

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Fetakgomo Tubatse Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget 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 Fetakgomo Tubatse Local Municipality as at 30 June 2024 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 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.

Material allowance for impairment

7. As disclosed in note 15 to the financial statements, the gross consumer debtor balance amounted to R466 259 752 and as a result of irrecoverable debtors, a material allowance for impairment of R386 256 807 was made.

Restatement of corresponding figures

8. As disclosed in note 54 and 55 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

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
12. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page XX, forms part of our auditor's report.

Report on the audit of the annual performance report

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported

performance against predetermined objectives for the selected key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Key performance area	Page numbers	Purpose
KPA 3: Infrastructure development and basic service delivery	[XX]	To facilitate for basic service delivery and infrastructure development / investment

17. I evaluated the reported performance information for the selected key performance area against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality’s planning and delivery on its mandate and objectives.

18. I performed procedures to test whether:

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

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

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

KPA 3: Infrastructure development and basic service delivery

of indigent households receiving free basic electricity (FBE)

21. An achievement of 3 033 was reported against a target of 2 500. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determine if the target was achieved.

% Progress in Construction of Ga Debeila to Mohlaletsi internal street phase 1

22. The municipality reported an achievement of 12% in the current year whilst, according to the practical completion certificate, the project was completed on 5 September 2022. The project was supposed to be reported on in the prior financial year.

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. This information should be considered in the context of the material findings on the reported performance information.

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

KPA 3: Infrastructure development and basic service delivery

<i>Targets achieved: 44%</i>		
<i>Budget spent: 76%</i>		
Key indicator not achieved	Planned target	Reported achievement
% Construction of Magakala access bridge and access roads - Phase 2	100%	79.50%
% Construction of Mashung internal streets (Nchabeleng, Nkoana and Apel) – Phase 1	100%	95.31%
# of Municipal households electrified	5 136	0
% Completion of planning and design of streetlights at main intersections	100%	0%

<i>Targets achieved: 44%</i>		
<i>Budget spent: 76%</i>		
Key indicator not achieved	Planned target	Reported achievement
% of municipal surface roads identified for maintenance maintained	100%	44%
# of traffic lights replaced	8	0

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 infrastructure development and basic service delivery. Management did not correct all of the misstatements and I reported material findings in this regard.

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

31. 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.

Material misstatements of non-current assets, current assets and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Strategic planning and performance management

32. The performance management's related controls were inadequate as it did not function how the performance planning and reporting processes should be managed, as required by municipal planning and performance management regulation 7(1).

Expenditure management

33. Reasonable steps were not taken to prevent irregular expenditure amounting to R46 851 432 as disclosed in note 62 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by the non-compliance with the Preferential Procurement Policy Framework Act 5 of 2000 and the supply chain management (SCM) regulations.

34. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R275 655 848, as disclosed in note 60 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the total amount appropriated for vote: finance and administration in the approved operating and capital budgets.

Procurement and contract management

35. Sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements as contracts were taken by the Directorate for Priority Crime Investigation (DPCI) for independent investigations. Similar limitation was also reported in the prior year.

Other information in the annual report

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

37. 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.

38. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

39. 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

40. 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.
41. 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.
42. 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.
43. Internal controls for reviewing the annual performance report and monitoring compliance with legislation were ineffective as it did not detect and prevent instances of non-compliance.

Material irregularities

44. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Overpayment of supplier

45. In terms of section 65(2)(a) of the MFMA, the accounting officer must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.
46. The municipality appointed a service provider in 2014 for the compilation of a valuation roll and supplementary valuation roll for a period of four years (July 2015 to June 2019), at a total cost of R2 960 000. The municipality made payments amounting to R11 743 248 whereas the contract amount was for R2 960 000. The municipality made an overpayment of R8 783 248 and has not yet recovered the money from the supplier. This resulted in non-compliance with section 65(2)(a) of the MFMA and a material financial loss of R8 783 248 for the municipality.
47. The accounting officer was notified of the material irregularity (MI) on 9 December 2022 and invited to make a written submission on the actions taken and that will be taken to address the MI. The accounting officer responded on 15 February 2023 and the following actions have been taken to address the MI:

- The municipality implemented a contract management practice wherein every payment is validated against the valid contract price to avoid overpayments.
- The accounting officer issued summons against the service provider to recover the overpayment, which was issued in the Polokwane High Court under case number 613/2021 on 11 February 2021 and was duly served on 22 September 2021.
- The accounting officer made an application to the court for default judgement after summons were served and since pleadings changed, there was no response from the respondent. The court on 12 September 2023 issued a default judgement in favour of the municipality, ordering the service provider to pay the R8 783 248.
- The municipal attorney informed the accounting officer on 4 September 2024 that the court order has been referred to the liquidator (service provider is under liquidation) for consideration and as of the date of this report a response was not yet received from the liquidator.
- A case has been opened with the Hawks for implementation of consequence management (Burgersfort CAS 6/10/2018)

48. I received your written submission on 6 June 2024 and further evidence on 4 September 2024. I considered the representations made and the substantiating documents provided and concluded that appropriate actions have been taken to address the MI. Therefore, I will not pursue this matter any further.

Unexplained withdrawals from the municipal bank account

49. In terms of section 11(1) of the MFMA, Only the accounting officer or the chief financial officer of a municipality, or any other senior financial official of the municipality acting on the written authority of the accounting officer, may withdraw money or authorise the withdrawal of money from any of the municipality's bank accounts.
50. The municipality's bank account was reduced with unexplainable transactions valued at R4 525 179, from August 2021 to September 2022, consisting of debit orders, petty cash withdrawals and electronic fund transfers. The transactions are "unexplainable" as they were not authorised for payment or debit order by the accounting officer or chief financial officer. The municipality managed to recover R1 389 803 from the financial institution. This resulted in non-compliance with section 11(1) of the MFMA and a material financial loss of R3 135 376 for the municipality.
51. The accounting officer was notified of the MI on 13 December 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded on 27 September 2023 and the following actions have been taken to address the MI:
- An internal validation of the unauthorised debit order was conducted on from October 2021 by the municipality, in an effort to determine the allocation of the withdrawals from the bank account and the process is still ongoing to recover the outstanding amounts. Upon conclusion that the debit orders were not authorised by either the accounting officer or chief financial officer, a formal dispute was lodged with the bank on 21 July 2022, to investigate the amounts. The initial unexplainable transaction amount increased to R4 729 971 while

R4 392 740 was recovered by the municipality as at 30 November 2023 which represents a recovery rate of 93%.

- Engagements with the bank is continuing on the recovery of the remaining R337 231. As of to date, the bank did not finalise their investigation. On advice from the bank, the municipality cancelled all its debit orders except with the electricity supplier, in order to mitigate the risk of unauthorised debit orders.
- The accounting officer opened a case (Case no 07/10/2023) with DPCI on 7 October 2023 in line with section 34 of the Prevention and Combating of Corrupt Activities Act 12 of 2004. DPCI informed the accounting officer on 29 November 2023 that the case is still under investigation.
- Based on the municipality's letter of 25 June 2024, it has disputed the debit orders to the value of R5 090 621 in relation to the 2021-2023 financial years with the bank and recovered R4 407 442 which represents a 87% recovery rate. This represents an increase from the amount reported in the prior year's audit report. The municipality is continuing having engagements with the bank on the recovery of the remaining R683 179. If the municipality is unable to recover the amount from the bank it will consider other dispute resolution mechanism through bank insurance or litigation to recover the remaining outstanding amounts.

52. I received your written submission on 25 June 2024. I considered the representations made and the substantiating documents provided and concluded that appropriate actions have been taken to address the MI. Therefore, I will not pursue this matter any further.

Ineffective use of consultants

53. The municipality appointed various consultants at a cost of R18 593 474 for the preparation of the annual financial statements (R4 000 000 per annum), asset management (R10 038 139 per annum) and value-added tax services (R4 555 334 per annum). The municipality failed to perform an adequate assessment of the needs and requirements to confirm that the municipality does not have the requisite skills or resources in its full-time employ to perform these functions prior to appointing the consultants. The needs assessment/gap analysis that was in place did not provide detailed evidence on shortage of staff in the finance unit, as the number of the vacant positions at management level, was not significant. This resulted in non-compliance with section 5(1) of the Municipal Cost Containment Regulations and resulted in a likely material financial loss of R18 593 474.

54. The accounting officer was notified of the MI on 1 April 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded on 26 September 2023 and the following actions have been taken to address the MI:

- The accounting officer developed and implemented a comprehensive financial and in-reporting capacity building programme to address the historic challenges of a weak control environment and over-reliance on consultants which was caused by a lack of rationalisation of the organogram and responsibilities of the merger of the two municipalities (Fetakgomo

and Greater Tubatse local municipalities) which resulted in inefficiencies and lack of effectiveness in operations.

- The capacity building programme is in its second year of a three-year term and service providers provide monthly reports to the manager financial reporting and chief financial officer. The service provider is conducting GRAP training to the officials as part of the signed skills transfer agreement. To date, the municipality is capacitating the supply chain management unit and also developed a reporting and compliance unit. Both managers were appointed on 1 June and 1 October 2023 respectively and the senior accountants and accountant positions are now at the capturing stage. The contract for the tax service consultant is ending on 2 July 2024 and thereafter the function will be performed internally.
- Despite the reported likely financial loss R18 593 474, the municipality did not obtain any findings on asset management and VAT and therefore the municipality realised their value for money on the utilisation of the asset and VAT preparation services.
- The qualification opinion obtained in 2021-22 financial year was on the commitment register and irregular expenditure, and based on the management response dated 25 April 2024, these cannot be attributed to the service provider. The municipality has recalculated the likely financial loss of R515 000 paid to the consultants as follows:
 - The estimated salary for the relevant official was below R515 000 per annum, excluding benefits. This official was solely responsible for the commitment register but also handled other responsibilities. To confirm the loss, the auditor's inspected the payslips and confirmed that the total salary paid including allowances was R619 402 and that will be the likely financial loss.
 - There was no evidence of intentional misappropriation of funds by the official, and no direct financial loss occurred. The accounting officer in September 2023, performed an assessment and deemed no one to be responsible for the likely financial loss, as the utilisation of consultants was as the result of the inefficiencies and lack of effectiveness in the operations due to the merger that took place in 2016.
- Asset management services and financial statement preparation services consultants' contracts are ending on 18 July 2025 and 31 December 2024, respectively, and the scope will be revised for the consultant to assist with critical asset management skills outside the scope of the municipal capacity. Furthermore, the financial reporting unit has been capacitated with the financial manager and two accountants specifically for the preparation of the financial statements and have been designated the licences with Caseware. Interim and final financial statements will be prepared internally under the review of the consultants. VAT preparation services ended 31 July 2024, however, the accounting officer extended the contract on a month to month basis for a period not exceeding 12 months, ending on 30 June 2025 to provide audit support, train interns for smooth transfer of skills to avoid fines and penalties and reduced VAT recovery that could impact negatively on the working capital.
- From the above, the accounting officer concluded that all financial losses and further financial losses have been prevented and the use of consultants will be minimised in the

2024-25 financial year. Compared to 2022-23, the use of consultants for 2023-24 has decreased with R3 649 466, to R32 353 946

55. I received your written submission on 18 July 2024 and 26 September 2024. I considered the representations made and the substantiating documents provided and have concluded that appropriate actions have been taken to address the material irregularity. Therefore, I will not pursue this matter any further.

Overpayment to supplier - Motodi sports complex

56. In terms of section 65(2)(a) of the MFMA, the accounting officer must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.

57. The municipality failed to maintain an effective system of expenditure control by overpaying a contractor for construction of the sports complex or by paying for service that was not received. The contractor claimed for a 2.3 km fence amounting to R2 990 000 whereas the actual fence built/installed on site was 1.7 km, which is an overpayment by R734 500. In addition, the contractor claimed for 14 000 m² segmented paving for an amount of R1 170 000 whereas the actual segmented paving installed on site was 5 971 m², incurring an overpayment by R632 610. This resulted in non-compliance with section 65(2) (a) of the MFMA and has resulted in a material financial loss of R1 572 176.

58. The accounting officer was notified of the MI on 22 March 2023 and invited to make a written submission on the actions taken and that will be taken to address the MI. The accounting officer responded on 26 September 2023 and the following actions have been taken to address the MI:

- The accounting officer requested written submissions on 18 April 2023 from the affected officials involved in the projects. The accounting officer is still reviewing these submissions and will obtain a legal opinion for the best approach to resolve on the matter.
- The matter was referred to the Municipal Public Accounts Committee (MPAC) on 21 August 2023 and to an external service provider on 31 August 2023 for further investigations. The investigation was completed on 2 October 2024 and the following was recommended:
 - The municipality should recover the overpayment of R734 500 from the contractor for the installation of the fence and R632 610 overpayment for the paving, a total of R1 572 176 will be recovered.
 - To mitigate the impact, the recovery should be done by deducting the amount of R1 572 176.50 from the retention amount on the project, which is R3 722 000, with the balance to be paid to the contractor.
 - The municipality should implement consequence management against three municipal officials as a result of the lapses that took place during the implementation of the project. The following officials were found to be responsible; manager roads and storm water, technician: PMU and manager parks and cemetery.

- Training on contract management and record keeping should be conducted from time to time to capacitate municipal officials who are managing technical projects.
- The legal department was instructed to institute letters of recovery of the overpaid amounts to the affected contractor and for actioning disciplinary processes on affected officials.
- Relating to the recommended training needs, the municipality will incorporate those needs in the workspace skills plan for 2025-26.
- The following internal controls are being implemented to prevent the re-occurrence:
 - The contract engineer will certify the work of the contractor. The certified work is to be submitted to the project manager, who will go on site to verify that the certified work has been executed as reported
 - The project manager will prepare a memo to the director to confirm that certified work is verified, for a payment to be processed in accordance with the work done

59. I will follow up on the implementation of the planned actions during my next audit.

Overpayment to supplier - Magotwaneng access bridge

60. In terms of section 65(2)(a) of the MFMA, the accounting officer must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds.
61. The municipality failed to maintain an effective system of expenditure control by overpaying a contractor on the construction of Magotwaneng access bridge. The municipality paid for goods and services or for quantities that were not received, i.e. paid for more items but received less. There was an over-claim of R4 941 953 on certain activities as compared to what was received by the municipality and that was on site. The project had already achieved practical completion on 10 November 2020. This resulted in non-compliance with section 65(2)(a) of the MFMA and resulted in a material financial loss of R4 941 953.
62. The accounting officer was notified of the MI on 22 March 2023 and invited to make a written submission on the actions taken and that will be taken to address the MI. The accounting officer responded on 26 September 2023 and the following actions have been taken to address the MI:
- The accounting officer requested written submissions on 18 April 2023 from the affected officials involved in the projects. The accounting officer is still reviewing the submissions made and will obtain a legal opinion for the best approach to resolve on the matter.
 - The matter has been referred to the MPAC on 21 August 2023 and an external service provider on 31 August 2023 for further investigations. The investigation was completed on 2 October 2024 and the following was recommended:
 - The municipality should recover the overpaid amount of R541 425 from the retention, of which R2 197 592 is kept by the municipality.

- The municipality should implement consequence management against three municipal officials as a result of the lack of oversight during the implementation of the project. The following officials were found to be responsible; manager roads and storm water, technician: PMU and manager parks and cemetery.
- The legal department was instructed to institute letters of recovery of the overpaid amounts to the affected service providers and for actioning disciplinary processes on affected officials.
- The following internal controls are being implemented to prevent the re-occurrence:
 - The contract engineer will certify the work of the contractor. The certified work is to be submitted to the project manager, who will go on site to verify that the certified work has been executed as reported
 - The project manager will prepare a memo to the director to confirm that certified work is verified, for a payment to be processed in accordance with the work done

63. I will follow up on the implementation of the planned actions during my next audit.

Other reports

64. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

65. The South African Police Service's Directorate for Priority Crime Investigation is conducting two investigations into alleged irregular procurement of the mayoral fleet and appointment of service providers for supply and delivery of uniforms and personal protective equipment, and one investigation into allegations of fraud, corruption and theft in appointment of service providers of construction of civil infrastructure and related services, at the municipality. The investigations were on-going at the date of the audit report

Auditor-General.

Polokwane

30 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 key performance area and on the municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)

Legislation	Sections or regulations
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)