

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 Musina Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Musina Local Municipality as at 30 June 2025 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 24 of 2024 (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.
7. As disclosed in note 38 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the municipality as at, and for the year ended 30 June 2025.
8. As disclosed in notes 3.1, 3.2 and 4.1 to the annual financial statements, impairment of receivables to the amount of R26 497 153 for exchange transactions and R54 258 872 for non-exchange transactions was made due to the low recovery of debtors.

Other matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter.
10. 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.
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 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.
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. This description, which is located at page 10 to 11 of the annexure to the auditor's report, forms part of our 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 officer 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 2025 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
Basic Service Delivery and Infrastructure Development	[XX]	To initiate and improve the quantity and quality of municipal infrastructure services
Municipal Transformation and Organisational Development	[XX]	To deepen democracy and promote accountability

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
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

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

21. I did not identify any material findings on the reported performance information for the selected development priorities.

Other matters

22. I draw attention to the matters below.

Achievement of planned targets

23. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

24. 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. The measures taken to improve performance are included in the annual performance report on pages 8 to 14 and 19 to 22.

Basic service delivery and infrastructure development

<i>Targets achieved: 52.17%</i> <i>Budget spent: 100%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
To construct one community hall at Mabvete by 30th June 2025. (Ward 08)	1	0
To Construct one multi-purpose centre at Shakadza village by the 30th of June 2025. (Ward 11)	1	0
To pave 2.7 km of road at Nancefield Phase 6 and 12 by the 30th of June 2025.	2.7km	0km
To provide electricity connection points for 150 households at Rhino Ridge Development by the 30th of June 2025.	150	0

Report on compliance with legislation

25. 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.

26. 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.

27. 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.
28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Human resource management

29. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal Systems Act 32 of 2000 and regulation 31 of the municipal staff regulation.

Expenditure management

30. Reasonable steps were taken to ensure that 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.
31. Reasonable steps were not taken to prevent irregular expenditure amounting to R35 593 824 as disclosed in note 39.3 to the annual financial statements, as required by section 62(1)(d) of the MFMA.
32. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R3 129 977, as disclosed in note 39.2 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 late payments.

Consequence management

33. 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.
34. 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.
35. 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.

Procurement and contract management

36. Some of the contracts and quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43
37. Some of the contracts were awarded to bidders based on points given for legislative requirement that were not stipulated /differed from those stipulated in the original invitation for

bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the preferential procurement regulations.

38. Some of the quotations were awarded to bidders based on preference points that were not allocated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations.
39. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and 2022 preferential procurement regulation 4(4) and 5(4).

Other information in the annual report

40. 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.
41. 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.
42. 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.
43. 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

44. 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.
45. 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.
46. Reviews and monitoring of compliance with applicable laws and regulations were inadequate.

47. The leadership did not monitor controls to ensure that supporting documents requested for tenders awarded are submitted to the auditors on the agreed time.

Auditor General

Polokwane

30 November 2025



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 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)

Legislation	Sections or regulations
	22(1)(b) & 22(2) 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)

Legislation	Sections or regulations
	41(1)(a) 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)