments to the IDP were made without consultation with the district municipality, as required by municipal planning and performance management regulation 3(6)(a).

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

Procurement and contract management

50. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
51. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
52. Some of the quotations were accepted from bidders whose tax matters had not been declared by Sars to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
53. 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.
54. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.
55. Awards were made to providers who were in the service of other state institutions or whose directors were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44. Similar awards were identified in the previous year, and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM Regulation 38(1).

Expenditure management

56. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
57. Reasonable steps were not taken to prevent irregular expenditure amounting to R335 073 624 as disclosed in note 51 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM regulations.

58. Reasonable steps were not taken to prevent fruitless and wasteful expenditure to R353 566 029 as disclosed in note 51 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on overdue accounts.
59. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R385 347 195, as disclosed in note 52 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the budget.

Utilisation of conditional grants

60. The Municipal Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
61. The Water Services Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.

Consequence management

62. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
63. Irregular expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
64. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Revenue management

65. An adequate management, accounting and information system which accounts for service charges was not in place, as required by section 64(2)(e)(i) of the MFMA.
66. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
67. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

68. I was unable to obtain sufficient appropriate audit evidence that accounts for municipal tax and charges for municipal services were prepared on monthly, as required by section [64(2)(c) of the MFMA.

Asset management

69. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

70. An investment policy was not adopted by the council, as required by section 13(2) of the MFMA and municipal investment regulation 3(1)(a)

Human resource management

71. Financial interests were not disclosed by the municipal manager within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.

72. Financial interests were not disclosed by the senior managers within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.

73. The municipal manager and senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Other information

74. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include in the financial statements, the auditor's report and the selected key performance area (KPA) presented in the annual performance report that have been specifically reported in the auditor's report.

75. My opinion on the financial statements, the report on the annual performance report and the report on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

76. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and selected KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

77. 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

78. I considered internal control relevant to my audit of the financial statements, annual performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
79. 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 the legislation included in this report.
80. Leadership did not monitor and enforce the implementation of the corrective measures included in the audit action plan and prevent the re-occurrence of material findings reported in the audit report. These measures were to address the weaknesses of the financial and performance reporting as well as procurement, contract management and the prevention of unauthorised, irregular and fruitless and wasteful expenditure.
81. Management did not implement effective controls to ensure standard operating procedures are developed for the planned and reported performance indicators and targets.
82. Management did not effectively monitor the compliance with applicable legislation as instances of non-compliance reported in the previous year recurred. The audit committee and council did not improve the oversight and governance of the control environment.
83. Management did not implement effective internal control processes to manage the daily and monthly processing and reconciling of transactions. Effective record keeping was not implemented to ensure that complete, relevant, and accurate information is accessible and available to support financial and performance reporting.
84. Management did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.
85. The audit committee did not promote accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation

Material irregularities

86. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Pension fund contributions not paid over to pension funds in time

87. Section 13A(3)(a)(ii) of the Pension Funds Act 24 of 1956 (Pension Funds Act), requires the municipality as employer, to pay over the contributions relating to the members of the fund within seven days after the end of the month for which such a contribution is payable. The municipality did not make payments to the Municipal Workers Retirement Fund (MWRF) and the South African Local Authorities (SALA) pension fund within seven days after the end of the month during which the contributions became payable. The late payments resulted in interest being charged by the MWRF and the SALA pension fund.
88. As at 30 June 2022, the total outstanding contributions payable to MWRF, including accumulated interest, was R72 782 999. The municipality owed outstanding contributions of R49 315 819 and accumulated interest of R49 315 819 to the SALA pension fund. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay MWRF and SALA.
89. The accounting officer was notified of this material irregularity on 3 October 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I notified the accounting officer on 5 December 2024 of the following recommendations, which should have been implemented by 5 July 2025, with a progress report after three months:
- a) Appropriate actions should be taken to commence with the implementation of the revenue enhancement turnaround strategies and financial plan of the municipality to enable the municipality to pay the pension fund contributions over to the relevant pension fund, as required by 13A(3)(a)(ii) of the Pension Funds Act. The plan should describe the anticipated timeframe and milestones to be achieved and include as a minimum, strategies to:
 - Increase revenue.
 - Increase the collection of revenue.

- Efficiently manage the available resources of the municipality through cost containment measures and proper budget management.
 - b) Negotiate reasonable payment agreements with the pension funds to settle the arrear contributions not remitted with interest.
90. The accounting officer provided a written response on the implementation of the recommendations on 9 July 2025. I am in the process of assessing the accounting officer's response.

Auditor - General

Bloemfontein

31 July 2025



Annexure to the auditor's report

1. 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

2. 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 KPAs and on the municipality's compliance with selected requirements in key legislation.

Financial statements

3. 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

4. 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.
5. 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

6. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(iii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(iii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(iii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
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	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(iii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b) Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(iii), 42, 43(2), 56(a), 57(2)(a) Sections 57(4B), 57(6)(a), 65(1)(a), 65(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1), 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)