

Report of the auditor-general to Limpopo Provincial Legislature and council on Maruleng Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Maruleng 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 asset, 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 a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Maruleng 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 Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (DoRA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Litigations and claims

7. With reference to note 43 to the financial statements, the municipality is the defendant in various lawsuits. The municipality is opposing these claims as it believes it has reasonable grounds of defending them. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Restatement of corresponding figures

8. As disclosed in note 45 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 impairments

9. As disclosed in note 36 to the financial statements, material impairments R38 440 721s was incurred as a result of impairment of irrecoverable receivables from exchange transactions, receivables from non-exchange transactions and other debtors.

Other matters

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

12. In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA 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

13. 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.
14. 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

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance

but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xxx, forms part of our auditor's report.

Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance areas presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

18. 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 Areas	Page numbers	Purpose
KPA 2 – Basic service delivery and infrastructure development	XX	Improve community well-being through accelerated service delivery
KPA 3 – Local economic /development	XX	Promote local economic development

19. I evaluated the reported performance information for the selected key performance areas 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.

20. 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.
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance

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

22. I did not identify any material findings on the reported performance information for the selected key performance areas

- Basic service delivery and infrastructure development
- Local economic development

Other matters

23. I draw attention to the matters below.

Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.

25. The table that follows provides 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. The reasons for any underachievement of targets / measures taken to improve performance are included in the annual performance report on pages xx to xx.

Basic service delivery and infrastructure development

<i>Targets achieved: 74.8%</i> <i>Budget spent: 90%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of bridges constructed	2	0
Number of kilometres of roads paved	6.2km	1.73km
Number of kilometres of roads surfaced	3.9km	3.32km
Number of high mast lights constructed	1	0
Number of municipal buildings routinely maintained	19	13
Number of municipal buildings with major maintenance done (Renovated)	2	0
Number of streetlights maintained	148	0
Number of vehicles maintained	31	26

Material misstatements

26. 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 and infrastructure development. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

27. 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.
28. 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.
29. 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.

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

Annual financial statements, performance and annual reports

31. 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 on expenditures and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Strategic planning and performance management

32. The performance management system and related controls were inadequate as it did not describe how the performance monitoring should be managed, as required by municipal planning and performance management regulation 7(1).

Expenditure management

33. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R14 100 502 as disclosed in note 46 to the annual financial statements, as required by section 62(1) (d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by exceeding the budget on noncash items.

Consequence management

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

35. 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.

36. 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.

Other information in the annual report

37. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

38. 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.

39. 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.
40. 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

41. 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.
42. The matters reported below are limited to the significant internal control deficiencies that resulted in opinion and the material findings on compliance with legislation included in this report.
43. The municipality did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
44. The accounting officer did not adequately review and monitor compliance with legislation. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

Auditor-General

Polokwane

29 November 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected 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	Section 1 Section 11(1) Section 13(2) Section 14(1) Section 14(2)(a) Section 14(2)(b) Section 15 Section 17(4)(a) Section 24(2)(c)(iv) Section 29(1) Section 29(2)(b) Section 32(2) Section 32(2)(a) Section 32(2)(a)(i) Section 32(2)(a)(ii) Section 32(2)(b) Section 32(6)(a) Section 32(7) Section 53(1)(c)(ii) Section 54(1)(c) Section 62(1)(d) Section 62(1)(f)(i) Section 62(1)(f)(ii) Section 62(1)(f)(iii) Section 63(2)(a) Section 63 (2)(c) Section 64(2)(e) Section 64(2)(c) Section 64(2)(f) Section 64(2)(g) Section 65(2)(a) Section 65(2)(b)

	<p>Section 65(2)(e)</p> <p>Section 72(1)(a)(ii)</p> <p>Section 122(1)</p> <p>Section 126(1)(a)</p> <p>Section 127(2)</p> <p>Section 127(5)(a)(i)</p> <p>Section 127(5)(a)(ii)</p> <p>Section 129(1)</p> <p>Section 129(3)</p> <p>Section 133(1)(a)</p> <p>Section 133(1)(c)(i)</p> <p>Section 133(1)(c)(ii)</p> <p>Section 170</p> <p>Section 171(4)(a)</p> <p>Section 171(4)(b)</p>
Municipal Investment Regulations	<p>Section 3(1)(a)</p> <p>Section 3(3)</p> <p>Section 6</p> <p>Section 7</p> <p>Section 12(2)</p> <p>Section 12(3)</p>
Municipal budgeting and reporting regulation	<p>Section 71(1)(a),</p> <p>Section 71(1)(a)(b),</p> <p>Section 71(2)(a),</p> <p>Section 71(2)(b),</p> <p>Section 71(2)(d),</p> <p>Section 72(a),</p> <p>Section 72(b),</p> <p>Section 72(c)</p>
Municipal system Act	<p>Section 4(1)(a)</p> <p>Section 4(1)(b)</p> <p>Section 25(1)</p> <p>Section 26(a)</p> <p>Section 26(c)</p>

	<p>Section 26(h)</p> <p>Section 26(i)</p> <p>Section 29(1)(b)(iii)</p> <p>Section 29(3)(b)</p> <p>Section 34(a) and 4(1)(c)(ii)</p> <p>Section 34(b)</p> <p>Section 38(a)</p> <p>Section 42</p> <p>Section 56(a)</p> <p>Section 57(2)(a)</p> <p>Section 57(4B)</p> <p>Section 57(6)(a)</p> <p>Section 66(1)(a)</p> <p>Section 66(1)(b)</p> <p>Section 67(1)(d)</p> <p>Section 74(1)</p> <p>Section 96(b)</p>
Municipal Planning and Performance Management Reg.	<p>Section 2(1)(e)</p> <p>Section 2(3)(a)</p> <p>Section 3(3)</p> <p>Section 3(5)(a)</p> <p>Section 3(6)(b)</p> <p>Section 7(1)</p> <p>Section 8</p> <p>Section 9(1)(a)</p> <p>Section 10(a)</p> <p>Section 12(1)</p> <p>Section 15(1)(a)(i)</p>
Division of Revenue Act 5 of 2022 (DoRA)	<p>Section 12(5)</p> <p>Section 16(1)</p>
Municipal Property Rates Act	<p>Section 3(1)</p>
Disciplinary Regulations for Senior Managers	<p>Section 5(2)</p> <p>Section 5(3)</p> <p>Section 5(6)</p> <p>Section 8(4)</p>

Financial Misconduct Regulation	Section 5(4) Section 6(8)(a) Section 10(1)
Prevention and Combating of Corrupt Activities	Section 34(1)
Municipal performance regulations for municipal managers and directly accountable to municipal managers	Section 2(3)(a) Section 4(4)(b) Section 8(1) Section 8(2) Section 8(3)
Regulations on appointments and conditions of employment of senior managers	Section 36(1)(a) Section 17(2)
MSA: Municipal Staff Regulations	Regulations: 7(1) Regulations: 31
Preferential Procurement Policy Framework	Sections 2(1)(a) Sections 2(1)(f)
Preferential Procurement Regulations	Regulations 4(1) Regulations 4(2) Regulations 5(1) Regulations 5(3) Regulations 5(6) Regulations 5(7) Regulations 6(1) Regulations 6(2) Regulations 6(3) Regulations 6(6) Regulations 6(8) Regulations 7(1) Regulations 7(2) Regulations 7(3) Regulations 7(6) Regulations 7(8) Regulations 8(2) Regulations 8(5) Regulations 9(1) Regulations (1)

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