



AUDITOR - GENERAL
SOUTH AFRICA

The accounting officer
Musina Local Municipality
Private Bag X611
Musina
0900

30 November 2023

Reference: 02284REG22-23

Dear Mr N Tshivanammbi

Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of Musina Local Municipality for the year ended 30 June 2023

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act No. 25 of 2004 (PAA) read in conjunction with section 188 of the Constitution of the Republic of South Africa section and 126(3) of the Municipal Finance Management Act 56 of 2003 (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and the annual performance report and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements, the annual performance report or our report on compliance with legislation. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the auditor's report in the municipality's annual report to be tabled.
4. Prior to printing or copying the annual report which will include the auditor's report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the auditor's report and for confirmation that the financial statements, annual performance report and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in

the hard copy that is provided to you. The official logo will be made available to you in electronic format.

5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
6. The confidentiality of information obtained in an engagement must be observed at all times. In terms of section 50 of the PAA and the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (*including International Independence Standards*), members of the staff of the Auditor General (AG), or an audit firm appointed in terms of section 25 of the PAA, may not disclose or make available any information obtained during an audit, other than the final auditor's report, to any third party without the permission of the AG or his/her delegate, unless this is to a legislature or internal committee of a legislature or a court in a criminal matter.
7. Until the steps described in paragraphs 2 and 4 of this document are completed and the annual report is tabled as required by section 127(2) of the MFMA, the audit report is not a final and public document and you are therefore requested to treat it as confidential.
8. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



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Lucky Ledwaba
Senior Manager: Limpopo

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Report of the auditor-general to Limpopo Provincial Legislature and Council on Musina Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Musina Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, and 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 Musina Local Municipality as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the 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 2022 (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.

Restatement of corresponding figures

7. As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipality as at, and for the year ended 30 June 2023.

Impairment of receivables

8. As disclosed in notes 3.1, 3.2 and 4.1 to the annual financial statements, impairment of receivables to the amount of R53 002 301 for exchange transactions and R4 864 221 for non-exchange transactions was made due to the low recovery of debtors.

Unspent transfers and subsidies

9. As disclosed in note 15.1 to the annual financial statements, the municipality materially underspent the Municipal Infrastructure Grant (MIG) by R6 552 761.

Other matters

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

Unaudited supplementary schedules

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

Responsibilities of the accounting officer for the financial statements

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP, 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.
13. 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

14. 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.
15. 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

16. 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 priorities presented in the annual performance report. The accounting is responsible for the preparation of the annual performance report.
17. I selected the following development priorities presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected development priorities that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Development priority	Page numbers	Strategic objective
KPA 1: basic service delivery	[XX]	To initiate and improve the quantity and quality of municipal infrastructure services
KPA 5: spatial rationale and local economic development	[XX]	To create a conducive environment for sustainable economic growth

18. I evaluated the reported performance information for the selected development priorities 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.
19. 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.
 - 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 reasons provided for any over- or underachievement of targets / measures taken to improve performance.
20. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
21. The material findings on the reported performance information for the selected development priority are as follows:

KPA 1: Basic service delivery

Commencement of electrification project in Rhino Ridge

22. I could not determine if the predetermined nature and required level of performance and/or method of calculation used when measuring the achievement of the target of commencement of the electrification project in Rhino Ridge was correct, as the indicator is not measurable and verifiable. The processes and systems that produce the indicator could not be validated.

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 / measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

Basic service delivery

<i>Targets achieved: 25%</i> <i>Budget spent: R31 738 960</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of the Tshikudini Community hall constructed	1	0
Number of Lesley Manyathela stadium rehabilitated	1	0
Number of the Mabvete community hall constructed	1	0
Number of the Shakadza multi-purpose centre constructed	1	0
Kilometers of the Nancefield Ext 9 and 10 paved road constructed (Phase 2)	1.1km	0
Commencement of electrification project in Rhino Ridge	1	0

Material misstatements

25. 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 the misstatement and I reported material finding in this regard.

Report on compliance with legislation

26. 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.
27. 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.
28. 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.

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

Expenditure management

30. Money owed by the municipality was not always paid within 30 days/ an agreed period, as required by section 65(2)(e) of the MFMA.

Consequence management

31. 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.
32. 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.
33. 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.

Human resource management

34. Financial interest was not disclosed by senior managers within 60 days from date of appointment, as required by 36(1)(a) on appointment and conditions of employment of senior managers.

Other information in the annual report

35. The accounting officer is responsible for the other information included in the annual report, which includes, 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.
36. 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.
37. 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.
38. 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

39. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
40. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the material findings on the annual performance report and the material finding on compliance with legislation included in this report.
41. There was no adequate review and monitoring of compliance with applicable laws and regulations.
42. The leadership did not have an adequate record keeping system to enable reliable reporting on performance achievement and retrieving of supporting information used to prepare the annual performance report.

Auditor General

Polokwane

30 November 2023



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 , 2003 (Act No. 56 of 2003) (MFMA) and regulations issued in terms of the act	122(1) 126(1)(a) 133(1)(a) 133(1)(c)(i) 133(1)(c)(ii) 127(2) 127(5)(a)(i) 127(5)(a)(ii) 129(1) 129(3) 65(2)(e) 11(1) 65(2)(a) 65(2)(b) 62(1)(d) 87(8) 62(1)(d) 15 29(1) 29(2)(b) 62(1)(f)(i) 62(1)(f)(iii) 62(1)(f)(ii) 64(2)(e) 64(2)(f) 64(2)(b) 64(2)(c) 64(2)(g) 63(2)(a) 63(2)(c) 13(2) 14(1) 14(2)(a) 14(2)(b) 32(2)(a)

Legislation	Sections or regulations
	32(2)(a)(ii) 32(2)(a)(i) 32(2)(b) 170 1 - paragraph (a), (b) & (d) of the definition: irregular expenditure 32(2) 32(2)(b) 32(6)(a) 32(7) 32(2)(b) 171(4)(a) 171(4)(b) 53(1)(c)(ii) 1 72(1)(a)(ii) 24(2)(c)(iv) 54(1)(c) section 117 116(2)(b) 116(2)(c)(ii) 112 (1)(j)
Municipal budget and reporting 71(1)	71(1) 71(2) 71(3) 73(2) 70 75(2)
Disciplinary regulations for senior managers	5(2) 5(3) 5(6) 8(4)
Financial Misconduct	5(4) 6(8)(a) 10(1) 6(8)(b) 10(1)
PRECCA	34(1)

Legislation	Sections or regulations
Annual Division of Revenue Act (DoRA)	16(1) 11(6)(b) 12(5) 16(3)
Municipal investment regulations	3(1)(a) 3(2) 3(3) 6 7 12(2) 12(3)
Municipal planning and performance management regulation	15(1)(a)(i) 2(1)(e) 2(3)(a) 9(1)(a) 10(a) 12(1) 3(4)(b) 15(1)(a)(ii) 3(5)(a) 3(6)(a) 3(3) 8 7(1)
Supply Chain Management Regulation	12(1)(c) 16(a) 17(a) 17 (c) 17 (b) 13 (c) 14 43 19(a) 19(b); 36(1)(a) 12(3) 27(2)(a)&(e) 22(1)(b) & 22(2)

Legislation	Sections or regulations
	28(1)(a)(i) 21(b) 29(1) (a) & (b) 5 13(c) 29(5)(a)(ii) & (b)(i) 38 32 44 46(2)(e) 46(2)(f)
PPPFA	2(1)(a) 2(1)(f)
PPR 2017	6(1) and 7(1) 6(8), 7(8), 10(1)&(2) & 11(1) 5(1) & 5(3) 5(6) 5(7) 9(1) 8(2) 8(5)
PPR 2022	4(1) and 5(1) 4(4) & 5(4)
CIDB Act	18(1) 17 25(7A)
Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and regulations and instructions issued in terms of the act	74(1) 96(b) 29(1)(b)(ii) 29(3)(b) 42 25(1) 26(a) 26(c) 26(i) 26(h) 41(1)(a)

Legislation	Sections or regulations
	sec. 43(2) 41(1)(b) 34(a) 41(1)(c)(ii) 34(b) 38(a) schedule 1: Code of conduct for councillors section 5(2), 7(1) & (2); schedule 2: Code of conduct for municipal staff members section 5(1) and 5A(1) & (2). 57(6)(a) 56(a) 93J(1) 66(1)(b) 66(1)(a) 67(1)(d) 57(2)(a) 57(4B)
Municipal performance reg for municipal managers and managers directly accountable to municipal managers	2(3)(a) 4(4)(b) 8(1) 8(2) 8(3)
on appointment and conditions of employment of senior managers	36(1)(a) 17(2)
Municipal Property Rates Act, 2004 (Act No. 6 of 2004) and regulations and instructions issued in terms of the act	3(1)