Report of the auditor-general to Limpopo provincial legislature and Council on Lepelle-Nkumpi Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Lepelle-Nkumpi 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, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended 30 June 2025, 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 Lepelle-Nkumpi Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the requirements of the Standards of Generally Recognised Accounting Practise (Standards of GRAP), 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 matter below. My opinion is not modified in respect of this matter.

7. As disclosed under note 32 to the financial statements, the financial statements, an amount of R70 387 251 was impaired due the municipality`s inability to recover the amounts owed by its trade debtors.

8. As disclosed in note 41 to the financial statements, the municipality is a defendant in various legal claims. The municipality is opposing these claims, as it believes that it has reasonable grounds to defend these cases. 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.

9. As disclosed in 40 to the financial statements, the corresponding figures for 30 June 2024 have been restated as a result of errors discovered in the financial statements of the municipality for the year ended 30 June 2025.

10. As disclosed in note 13 to the financial statements, the municipality materially unspent the municipal infrastructure grant with R9 306 082.

Other matters

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

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 thereon.

Responsibilities of the accounting authority for the financial statements

13. The accounting authority 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 authority 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 authority 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 xx, forms part of my 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 area 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 area presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected key performance area that measures 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
Basic service delivery and infrastructure development	XX - XX	• To improve access to waste management services. • To ensure public safety on the road • To ensure access to free basic services. • To promote social cohesion and nation building. • To ensure environmental compliance and protection • To provide access to community, sports, recreation and childcare facilities.

19. 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.

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 and is comparable and understandable
- 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 area.

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 measures taken to improve performance.

25. The table that follows provide 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 measures taken to improve performance are included in the annual performance report on pages xx to xx.

Basic service delivery and infrastructure development

Targets achieved: 34%

Budget spent: 27.3%

Key indicators not achieved	Planned target	Reported achievement
Tec 01: Number of additional households connected to electricity grid in Montantanayane Village by June 2025.	150	0
Tec 02: Number of additional households connected to electricity grid in Makweng ga-Tjale Village by June 2025	200	0
Tec 03: Number of additional households connected to electricity grid in Matjatji Village by June 2025	100	0
Tec 04: Number of additional households connected to electricity grid in Matjatji Village by June 2025	150	0
Tec 05: Number of additional households connected to electricity grid in Mapatjakeng Village by June 2025	39	0
Tec 06: Number of additional households connected to electricity grid in Jackiland village by June 2025	1000	0
Tec 07: Number of additional households connected to electricity grid at Jackiland village by June 2025	750	0
Tec 08: Number of additional households connected to electricity grid in Legwareng village June 2025	50	0
Tec 09: Number of additional households connected to electricity grid in Seruleng village by June 2025	50	0
Tec 10: Number of additional households connected to electricity grid in Sekurwaneng by June 2025	50	0
Tec 12: Number of retrofitting existing high mast lights upgraded at Lebowakgomo township by June 2025	25 retrofitting 285 street lights	13 Retrofitting 0 Street lights
Tec 13: Number of solar high mast lights erected at Lebowakgomo Zone A,B,F,BA,H,P,R,S,Q by June 2025	16	0

Tec 14: Erection of solar high mast at sedimothole, Mogoto, Maileng, Sehlabeng, Matitii, Sekiming, Ga-Mokgoba, Ramonwane and Malemati by June 2025	9	0
Tec 16: Number of bridges constructed at Mangwakwa/Maijane village by June 2025	1	0
Tec 18: Number of Kilometers of roads constructed from gravel to tar and storm water control system at khureng (Asphalt) by June 2025	6 km	0
Tec 19: Number of Kilometers of internal road and storm water control system constructed at Mathibela village (Asphalt) by June 2025	3 km	0
Tec 20: Number of Kilomenters of storm of water control system constructed at Ga-rakgoathana Village by June 2025.	5 Km	0
Tec 22: Number of Kilometers of internal street constructed at lebowakgomo zone S (Asphalt) by June 2025.	2 Km	0
Tec 23: Number of kilometers of internal roads constructed at lebowakgomo zone A (Concrete paving blocks/Asphalt by june 2025)	4km	0
Tec 24: Number of kilometers of internal road upgraded from gravel (Asphalt) at Mamaolo village (Taxi rank to legwareng) by June 2025	1,78km	0
Tec 26: Number of kilometers of internal street constructed from gravel to tar (asphalt) with storm water control systems at Phalakwane village by June 2025.	3,5km	0
Tec 27: Number of kilometers of internal street constructed from gravel to paving block at Mphahlele traditional authority by june 2025	1	0
Tec 28: Number of kilometers of internal street constructed from gravel to paving block at to Moletlane traditional authority by June 2025	1	0
Tec 29: Number of kilometers of internal street constructed from gravel to paving block at Seloane traditional authority by June 2025	1	0
Tec 30: Number of kilometers of internal street constructed from gravel to paving block at Mafefe traditional authority by june 2025	1	0
Tec 31: Number of kilometres of internal street constructed from gravel to paving block at Ledwaba traditional authority by june 2025	1	0

Tec 33: Number of Kilometers of internal street constructed from gravel to paving block at Mathabatha traditional authority by June 2025.	1	0
Tec 41: Number of recreational facilities developed at Serobaneng village by June 2025	1	0
Tec 42: Number of existing vehicle testing station upgraded to grade A at Lebowakgomo Zone A by June 2025	1	0
Tec 43: Number of municipal offices constructed at Lebowakgomo civic by June 2025	1	0
Tec 48: Number of recreational facilities developed at Makushaneng village by June 2025	1	0
Tec 49: Number of recreational facilities developed at Seruleng village by June 2025	1	0
Tec 50: Number of Thusong centre developed at at Magatle village by June 2025.	1	0
Tec 51: Number of recreational facilities developed at Lesetsi village by June 2025.	1	0
Tec 52: Number of buildings and facilities maintained by June 2025	5 Buildings maintained and 7 facilities	2 buildings maintained
Tec 53: Number cemeteries maintained by June 2025 at (Ledwaba cemetery and Lebowakgomo cemetery)	2	1
Com 01: Number of areas provided with weekly waste collection services at Zone A,BA,B,C (MEC Res), IA (Habakuk). R.P.Q.F. and S by June 2025.	10	0
Com 11:Number of parks maintained by June 2025	5	0

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:

Annual financial statements

30. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

31. Material misstatements of current assets, current liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

32. Reasonable steps were not taken to prevent irregular expenditure amounting to R43 487 808 as disclosed in note 48 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations.

Procurement and contract management

33. Measures to combat the abuse of the SCM system were not implemented as per the requirements of SCM regulation 38(1), as some of the contracts were awarded to providers who abused the SCM system of the municipality.

Consequence management

34. Unauthorised expenditure incurred because of overspending of the budget 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.

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 objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

36. My opinion on the financial statements and my reports on the audit of the annual performance report and 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. After I receive and read this information, and if I conclude that there is a material misstatement, 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 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 material findings on the annual performance report and the material findings on compliance with legislation included in this report.

41. Senior management did not adequately oversee the operations of the municipality, as the financial statements and annual performance report contained material misstatements not detected by the municipality's own system of internal control.

42. Internal controls for monitoring compliance with legislation were ineffective as it did not detect and prevent instances of non-compliance.

43. The municipality developed and monitored plans to address prior year external audit findings, but the plans did not adequately address the significant findings on compliance with legislation included in this report.

Auditor - General

Polokwane

29 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 priority 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 - Definition: service delivery and budget implementation plan
	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure
	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 170
	Section 171(4)(a)
	Section 171(4)(b)
	Section 24(2)(c)(iv)
	Section 53(1)(c)(ii)
	Section 54(1)(c)
	Section 72(1)(a)(ii)
	Section 13(2)
	Section 14(1)
	Section 14(2)(a)
	Section 14(2)(b)
	Section 63(2)(a)
	Section 63(2)(c)
	Section 11(1)
	Section 15
	Section 28(1)
	Section 29(1)
	Section 29(2)(b)
	Section 62(1)(d)
	Section 65(2)(a)
	Section 65(2)(b)
	Section 65(2)(e)
	Section 64(2)(b)
	Section 64(2)(c)
	Section 64(2)(e)

Legislation	Sections or regulations
	Section 64(2)(f) Section 64(2)(g) Section 62(1)(f)(i) Section 62(1)(f)(iii) Section 62(1)(f)(ii) Section 122(1) Section 126(1)(a) Section 127(2) Section 127(5)(a)(i) Section 127(5)(a)(ii) Section 129(1) Section 129(3) Section 133(1)(a) Section 133(1)(c)(i) Section 133(1)(c)(ii) Section 112(1)(j) Section 116(2)(b) Section 116(2)(c)(ii) Section 117
Municipal Investment Regulations	Regulation 3(1)(a) Regulation 3(3) Regulation 6 Regulation 7 Regulation 12(2) Regulation 12(3)
Municipal budgeting and reporting regulation	Regulation 71(1)(a) Regulation 71(1)(b) Regulation 71(2)(a) Regulation 71(2)(b) Regulation 71(2)(d) Regulation 72(a) Regulation 72(b) Regulation 72(c)
Municipal System Act	Section 25(1) Section 26(a) Section 26(c) Section 26(h) Section 26(i)

Legislation	Sections or regulations
	Section 29(1)(b)(ii) Section 29(3)(b) Section 34(a) Section 34(b) Section 38(a) Section 41(1)(a) Section 41(1)(b) Section 41(1)(c)(ii) Section 42 Section 43(2) Section 54A(1)(a) Section 56(1)(a) Section 57(2)(a) Section 57(6)(a) Section 66(1)(a) Section 66(1)(b) Section 67(1)(d) Section 74(1) Section 96(b)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulation 17(2) Regulation 36(1)(a)
MSA: Municipal Staff Regulations	Regulation 7(1) Regulation 31
Municipal Planning and Performance Management Reg.	Regulation 2(1)(e) Regulation 2(3)(a) Regulation 3(3) Regulation 3(4)(b) Regulation 3(6)(a) Regulation 7(1) Regulation 8 Regulation 9(1)(a) Regulation 10(a) Regulation 12(1) Regulation 15(1)(a)(i) Regulation 15(1)(a)(ii)
Division of Revenue Act 5 of 2023 (DoRA)	Section 12(5) Section 16(1)

Legislation	Sections or regulations
Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulation 5(4) Regulation 6(8)(a) Regulation 6(8)(b) Regulation 10(1)
Municipal Property Rates Act	Section 3(1)
Disciplinary Regulations for Senior Managers	Regulation 5(2) Regulation 5(3) Regulation 5(6) Regulation 8(4)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulation 5(4) Regulation 6(8)(a) Regulation 6(8)(b) Regulation 10(1)
PRECCA	Section 34(1)
Municipal performance regulations for municipal managers and directly accountable to municipal managers	Regulation 2(3)(a) Regulation 4(4)(b) Regulation 8(1) Regulation 8(2) Regulation 8(3)
Regulations on appointments and conditions of employment of senior managers	Regulation 17(2) Regulation 36(1)(a)
Preferential Procurement Policy Framework Act 5 of 2000	Section 2(1)(a) Section 2(1)(f)
Municipal Supply Chain Management	Regulation 5 Regulation 12(1)(c) Regulation 13(b) Regulation 16(a) Regulation 17(1)(a) Regulation 17(1)(b) Regulation 17(1)(c) Regulation 19(a) Regulation 21(b) Regulation 22(1)(b)(i) Regulation 22(2) Regulation 27(2)(a) Regulation 28(1)(a)(i)

Legislation	Sections or regulations
	Regulation 29(1)(a) Regulation 29(1)(b) Regulation 29(5)(a)(ii) Regulation 29(5)(b)(ii) Regulation 32 Regulation 36(1) Regulation 36(1)(a) Regulation 38(1) (c) Regulation 38(1)(d)(ii) Regulation 38(1)(e) Regulation 38(1)(g)(i) Regulation 38(1)(g)(ii) Regulation 38(1)(g)(iii) Regulation 43 Regulation 44 Regulation 46(2)(e) Regulation 46(2)(f)
Construction Industry Development Board Act	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17 Regulations 25(7A)
Preferential Procurement Regulations, 2022	Regulation 4(1) Regulation 4(4) Regulation 5(1) Regulation 5(4)