The Accounting Officer
Richtersveld Municipality
Private Bag X113
Port Nolloth
8280

30 November 2023

Reference: Communication No.6 of 2023

Dear Sir

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

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act No. 25 of 2004 (PAA) read in conjunction with section 188 of the Constitution of the Republic of South Africa section 126(3) of the Municipal Finance Management Act 56 of 2003 (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and the annual performance report and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements, the annual performance report or our report on compliance with legislation. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA] [40(1)(d you are required to include the auditor's report in the municipality's annual report to be tabled.
4. Prior to printing or copying the annual report which will include the auditor's report you are required to do the following:
   - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the auditor's report and for confirmation that the financial statements, annual performance report and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
   - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

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

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

....
Senior manager: Northern Cape

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Report of the auditor-general to the 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 xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, 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, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Richtersveld Local Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not meet the subsequent measurement requirements in accordance with GRAP 17, *Property, plant and equipment*. The impairment and remaining useful lives were incorrectly applied and determined for buildings and infrastructure assets. I was unable to determine full extent of the misstatement on property, plant and equipment, depreciation and impairment charges as it was impracticable to do so. There was an impact on the deficit for the period and on the accumulated surplus.

4. In addition, I was unable to obtain sufficient appropriate audit evidence for infrastructure, community assets and other assets due to the status of the accounting records. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the property, plant and equipment stated at R193 810 634 (2022: R182 288 134) in note 2 to the financial statements.

Investment property

5. The municipality did not record all investment property in accordance with GRAP 16, *Investment property* in the current and prior year. The municipality holds the ownership to land which has not been recorded and investment property which was incorrectly classified as part of property, plant and equipment, buildings. Consequently, 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.

6. The municipality did not record investment property in accordance with GRAP 16, *Investment property*. The municipality transferred the ownership of investment properties without derecognising the disposal in the accounting records. Consequently, investment property has been overstated and the loss on sale of fixed assets understated by R11 780 800. There was an impact on the deficit for the period and on the accumulated surplus.

7. I was unable to obtain sufficient appropriate audit evidence for investment property in the current and prior year 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 investment property stated at R18 925 851 (2022: R19 080 601).

Provision for debt impairment

8. Provision for debt impairment from non-exchange receivables included in note 7 to the financial statements for the current and prior year was not calculated in accordance with GRAP 104, *Financial instruments*. The provision for impairment calculation was based on information which could not be confirmed. I was unable to determine the impact on the total receivables from non-exchange transactions and on the correction of error in terms of GRAP 3, *Accounting policies, changes in accounting estimates and errors* disclosed in note 40 to the financial statements as it was impracticable to do so. Additionally, there was an impact on the deficit for the period and the accumulated surplus.

Receivables from exchange transactions

9. Receivables from exchange transactions were not classified in accordance with GRAP 1, *Presentation of financial statements*. Receivables from exchange transactions were not classified in accordance with the nature of the exchange transactions as per the supporting schedules. Consequently, receivables from other arrears were overstated by R3 326 514, grazing fees was understated by R3 755 195 and availability charges was understated and receivables from non-exchange transactions overstated by an undetermined amount in the current and prior year. The impact on the summary of debtors by customer classification could not be determined as it was impracticable to do so. Additionally, there was an impact on the deficit for the period and the accumulated surplus.

10. Provision for debt impairment for the current and prior year was not calculated in accordance with GRAP 104, *Financial instruments*. I was unable to determine the impact on the total receivables from exchange transactions and on the correction of error in terms of GRAP 3, *Accounting policies, changes in accounting estimates and errors* in note 40 to the financial statements as it was impracticable to do so. Additionally, there was an impact on the deficit for the period and the accumulated surplus.

11. The municipality did not account for receivables from exchange transactions in the current and the prior year in accordance with GRAP 9, *Revenue from exchange transactions*. Electricity was not recognised per the approved tariffs and consumer consumption. Consequently, receivables from exchange transactions were understated by R2 463 808 (2022: R2 463 808) and taxes were overstated by R945 431 (2022: R945 431). Additionally, there was an impact on the accumulated surplus.

Non-current provisions

12. I was unable to obtain sufficient appropriate audit evidence that non-current provisions for the current year had been properly accounted for, as the information provided for the base cost used in the calculation is not reliable. I was unable to confirm the non-current provisions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the non-current provisions stated at R40 273 098 in note 10 to the financial statements.

Employee benefits

13. The municipality did not account for the provision for post-retirement health care benefits in notes 11 and 13 to the financial statements 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 deficit for the period and on the accumulated surplus.

Service charges

14. The municipality did not recognise revenue from electricity and water in the current and prior year in accordance with GRAP 9, *Revenue from exchange transactions*. Electricity and water were not levied in terms of the approved tariffs and consumption. Consequently, service charges in the current and prior year and receivables from exchange transactions were understated in the financial statements. I was unable to determine the full extent of the understatement of service charges in note 23 to the financial statements and receivables from exchange transactions stated in note 6 to the financial statements as it was impracticable to do so. Additionally, there was an impact on the deficit for the period.

15. I was unable to obtain sufficient appropriate audit evidence for revenue foregone included in service charges for the current and prior year due to the status of the accounting records. 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 R18 310 934 (2022: R26 677 596) in note 23 to the financial statements.

Bulk purchases

16. Bulk purchases were not classified in accordance with GRAP 1, *Presentation of financial statements*. Electricity purchases for which no financial benefit was obtained, was not classified as a loss in the financial statements. Consequently, bulk purchases have been overstated and electricity losses understated by an amount which could not be determined as it was impracticable to do so.

Finance costs

17. I was unable to obtain sufficient appropriate audit evidence that finance costs from non-current provisions had been properly accounted for, as the information provided for the base cost used in the calculation of the provision is not reliable. I was unable to confirm the finance costs by alternative means. Consequently, I was unable to determine whether any adjustment was

necessary to the finance costs from non-current provisions stated at R3 830 154 in note 35 to the financial statements.

Contractual commitments for the acquisition of property, plant and equipment

18. Contractual commitments for the acquisition of property, plant and equipment were not recognised in the current and prior year in accordance with GRAP 17, *Property, plant and equipment*. The municipality did not record all contractual agreements that constituted commitments. Consequently, contractual commitments for the acquisition of property, plant and equipment were understated. I was unable to determine the full extent of the understatement of contractual commitments for the acquisition of property, plant and equipment disclosed in note 2.7 to the financial statements in the current and prior year as it was impracticable to do so.

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.

Reportable segments

20. The municipality's practice is to report the primary and secondary reportable segments' financial information as part of the annual financial statements, however, the reportable segment disclosure was not in accordance with GRAP 18, *Reportable segments*. No measure of assets and liabilities for each reportable segment was disclosed for the year and capital expenditure for the year was not included in the segment expenditure. Consequently, the primary and secondary reportable contributed assets in the financial statements were understated by R24 281 231 (2022: R25 082 746).

Receivables from non-exchange transactions

21. Total receivables from non-exchange transactions included in note 7 to the financial statements was materially misstated by R1 983 909 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Availability charges stated at R18 403 193 was understated by R861 367;
- Other receivables stated at R313 634 was overstated by R313 634;
- Payments in advance stated at R0 was understated by R450 969;
- Taxes – rates stated at R34 739 631 was understated by R985 207

Trade and other payables from exchange transactions

22. Total trade and other payables from exchange transactions included in note 15 to the financial statements was materially misstated by R1 420 620 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Advance payments stated at R1 294 872 was understated by R661 661;
- Trade payables stated at R66 152 727 was understated by R758 959.

Context for opinion

23. 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.

24. 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.

25. 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 going concern

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

27. 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 assets position is insufficient. The current liabilities exceed the current assets with R68 878 853 (2022: R46 739 170). As stated in note 57, these events or conditions along with 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

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

An uncertainty relating to the future outcome of exceptional litigation or regulatory action

29. With reference to note 57 to the financial statements, the municipality is the defendant in two litigations. The ultimate outcome of the matter could not be determined and no provision for any liability or asset that may result was made in the financial statements.

Underspending of the vote

30. As disclosed in note 48.1 to the financial statements, the municipality materially underspent the operating budget by R9 092 880 on infrastructure.

Material loss – Receivables from exchange transactions

31. As disclosed in note 6.1 to the financial statements, material losses of R1 760 846 were incurred as a result of a write-off of irrecoverable debt.

Other matters

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

Unaudited disclosure notes

33. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed 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 supplementary schedules

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

Responsibilities of the accounting officer for the financial statements

35. 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 the 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.

36. 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

37. 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.

38. 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

39. 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 selected strategic objectives presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

40. The annual performance report submitted for auditing did not include the reported performance information for the strategic objective to maintain all roads for community safety. I could therefore not evaluate the usefulness and reliability of the reported performance information.

41. I selected the following strategic objective presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected the strategic objective that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic objective	Page numbers	Purpose
To maintain existing bulk infrastructure and services	XX	The maintenance of bulk infrastructure for service delivery

42. I was engaged to evaluate the reported performance information for the selected strategic objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using these criteria provides useful and reliable information and insights to users of the report on the municipality's planning and delivery on its mandate and planned objectives. My objective was to perform procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

43. The material findings on the reported performance information for the selected objectives are as follows:

To maintain existing bulk infrastructure and services

Limit unaccounted for water to 10% by 30 June 2023 {(Number of Kilolitres Water Purchased or Purified minus Number of Kilolitres water sold (incl. free basic water) / Number of Kilolitres Water Purchased or Purified x 100)

44. A target of 5% was included in the approved service delivery and budget implementation plan. However, a target of 10% was reported in the annual performance report.

45. An achievement of "-" was reported against a target of 10%. However, the audit evidence showed the actual achievement to be only 24,89%. Consequently, the target was not achieved.

Various indicators

46. I could not determine how the planned indicator would be measured and what evidence would be needed to support the achievement, as adequate supporting evidence was not provided for auditing. This was due to a lack of measurement definitions and processes. Furthermore, I could not confirm the reliability of the reported achievement.

Indicator	Reported achievement
Raise Public awareness on recycling to reduce households waste with awareness initiatives	-
100% spend of the approved budget for the implementation of the approved business plan on the waste programme by 30 June 2023 ((Total amount spent/Total approved budget) x 100 (Subject to in inter-national funding)	-

Various indicators

47. A comparison of the planned and actual performance, performance of the year under review and that of the previous year was not included in the annual performance report. This would make it difficult to track the achievement of service delivery goals.

Indicator	Reported achievement
Limit unaccounted for water to 10% by 30 June 2023{(Number of Kilolitres Water Purchased or Purified minus Number of Kilolitres water sold (incl. free basic water) / Number of Kilolitres Water Purchased or Purified x 100)	-
Raise Public awareness on recycling to reduce households waste with awareness initiatives	-
100% spend of the approved budget for the implementation of the approved business plan on the waste programme by 30 June 2023 ((Total amount spent/Total approved budget) x 100 (Subject to in inter-national funding)	-
95% water quality level obtained as per SANS 241 physical & micro parameters as at 31 December 2022 and 30 June 2023	-

Various indicators

48. The measures taken to improve performance against the targets were not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

Indicator	Target	Reported achievement
Limit unaccounted for water to 10% by 30 June 2023{(Number of Kilolitres Water Purchased or Purified minus Number of Kilolitres water sold (incl. free basic water) / Number of Kilolitres Water Purchased or Purified x 100)	10%	-
Raise Public awareness on recycling to reduce households waste with awareness initiatives	4	-
100% spend of the approved budget for the implementation of the approved business plan on the waste programme by 30 June 2023 ((Total amount spent/Total approved budget) x 100 (Subject to in inter-national funding)	100%	-
95% water quality level obtained as per SANS 241 physical & micro parameters as at 31 December 2022 and 30 June 2023	95%	-

95% water quality level obtained as per SANS 241 physical & micro parameters as at 31 December 2022 and 30 June 2023

49. An achievement of "-" was reported against a target of 95%. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially more than reported. Consequently, it is likely that the target was still achieved.

Other matters

50. I draw attention to the matter below.

Achievement of planned targets

51. 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.

Material misstatements

52. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of to maintain existing bulk infrastructure and services Management did not correct the misstatements and I reported material findings in this regard.

Report on compliance with legislation

53. 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.

54. 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.

55. 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.

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

Annual financial statements, performance reports and annual reports

57. 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 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.

Procurement and contract management

58. 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.

59. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM Regulations 16(b) and 17(1)(b).

60. 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.

61. 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. Similar non-compliance was also reported in the prior year.

62. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM Regulation 19(a). Similar non-compliance was also reported in the prior year.

63. The preference point system was not applied to some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.

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.

65. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA.

Consequences management

66. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by sections 32(2)(a), (b) and (c) of the MFMA.

Strategic planning and performance management

67. The SDBIP for the year under review did not include monthly revenue projections by source of collection, the monthly operational and capital expenditure by vote and the service delivery targets and performance indicators for each quarter as required by section 1 of the MFMA.

68. No KPIs were set in respect of the provision of basic water, sanitation, electricity and solid waste removal services, as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).

69. A performance management system was not established, as required by section 38(a) of the MSA.

70. Performance targets were not set for each of the KPIs for the financial year, as required by section 41(1)(b) of the MSA and municipal planning and performance management regulation 12(1).

Revenue management

71. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Expenditure management

72. Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.

73. 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.

74. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R6 317 055, as disclosed in note 46.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on trade payables which the municipality is unable to settle in time.

75. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R23 097 962, 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.

Assets management

76. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Human resource management

77. 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.

Other information in the annual report

78. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

79. 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.

80. 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 strategic objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

81. 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

82. 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.

83. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

84. The accounting officer did not ensure that daily and monthly reconciliation of transactions are implemented and that the submitted financial statements and reported performance have been supported by reliable information which resulted in the reported misstatements in the financial statements and annual performance report.

85. The oversight committees did not ensure that action plans to address prior year internal control deficiencies are implemented which resulted in a reoccurrence of various prior year findings.

86. The accounting officer did not establish policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities which had a direct effect on the outcome of the audit opinion, findings on the annual performance report and non-compliance with required legislation.

87. The oversight committees performed no responsibilities in terms of the performance reporting, compliance with legislation and related internal controls.

Auditor General.

Auditor-General

Kimberley

30 November 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected strategic objectives 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)