AUDIT REPORT

Jozini Local Municipality

2023-24

Report of the auditor-general to KwaZulu-Natal Provincial Legislature and the Council on Jozini Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Jozini 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 statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Jozini Local Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Reporting Practise (GRAP), the requirements of the Municipal Management Finance Management Act 56 of 2003 (MFMA) and Division of Revenue Act 5 of 2023 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Restatement of corresponding figures

7. As disclosed in note 58 and 59 to the annual financial statements, the corresponding figures for the 30 June 2023 were restated as a result of errors in the financial statements of the municipality for the year ended, 30 June 2023.

Material impairment-Receivables from exchange and non-exchange transactions

8. As disclosed in note 3 and 4 to the annual financial statements, the municipality recognised an allowance for impairment of R37,46 million (2022-23: R34,38 million) and R102,98 (2022-23: 107,12 million) respectively on receivables from exchange and non-exchange transactions, as the recoverability of these amounts was considered doubtful.

Other matter

9. I draw your attention to the matter below. My opinion is not modified with respect to this matter.

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of 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.

12. 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

13. 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.

14. 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 1 of the annexure to the auditor's report, forms part of our auditor's report.

Report on the audit of the annual performance report

15. 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 key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Key performance area	Page numbers	Purpose
KPA 2: Basic Service Delivery	XX	To provide effective and efficient basic service delivery and infrastructure development programmes
KPA 3: Local Economic Development	XX	To promote inclusive economic growth and social development

17. I evaluated the reported performance information for the selected key performance area 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.

18. 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 the measures taken to improve performance

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

20. I did not identify any material findings on the reported performance information for the Key performance area Local Economic Development.

21. The material findings on the reported performance information for the selected key performance areas are as follows:

Basic service delivery

Various indicators

22. I could not determine the accuracy of various reported achievements, as I could not verify the methods and processes used to measure the achievements and adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

Performance indicator	Planned target	Reported achievement
Number of households with access to waste removal services once a week and number of monthly reports submitted to portfolio committee by 30 June 2024.	3803 households with access to waste removal services once a week, and 12 monthly reports submitted to portfolio committee by 30 June 2024	3803 households with access to waste removal services once a week and number of monthly reports submitted to portfolio committee by 30 June 2024.
Number of businesses with access to waste removal services twice a week and number of monthly reports submitted to portfolio committee by 30 June 2024	131 businesses with access to waste removal services twice week and 12 monthly reports submitted to portfolio committee by 30 June 2024	131 businesses with access to waste removal services twice a week and number of monthly reports submitted to portfolio committee by 30 June 2024
Number of households with access to electrical connection in KwaQondile by 30 June 2024	200 households with access to electrical connection in KwaQondile by 30 June 2024	138 households with access to electrical connection in KwaQondile by 30 June 2024

% of construction of Umlingo Blacktop Road by 30 June 2024

23. An achievement of 50% was reported against a target of 50% but the audit evidence showed the actual achievement to be 85%. The achievement against the target was better than reported.

Number of households with access to electrical connection (Continuation) for (Mkhuzi Wamanzi) by 30 June 2024

24. An achievement of 108 households with access to electrical connection (Continuation) for (Mkhuzi Wamanzi) was reported against a target of 108 households with access to electrical connection (Continuation) for (Mkhuzi Wamanzi) but the audit evidence showed the actual achievement to be zero. The achievement was not achieved

Other matter

25. I draw attention to the matter below.

Achievement of planned targets

26. 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.

27. The table that follows provide information on the achievement of planned targets and list 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 pages xx to xx.

KPA 2: Basic Service Delivery

Targets achieved: 70%

Budget spent 100%

Key indicators not achieved	Planned target	Reported achievement
% of progress continuation for Ophansi Sportsfield constructed by 30 June 2024	100% of Construction of Ophansi Sportsfield and 4 progress construction reports submitted to the portfolio committee by 30 June 2024	96% of progress continuation for Ophansi Sportsfield constructed by 30 June 2024
% of progress continuation for Sinethezekile Sportsfield constructed by 30 June 2024	100% of progress continuation for Sinethezekile Sportsfield constructed by 30 June 2024	98% of progress continuation for Sinethezekile Sportsfield constructed by 30 June 2024

% of Manyiseni Activity Hub Sportsfield constructed by 30 June 2024	50% of Manyiseni Activity Hub Sportsfield constructed by 30 June 2024	31% of Manyiseni Activity Hub Sportsfield constructed by 30 June 2024
% of progress continuation for the construction of 1.2 kilometres of Tiger Lodge/121/KFC Blacktop Road by 30 June 2024	100% of progress continuation for the construction of 1,2 kilometres of Tiger Lodge/121/KFC Blacktop Road by 30 June 2024	42% of progress continuation for the construction of 1,2 kilometres of Tiger Lodge/121/KFC Blacktop Road by 30 June 2024
Number of new households with access to electrical connection for (KwaQondile) by 30 June 2024	200 new households with access to electrical connection for (KwaQondile) by 30 June 2024	138 new households with access to electrical connections for (KwaQondile) by 30 June 2024.However, Installation of MV and LV lines, Installation of pole boxes and Stringing of Aridic for 200 new households with access to electrical connection for KwaQondile was completed by 30 June 2024
Number of new households with access to electrical connection for (Nhlangano Phase-2) by 30 June 202	210 new households with access to electrical connections for (Nhlangano Phase-2) by 30 June 2024	0 new households with access to electrical connections for (Nhlangano Phase-2) by 30 June 2024. However, Installation of MV and LV lines, Installation of pole boxes and Stringing of Aridic for 210 new households for Nhlangano Phase-2 was completed by 30 June 2024
Number of new households with access to electrical connection for (Ezintombini)by 30 June 2024	112 new households with access to electrical connection for (Ezintombini) by 30 June 2024	0 new households with access to electrical connection for (Ezintombini) by 30 June 2024.However, Installation of MV and LV lines, Installation of pole boxes and Stringing of Aridic for 112 new households for Ezintombini. was completed by 30 June 2024

Material misstatements

28. 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 of key performance area. Management did not correct the misstatements identified, and I reported material findings in this regard.

Report on compliance with legislation

29. 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.

30. 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.

31. 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.

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

Annual financial statements

33. The financial statements submitted for audit were not prepared in all material respect in accordance with the requirements of section 122(1) of the MFMA.

34. Material misstatements on current assets, non-current assets, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified opinion.

Expenditure management

35. Reasonable steps were not taken to prevent irregular expenditure amounting to R30,25 million as disclosed in note 55, as required by section 62(1) (d) of MFMA. The majority of irregular expenditure was caused by the supply chain management processes not being followed.

36. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R0,32 million, as disclosed in note 54 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by interest on late payment.

37. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R67,66 million, as disclosed in note 53 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 on the budget.

Consequence management

38. Some of the unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by the section 32(2)(a) of the MFMA.

39. Some of the fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

40. Some of the 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.

Procurement and Contract management

41. Some of the contracts were awarded to bidders based on points given for legislative requirement that were not stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a) (i) and the Preferential Procurement Regulations.

42. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.

43. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

44. Awards were made to providers who were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44.

Utilisation of conditional grants

45. The disaster recovery grant was not spent for its intended purposes in accordance with the grant Schedule 4B and 5B, as required by section 16(1) of the DoRA.

Strategic planning and performance

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

Other information in the annual report

47. The accounting 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 the selected key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.

48. 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.

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

50. 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

51. 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.

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

53. Management did not implement adequate internal controls to ensure that preparation of accurate financial statements as numerous material misstatements were identified.

54. The lack of adequate oversight by the accounting officer to address the prior year recommendations resulted in repeat findings in compliance with key legislations relating to consequences management, utilisation of conditional grants, strategic planning, expenditure management as well as procurement and contract management.

55. Management did not perform adequate reviews and reconciliation of underlying records to ensure credible performance reporting resulting in repeat findings on the performance information.

Auditor - General

Pietermaritzburg

02 December 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 key performance area 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.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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) & (d) of definition of Irregular expenditure. Section 1 – Definition: Service delivery and Budget implementation plan Section 11(1),13(2),14(1),14(2)(a) & (b), 15, 24(2)(c)(iv),29(1)29(1) Section 29(2), 32(2),32(2)(a),32(2)(a)(i),32(2)(ii),32(2)(b) Section 32(6)(a),32(7),53(1)(c)(ii), 54(1)(c), 62(1)(d),62(1)(f)(i) Section 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a),63(2)(a), 64(2)(b) Section 64(2) (c), 64(2)(e) ,(64(2)(f),64(2)(g),65(2)(a),65(2)(b),65(2)(e) Section 72(1)(a)(ii),112(1)(j),116(2)(2) (ii), 117,122(1) Section 122(2),126(1)(a),126(1)(b),127(2),127(5)(a)(i),127(5)(a)(ii) Section 129(1),129(3),133(1) (c)(i),133(1)(c) (ii), 170 Section 171(4)(a) ,171(4)(b)
MFMA: Municipal Budget and Reporting Regulations,2009	Regulations 7191),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)(ii);29(5)(b)(ii),32,36(1),36(1)(a),38(1)(c) Regulations 38(1)(d)(ii),38(1) (e),38(10(g)(i),38(1)(g)(ii),38(1)(g)(iii),43 Regulations 44,46(2) (e),46(2)(f)
Municipal System Act 32 of 2000	Section 25(1),26(a),26(c),26(h),26(i),29(1)(b)(ii)29(3)(b),34(a),34(b) Section 38(a),41(1)(a),41(1)(b),41(1)(c)(ii),42,43(2),56(a),57(2)(a) Section 57(4B),57(6)(a),66(1)(a),66(1)(b),67(1)(d),74(1),93J(1),96(b)

Legislation	Sections or regulations
MSA: Municipal Planning and Performance Management regulations,2001	Regulations 29109e),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 manager,2006	Regulations 2(3)(a),4(4)(b),8(1),8(2),8(3)
MSA: Regulations on Appointment and Conditions of Employment for 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(10,16(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	Section 2(1)(a),2(1)(f)
Preferential Procurements Regulations,2017	Regulations 4(1),4(2),5(1),5(3),5(6).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 20023	Section 34(1)