Report of the auditor-general to Northern cape Provincial Legislature and the council on the Richtersveld Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Richtersveld Local Municipality set out on pages … to …, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, 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 Richtersveld Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not account for property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment* in the prior year. The municipality holds the ownership to land which has not been recorded, items of investment property have been classified as buildings and the items of land, buildings, community, infrastructure, lease and other assets could not be reconciled to the underlying records. Consequently, the corresponding figure of land, buildings, community, lease and other assets are understated by R9 632 536, R309 811, R2 283 349, R34 067 and R438 555 respectively, while infrastructure are overstated by R3 063 282 in note 2 to the financial statements. Additionally there was an impact on the accumulated surplus. My opinion on the financial statements for the period ended 30 June 2021 was modified accordingly. My opinion on the current statements is also modified because of the possible effect of this matter on the comparability of the property, plant and equipment for the current period. **[Iss.71, Iss.57, Iss.39]**

4. During 2021, I was unable to obtain sufficient appropriate audit evidence for infrastructure and community assets due to the status of the accounting records. I was unable to confirm the infrastructure and community assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figures for infrastructure and community assets stated at R143 457 308 and R2 184 895 respectively in note 2 to the financial statements. My opinion on the financial statements for the period

ended 30 June 2021 was modified accordingly. My opinion on the current statements is also modified because of the possible effect of this matter on the comparability of the property rates for the current period. **[Iss.22, Iss.57, Iss.95]**

Investment property

5. The municipality did not record all investment property in accordance with GRAP 16, *Investment property* in the prior year. The municipality holds the ownership to land which has not been recorded. Consequently the corresponding figures to investment property was understated by an amount which could not be determined as it is impracticable to do so. Additionally there was an impact on the accumulated surplus. My opinion on the financial statements for the period ended 30 June 2021 was modified accordingly. My opinion on the current statements is also modified because of the possible effect of this matter on the comparability of the investment property for the current period. **[Iss.39, Iss.57]**

6. During 2021, I was unable to obtain sufficient appropriate audit evidence for investment property due to the status of the accounting records. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figures of investment property stated at R19 230 651. My opinion on the financial statements for the period ended 30 June 2021 was modified accordingly. My opinion on the current statements is also modified because of the possible effect of this matter on the comparability of the investment property for the current period. **[Iss.57]**

Receivables from non-exchange transactions

7. The municipality did not recognise availability charges in accordance with GRAP 1, *Presentation of financial statements*. Availability charges resulting from exchange transactions were incorrectly classified as non-exchange transactions. Consequently, receivables from non-exchange transactions was overstated and receivables from exchange transactions understated by R7 791 781. Additionally, the provision for debt impairment was not calculated in accordance with GRAP 104, *Financial instruments*. I was unable to determine the impact on the total receivables from non-exchange transactions (after provision) as it was impracticable to do so. Additionally, there was an impact on the surplus for the period. **[Iss.92, Iss.4]**

Receivables from exchange transactions

8. During 2021, I was unable to obtain sufficient appropriate audit evidence for abeyance, other arrears and provision for debt impairment due to the status of the accounting records. I was unable to confirm the abeuance, other arrears and provision for debt impairment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figures for abeyance, other arrears and provision for debt impairment stated at R1 847 986, R4 442 535 and R57 209 527 respectively, in note 6 to the financial statements. My opinion on the financial statements for the period ended 30 June 2021 was modified accordingly. My opinion on the current statements is also modified because of the possible effect of this matter on the comparability of the receivables from exchange transactions for the current period. **[Iss.57]**

Employee benefits

9. The municipality did not account for the provision for post-retirement health care benefits in accordance with GRAP 25, *Employee benefits*. The input data did not include all eligible employees for the post-retirement health care benefits. I was unable to determine the full extent of the understatement for the current and prior year as it was impracticable to do so. Additionally, there was an impact on the surplus for the period and and on the accumulated surplus. **[Iss.84]**

Revenue from non-exchange transactions

10. The municipality did not classify debt forgiveness as revenue where the former debt no longer meets the definition of a liability in accordance with GRAP 23, *Revenue from non-exchange transactions*. The municipality received debt relief from a significant credit which were accounted for as operational costs. Consequently, revenue from exchange transactions and operational costs were understated by R3 692 848 (2021: R1 462 395) and R1 740 839 (2020: R1 462 395) respectively. Additionally, there was an impact on the surplus for the period and and on the accumulated surplus. **[Iss.77]**

11. During 2021, I was unable to obtain sufficient appropriate audit evidence for property rates due to the status of the accounting records. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figures for property rates stated at R20 054 928. My opinion on the financial statements for the period ended 30 June 2021 was modified accordingly. My opinion on the current statements is also modified because of the possible effect of this matter on the comparability of the property rates for the current period. **[Iss.57]**

Revenue from exchange transactions

12. The municipality did not record revenue from electricity in the current and prior year and water service charges in the current year in accordance with GRAP 9, Revenue from exchange transactions. Service charges were not levied in terms of the approved tariffs and meter readings. Consequently, service charges from electricity and water and receivables from exchange transactions were understated by R6 302 875 (2021: R1 497 820), R3 037 138 and R10 741 068 (2021: R1 497 820) respectively and taxes were overstated by R1 401 055. Additionally, there was an impact on the surplus for the period. **[Iss.98, Iss.97, Iss.39, Iss.57]**

13. I was unable to obtain sufficient appropriate audit evidence for revenue foregone in the current year and prepaid electricity sales in the prior year due to the status of the accounting records. Furthermore, not all revenue foregone were recorded. I was unable to determine the impact on the revenue foregone of service charges and receivables from exchange transactions as it was impracticable to do to. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to service charges stated at R22 952 193 (2021: R22 952 193). Since the revenue from exchange transactions is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash

flows from operating activities stated at R24 995 810 in the financial statements. **[Iss.79, Iss.80, Iss.57]**

Bad debts written off

14. I was unable to obtain sufficient appropriate audit evidence that bad debts written off had been properly accounted for, due to the status of the accounting records. I was unable to confirm the bad debts written off by alternative means. Consequently, I was unsble to determine whether any adjustment was necessary to bad debts written off stated at R1 484 918 in the financial statements. Since the bad debts written off is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R24 995 810 in the financial statements. **[Iss.26]**

Employee related costs

15. The municipality did not recognise employee related expenses in accordance with GRAP 1, *Presentation of financial statements*. The municipality did not classify the classes of employee related costs by their nature in note 30 to the financial statements. Consequently, basic salaries and wages, housing allowances and medical aid contributions were overstated by R1 204 718, R229 542 and R17 672 respectively and other benefits and allowances, post retirement benefit obligations, overtime, pension and UIF contributions and trade and other payables from exchange transactions were understated by R1 384 935, R88 682, R4 073, R2 060 and R27 817 respectively in note 30 to the financial statements. **[Iss.60]**

Inventory consumed

16. The municipality did not account for inventory consumed in accordance with GRAP 1, *Presentation of financial statements* in the prior year. Items of repairs and maintenance and taxes were classified as inventory consumed. Consuequently, the corresponding figure of inventory consumed are overstated by R1 286 348 while maintenance of equipment and taxes were understated by R1 137 834 and R148 514 respectively. Additionally, I was unable to obtain sufficient appropriate audit evidence for inventory consumed in the prior year. I was unable to determine whether any adjustments were necessary to the corresponding figure of inventory consumed. Stated at R2 166 774. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability on the inventory consumed for the current period. **[Iss.39, Iss.57]**

Contracted services

17. During 2021, I was unable to obtain sufficient appropriate audit evidence for maintenance of equipment due to the status of the accounting records. I was unable to confirm the maintenance of equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figures for maintenance and equipment stated at R2 276 085. My opinion on the financial statements for the period ended 30 June 2021 was modified accordingly. My opinion on the current statements is

also modified because of the possible effect of this matter on the comparability of the property rates for the current period. **[Iss.57]**

Contractual commitments for the acquisition of property, plant and equipment

18. The municipality did not account for contractual commitments for the acquisition of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. The municipality entered into a number of contractual agreements that constituted commitments which were not recognised in note 2.7 to the financial statements. Consequently, contractual commitments for the acquisition of property, plant and equipment was understated by R5 210 981 in note 2.1 to the financial statements. **[Iss.31]**

Irregular expenditure

19. The municipality did not include all irregular expenditure incurred for the current and prior year in note 46.3 to the financial statements as required by section 125(2)(d) of the MFMA. The municipality incurred expenditure in contravention of supply chain management (SCM) requirements, which was not disclosed. Consequently, irregular expenditure for the current and prior year was understated in the financial statements. I was unable to determine the full extent of the understatement of irregular expenditure disclosed in note 46.3 to the financial statements as it was impracticable to do so. **[Iss.119 Iss.38, Iss.131]**

Total current assets

20. During 2021, I was unable to obtain sufficient appropriat audit evidence regarding the following items, which ahd a cumulative effect on total current assets.

- Cash and cash equivalents of R84 822 as included in the disclosed balance of R5 521 612
- Taxes of R135 488 as included in the disclosed balance of R652 584
- Receivables from exchange transactions of R402 608 as included in the disclosed balance of R12 073
- Receivables from non-exchange transactions of R500 000 as included in the disclosed balance of R3 128 184

21. During 2021, total current assets was materially misstated by R18 025 due to the cumulative effect of individually immaterial uncorrected misstatements in total current assets:

- Taxes stated at R652 584 was overstated by R808 389
- Receivables from exchange transactions stated at R12 073 was understated nby R317 662
- Receivables from non-exchange transactions stated at R3 128 154 was understated nby R472 701

Total expenditure

22. During 2021, I was unable to obtain sufficient appropriat audit evidence regarding the following items, which ahd a cumulative effect on the total expenditure.

- Bad debts written off of R916 791 included in the total transactions of R916 791
- Contracted services of R193 640 included in the total transactions of R4 903 658
- Employee related costs of R771 500 included in the total transactions of R30 110 202
- Finance costs of R439 004 included in the total transactions of R7 148 725
- Operational costs of R273 172 included in the total transactions of R8 821 189

23. During 2021, total expenditure was materially misstated by R92 404 due to the cumulative effect of individually immaterial uncorrected misstatements in total expenditure:

- Contracted services stated at R4 903 658 was understated by R88 834
- Depreciation stated at R10 741 917 was understated by R3 570

Context for the opinion

24. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

25. I am independent of the municiplaity 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.

26. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to financial sustainability

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

28. I draw attention to note 57 to the financial statements which indicates that the municipality is experiencing difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabiliites exceeds the current assets with R47 419 286 (2021: R41 730 521). As stated in note 57, these events or conditions, along with the other matters disclosed in note 57, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Material impairments – receivables from exchange transactions

30. As disclosed in note 6 to the financial statements, material impairments of receivables from exchange transactions of R57 409 543 (2021: R57 209 527) was reported as a result of the non-collection of outstanding balances due to the municipality.

Material impairments – receivables from non-exchange transactions

31. As disclosed in note 7 to the financial statements, material impairments of receivables from non-exchange transactions of R98 026 868 (2021: R89 484 434) was reported as a result of the non-collection of outstanding balances due to the municipality.

Underspending of vote

32. As disclosed in notes 40.1 to the financial statements, the municipality materially underspent the budget by R28 937 168 on executive and council, administration: corporate and administration: community votes.

Other matters

33. I draw attention to the matter/s below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes (MFMA 125)

34. 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.

Unaudited supplementart schedules

35. The supplementary information set out on pages 106 to 116 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 for the financial statements

36. 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.

37. 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.

Auditor-general’s responsibilities for the audit of the financial statements

38. 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.

39. 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

Introduction and scope

40. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.

41. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the municipality’s annual performance report for the year ended 30 June 2022:

Objectives	Pages in the annual performance report
Strengthen Financial Sustainability and further enhancing Good Governance	x – x

42. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

43. The material findings on the usefulness and reliability of the performance information of the selected objectives are as follows:

Strengthen Financial Sustainability and further enhancing Good Governance

Various indicators

44. The planned targets were not consistent with the reported achievements for the following indicators:

Indicator description	Planned target	Reported achievement
Financial viability measured in terms of outstanding service debtors as at 30 June 2022 (Total outstanding	100%	277
The percentage of Municipal capital budget actually spent on capital projects as at 30 June 2022 (Actual amount spent on capital projects/ Total amount budgeted for capital projects) x 100	100%	25832481

Various indicators

45. The measures taken to improve performance against targets were not reported in annual performance report for the following indicators:

Indicator	Planned target
Number of formal households that receive piped water (credit & pre-paid water)that is connected to the municipal water infrastructure network at 30 June 2022	3543
Number of formal households connected to municipal electrical infrastructure network (credit & prepaid electrical metering) (Excl Eskom areas at 30 June 2022	3543
Number of Formal households connected to the municipal watse water sanitation/sewerage network for sewerage service,irrespective of number of water closest (toilet) at 30 June 2022	3543
Number of formal households for which refuse is removed once per week at 30 June 2022	3543
Provide free basic water to indigent households	1241
Provide free basic electricity to indigent households	1241
Provide free basic sanitation to indigent households	1241
Provide free basic refuse removal to indigent households	1241

Financial viability measured in terms of outstanding service debtors as at 30 June 2022 (Total outstanding	100%
The percentage of Municipal capital budget actually spent on capital projects as at 30 June 2022 (Actual amount spent on capital projects/ Total amount budgeted for capital projects) x 100	100%
Institute legal processes by 30 September 2021 against 95% of non exchange debtors to improve credit control (number of rates & availability charges (number of rates & availability charges debtors older than 90 days handed over for collection/Total Number of rates & availability charges debtors older than 90 days)x 100	100%
Develop a cost-reflective tariff model for trading services to ensure future affordable tariffs and submit to council by 30 June 2021	1

Various indicators

46. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements.

Indicator description	Reported achievement
Provide free basic water to indigent households	1151
Provide free basic electricity to indigent households	1151
Provide free basic sanitation to indigent households	1151
Provide free basic refuse removal to indigent households	1151

Various indicators

47. I was unable to obtain sufficient appropriate audit evidence for the reported achievements for the listed indicators. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report for the indicators listed below:

Indicator description	Reported achievement
Number of formal households that receive piped water (credit & pre-paid water)that is connected to the municipal water infrastructure network at 30 June 2022	3288
Number of formal households connected to municipal electrical infrastructure network (credit & prepaid electrical metering) (Excl Eskom areas at 30 June 2022	3945
Number of Formal households connected to the municipal watse water sanitation/sewerage network for sewerage service,irrespective of number of water closest (toilet) at 30 June 2022	3313
Number of formal households for which refuse is removed once per week at 30 June 2022	3367
Financial viability measured in terms of outstanding service debtors as at 30 June 2022 (Total outstanding	277
The percentage of Municipal capital budget actually spent on capital projects as at 30 June 2022 (Actual amount spent on capital projects/ Total amount budgeted for capital projects) x 100	25832481

Other matter

48. I draw attention to the matter below.

Achievement of planned targets

49. Refer to the annual performance report on pages XX to XX for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x to x of this report.

Report on the audit of compliance with legislation

Introduction and scope

50. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

51. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements, performance reports and annual reports

52. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets/ current assets/ liabilities/ revenue/ expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion. **[Refer to table in section 2]**

Expenditure management

53. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-adherence to procurement requirements. **[Iss.10, Iss.122, Iss.123, Iss.125, Iss.124, Iss.45]**

54. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R48 975 413, as disclosed in note 46.1 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 municipal budget votes. **[Iss.10]**

Revenue management

55. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e) of the MFMA. **[Iss.28, Iss.98, Iss.98, Iss.97]**

56. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA. **[Iss.28, Iss.98, Iss.98, Iss.97]**

Asset management

57. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA. **[Iss.25, Iss.70, Iss.90]**

Strategic planning and performance management

58. The SDBIP for the year under review did not include monthly revenue projections by source and monthly operational and capital expenditure by vote as required by Section 1 of the MFMA. **[Iss.17]**

59. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1). **[Iss.18]**

Procurement and contract management

60. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year. **[Iss.123, Iss.124]**

61. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year. **[Iss.122]**

62. Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43. **[Iss.127]**

63. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). This non-compliance was identified in the procurement processes for the Richtersveld Municipality Bulk Water Wupply, Lekkersing and 8 Mile, Refurbisment of boreholes in 8 Mile and Refurbisment of boreholes 6 Sizamile. **[Iss.45]**

64. The performance of contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Kuboes Bulk Water Supply, phase 1. **[Iss.56]**

Utilisation of grants

65. Performance in respect of programmes funded by the Municipal Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 9 of 2021). **[Iss.21]**

66. Performance in respect of programmes funded by the Water Services Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 9 of 2021). **[Iss.21]**

Consequence management

67. 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. **[Iss.10]**

68. Irregular expenditure incurred by the municipalit were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA. **[Iss.10]**

69. 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. **[Iss.10]**

Human resources management

70. 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 MSA. **[Iss.2]**

Other information

71. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, the other information 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 in this auditor's report.

72. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

73. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

74. 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

75. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

76. The matters above, as they relate to the basis for the qualified opinion, findings on the annual performance report and findings on compliance with legislation, will be summarised in the auditor's report as follows:

77. The accounting officer did not review the supporting information to the financial statements and the annual performance report before submitting them for audit.

78. The municipality did not have sufficient monitoring controls to ensure adherence to the internal policies and procedures at a objective level and for purposes of taking corrective action.

79. The municipality did not properly plan and provide training on planning, managing and reporting performance information, had no documented and approved internal policies and procedures to address the process of collecting, recording, processing, monitoring and reporting performance information and had no proper record management system to maintain information that supported the reported performance in the annual performance report.

80. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored.

81. The municipality did not conduct a risk assessment, as required by the MFMA and the internal audit unit was not established timeously during the year to have an implemented internal audit plan for the year.

Kimberley

30 November 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. 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 objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. 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 by the accounting officer.
- conclude on the appropriateness of the accounting officer's 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 [name of the auditee] 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

3. 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.

4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to 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.