

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Hantam Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Hantam 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 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, 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 Hantam 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 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 2023 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. The financial statements of the municipality were materially misstated, as the municipality did not impair property, plant and equipment – infrastructure and community assets, as required by GRAP 17, *Property, plant and equipment*. The effect on the financial statements was that property, plant and equipment – infrastructure and community assets were overstated, and depreciation and amortisation were understated. I was not able to determine the full extent of the misstatement, as it was impractical to do so. Furthermore, the municipality did not correctly account for additions of property, plant and equipment – infrastructure, as required by GRAP 17, *Property, plant and equipment*. Consequently, property plant and equipment – infrastructure was overstated by R153 564 and assets written off was understated by R153 564. There was an impact on the surplus for the period and on the accumulated surplus in the financial statements.
4. In addition, I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment – infrastructure due to the status of accounting records on journals, and some property, plant and equipment – infrastructure and other movable assets could not be verified. I was unable to confirm property, plant and equipment – infrastructure and other movable assets by alternative means. Consequently, I could not confirm whether any adjustments were necessary to property, plant and equipment – infrastructure stated at R607 817 361 and property, plant and equipment – other movable assets stated at R8 914 350 in note 2.1 to the financial statements.

Trade and other payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for trade payables and retentions due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm trade payables and retentions by alternative means. Consequently, I could not confirm whether any adjustments were necessary to trade payables stated at R25 160 572 and retentions stated at R7 444 148 in note 18 to the financial statements.

Revenue from non - exchange transactions - Property rates

6. I was unable to obtain sufficient appropriate audit evidence for revenue from non - exchange transactions – property rates, due to the status of the accounting records and lack of proper record keeping for journal entries. Consequently, I could not confirm whether any adjustments were necessary to revenue from non - exchange transactions, property rates as disclosed at R19 520 222 in note 22 to the financial statements.

Revenue from non - exchange transactions - Government grants and subsidies

7. I was unable to obtain sufficient appropriate audit evidence for revenue from non - exchange transactions – government grants and subsidies due to the status of the accounting records and lack of proper record keeping for grant related expenditure and journal entries. I could not confirm revenue from non - exchange transactions – government grants and subsidies by alternative means. Consequently, I could not confirm whether any adjustments were necessary to revenue from non - exchange transactions - government grants and subsidies, for the Local Government Financial Management Grant, R1 920 000, Regional Bulk Infrastructure Grant, R110 000 000 and the Municipal Water Infrastructure Grant, R27 000 000 as disclosed in note 23 to the financial statements.

Operational costs

8. I was unable to obtain sufficient appropriate audit evidence for operational costs due to the status of accounting records. I could not confirm operational costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to operational costs stated at R24 028 875 in note 37 to the financial statements.

Bad debts written off

9. I was unable to obtain sufficient appropriate audit evidence for bad debts written off due to the status of the accounting records. I could not confirm bad debts written off by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to bad debts written off as disclosed at R6 257 217 in the statement of financial performance. Furthermore, the municipality did not have adequate systems in place to account for bad debts written off in accordance with GRAP 104, *Financial instruments*, as the municipality did not write off all bad debt. Consequently, bad debts written off was understated by R2 099 645, receivable from exchange transactions and non-exchange transactions overstated by R1 343 773 and R755 872.

Receivables from exchange transactions

10. The municipality did not have adequate systems in place to account for receivables from exchange transactions in accordance with GRAP 104, *Financial instruments*, due to incorrect receivable recognition and errors in the calculation of the provision for debt impairment. Consequently, the provision for debt impairment on exchange receivables is understated by R2 180 530, the impairment loss on receivables, understated by R983 302, provision for debt impairment on non-exchange receivable was overstated by R1 197 228, and gross receivables from exchange transactions – service charges was understated and gross receivables from non – exchange transactions – availability charges overstated by R1 288 285. Additionally, there was an impact on the surplus for the period and on the accumulated surplus in the financial statements.

Contractual commitments for acquisition of property, plant and equipment

11. The municipality did not recognise all contractual commitments in accordance with GRAP 17, *Property plant and equipment*. All contractual commitments entered into were not recorded as commitments. This resulted in contractual commitments for acquisition of property, plant and equipment being understated by R2 706 438. Furthermore, I was unable to obtain sufficient appropriate audit evidence for contractual commitments disclosed, due to the status of the accounting records. I was unable to confirm contractual commitments for acquisition of property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to commitments as disclosed at R94 907 003 in note 2.9 to the financial statements.

Total revenue from non - exchange transactions

12. Total revenue from non-exchange transactions was materially misstated by R1 971 027 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Government grants and subsidies stated at R193 751 257 was overstated by R279 734.
- Availability charges stated at R819 479 was overstated by R614 609.
- Interest earned on non - exchange transactions stated at R2 183 393 was overstated by R89 584.

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm total revenue from non-exchange transactions by alternative means:

- Operational revenue of R986 830 as included in the disclosed balance of R986 830.

Consequently, I was unable to determine whether any further adjustment was necessary to total revenue from non - exchange transactions.

Total expenditure

13. Total expenditure was materially misstated by R1 606 947 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Inventory consumed stated at R10 524 595 was overstated by R507 538.

- Employee related costs stated at R45 799 335 was understated by R300 752.
- Bulk purchases stated at R30 183 184 was understated by R49 511.

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm total expenditure by alternative means:

- Employee costs of R 246 099 as included in the disclosed balance of R45 799 335.
- Transfers and subsidies of R76 468 as included in the disclosed balance of R150 079.
- Bulk purchases of R1 014 636 as included in the disclosed balance of R30 183 184.
- Remuneration of councillors of R75 238 as included in the disclosed balance of R5 710 417.

Consequently, I was unable to determine whether any further adjustment was necessary to total expenditure.

Total current assets

14. Total current assets were materially misstated by R2 148 706 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Receivables from exchange transactions – service charges stated at R65 081 966 was understated by R31 188.
- Receivables from exchange transactions – other receivables stated at R4 030 077 was understated by R56 193.
- VAT receivable stated at R14 304 279 was overstated by R202 634.
- Inventory stated at R93 285 was overstated by R31 372
- Receivables from non-exchange transactions – property rates stated at R36 699 445 was understated by R312 866
- Receivables from non-exchange transactions – other receivables stated at R702 136 was understated by R215 677
- Receivables from non-exchange transactions – provision for debt impairment stated at R35 533 195 was overstated by R618 397

In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm total current assets by alternative means:

- Receivables from exchange transactions – other receivables of R1 134 855 as included in the disclosed balance of R4 030 077.
- Receivables from non-exchange transactions – other receivables of R702 156 as included in the disclosed balance of 702 156.

Consequently, I was unable to determine whether any further adjustment was necessary to total current assets.

Context for opinion

15. 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.
16. 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.
17. 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

18. I draw attention to the matter below. My opinion is not modified in respect of this matter.
19. I draw attention to note 58 to the financial statements, which indicates that the municipality is experiencing difficulty with settlement of its current obligations. Current liabilities continue to exceed the current assets. Furthermore, the socio-economic profile (high unemployment rate) results in a going concern risk for the municipality and unless socio-economic growth is established the municipality will not be able to function as a going concern indefinitely without government grants and subsidies. As stated in note 58, these events or conditions 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

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

Restatement of corresponding figures

21. As disclosed in note 42 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.

Material losses – Water distribution

22. As disclosed in note 50.8 to the financial statements, water losses of R5 035 053 were incurred, which represents 34.35% of total water purchased. These losses occur due to normal pipe bursts and field leakages.

Material losses – Electricity distribution

23. As disclosed in note 50.8 to the financial statements, material electricity losses of R2 497 638 (2023: R3 425 364) were incurred, which represent 11.37% (2023: 13.77%) of total electricity

purchased. These losses are due electricity theft on pre-paid meters and illegal connections. The rand value of the electricity losses is based on the Eskom purchase price.

Subsequent events

24. I draw attention to note 59 in the financial statements, which deals with subsequent events and specifically the possible effect of charging an electricity tariff other than a NERSA approved tariff on the municipality.

Material underspending of operating vote

25. As disclosed in note 49.1 to the financial statements, the municipality materially underspent on vote 9 - electricity by R2 103 625.

Unauthorised expenditure

26. As disclosed in note 49.1 to the financial statements, the municipality incurred unauthorised expenditure of R21 480 764 during the year under review due to overspending of some of the operational votes.

Other matters

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

Unaudited disclosure notes

28. 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

29. 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

30. 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.

31. 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

32. 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.

33. 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 [page number of the annexure to the auditor's report], forms part of our auditor's report.

Report on the annual performance report

34. 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 information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
35. I selected the following material performance indicators related to infrastructure Development and Basic Service Delivery presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.
- Number of residential properties that which are billed for water or have pre-paid meters that is connected to the municipal water infrastructure network as at 30 June 2024
 - Number of residential properties which are billed for electricity or have pre-paid meters as at 30 June 2024 excluding Eskom areas)
 - Number of residential properties connected to the municipal wastewater sanitation/ sewerage network for sewerage service, irrespective of the number of water closets (toilets) which are billed for sewerage as at 30 June 2024
 - Number of residential properties which are billed for refuse removal as at 30 June 2024
 - Provide free basic water to indigent households earning less than R5 780 as at 30 June 2024
 - Provide free basic electricity to indigent households earning less than R5 780 as at 30 June 2024
 - Provide free wood and oil to indigent households earning less than R5 780 as at 30 June 2024
 - Provide free basic sanitation to indigent households earning less than R5 780 as at 30 June 2024
 - Provide free basic refuse removal to indigent households earning less than R5 780 as at 30 June 2024
 - The percentage of the municipal capital budget actually spent on capital projects by 30 June 2024 $(\text{Actual amount spent on capital projects} / \text{Total amount budgeted for capital projects}) \times 100$
 - 95% spent of the library operational conditional grant by 30 June 2024 $\{(\text{Actual expenditure divided by the total grant received}) \times 100\}$
 - Limit unaccounted for electricity to less than 12% by 30 June 2024 $\{(\text{Number of Electricity Units Purchased} - \text{Number of Electricity Units Sold}) / \text{Number of Electricity Units Purchased}) \times 100\}$
 - Limit unaccounted for water to less than 20% by 30 June 2024 $\{(\text{Number of Kilolitres Water Purified} - \text{Number of Kilolitres Water Sold}) / \text{Number of Kilolitres Water Purified}) \times 100\}$

- 90% spent of the budget for the MIG Project: Roads & Stormwater Phase 4 in terms of the grant allocation received by 30 June 2024 {(Actual capital expenditure on the project divided by the total approved capital budget for the project)}
- 90% spent of the budget (part of MIG allocation) for upgrade sewerage network in Calvinia West (2nd Phase) in terms of the grant allocation received by 30 June 2024 {(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}
- 100% of the MIG allocation by 30 June 2023{(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}
- 90% spent of the budget (WSIG) for the sewerage network, Calvinia East of the grant allocation received by 30 June 2024 {(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}
- 90% spent of the budget (RBIG) spent for the Calvinia bulk water supply by 30 June 2024{(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}
- 90% of microbiological water quality level achieved as per SANS 241 by 30 June 2024
- 90% of the budget spent for the replacement of 125watt streetlights with LED type by 30 June 2024{(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}
- 90% of the budget spent for HPS/MH conventional streetlights with 100watt LED type by 30 June 2024{(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}

36. I evaluated the reported performance information for the selected material performance indicators 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.

37. 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 presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance.

38. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

39. The material findings on the reported performance information for the selected material indicators are as follows:

Limit unaccounted for water to less than 20% by 30 June 2024 $\{(Number\ of\ Kilolitres\ Water\ Purified - Number\ of\ Kilolitres\ Water\ Sold) / Number\ of\ Kilolitres\ Water\ Purified\} \times 100\}$

40. It was indicated that the water loss task team has been established to reduce water loss in Nieuwoudtville, Brandvlei and Calvinia. Brandvlei needs 24 new prepaid meters, a test meter will be installed at Nieuwoudtville outflow reservoir meter, and Calvinia informal settlement meters will be registered by ERF was reported as a measure aimed at improving performance against the target of Limit unaccounted for water to less than 20% by 30 June 2024. However, I could not determine if the measure was implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

90% spent of the budget for the MIG Project: Roads & Stormwater Phase 4 in terms of the grant allocation received by 30 June 2024 $\{(Actual\ capital\ expenditure\ on\ the\ project\ divided\ by\ the\ total\ approved\ capital\ budget\ for\ the\ project)\}$

41. The approved planning documents included a commitment to spend 90% of internal capital. However, an achievement of 13,7% which was based on spending of MIG grant was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

42. Measures taken to improve performance against the underachieved target of 90% of MIG budget spent roads & stormwater Phase 4 were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the municipality to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target.

100% of the MIG allocation by 30 June 2023 $\{(Actual\ capital\ expenditure\ on\ the\ project\ divided\ by\ the\ total\ approved\ capital\ budget\ for\ the\ project)\} \times 100\}$

43. Measures taken to improve performance against the underachieved target of 100% of the MIG allocation by 30 June 2023 were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the municipality to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target.

90% spent of the budget (RBIG) spent for the Calvinia bulk water supply by 30 June 2024{(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}

44. An achievement of 110,54% was reported against a target of 90% . However, the audit evidence showed the actual achievement to be only 91,80%. Consequently, the achievement against the target was lower than reported.

Various indicators

45. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved

Indicator	Target	Reported achievement
90% spent of the budget (part of MIG allocation) for upgrade sewerage network in Calvinia West (2nd Phase) in terms of the grant allocation received by 30 June 2024 {(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}	90%	84.08%
100% of the MIG allocation by 30 June 2023{(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}	100%	84.08%
90% spent of the budget (WSIG) for the sewerage network, Calvinia East of the grant allocation received by 30 June 2024 {(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}	90%	99.28%
90% of the budget spent for the replacement of 125watt streetlights with LED type by 30 June 2024{(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}	90%	115%
90% of the budget spent for HPS/MH conventional streetlights with 100watt LED type by 30 June 2024{(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}	90%	115%
90% spent of the budget for the MIG Project: Roads & Stormwater Phase 4 in terms of the grant allocation received by 30 June 2024 {(Actual capital expenditure on the project divided by the total approved capital budget for the project)}	90%	13.7%

Other matters

46. I draw attention to the matters below.

Achievement of planned targets

47. 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.
48. The tables that follow provides information on the achievement of planned targets and lists the key service deliver 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.

Infrastructure Development and Basic Service Delivery

<i>Targets achieved: 81%</i> <i>Budget spent: 100%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Limit unaccounted for water to less than 20% by 30 June 2024 {(Number of Kilolitres Water Purified - Number of Kilolitres Water Sold) / Number of Kilolitres Water Purified*100}	20%	34.30%
90% spent of the budget for the MIG Project: Roads & Stormwater Phase 4 in terms of the grant allocation received by 30 June 2024	90%	13.70%
90% spent of the budget (part of MIG allocation) for upgrade sewerage network in Calvinia West (2nd Phase) in terms of the grant allocation received by 30 June 2024	90%	84.08%
100% of the MIG allocation by 30 June 2023 2023{(Actual capital expenditure on the project divided by the total approved capital budget for the project)x100}	100%	84.08%

Material misstatements

49. 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 the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

50. 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.
51. 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.
52. 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.
53. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance reports

54. 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 and 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

55. Some of the 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).
56. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

Expenditure management

57. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA under expenditure management.
58. Reasonable steps were not taken to prevent irregular expenditure amounting to R3 842 938 as disclosed in note 49.3, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure identified was caused by payments made to suppliers exceeding the contract amount.

Consequence management

59. Some of the irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Conditional grant

60. I was unable to obtain sufficient appropriate audit evidence that the Regional Bulk Infrastructure Grant was spent for its intended purposes in accordance with the grant Schedule concerned and the applicable grant framework, as required by section 16(1) of the Division of Revenue Act (Act 5 of 2023).

Other information in the annual report

61. 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 objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
62. 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.
63. 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 objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
64. 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

65. 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.
66. 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.
67. The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls. Numerous misstatement and non-compliances were identified that resulted in the modification if the auditor's report.
68. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting. Numerous limitations were experiences that resulted in the modification of the auditor's report.
69. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. Numerous misstatements were identified that resulted in the modification if the auditor's report.
70. The accounting officer and management did not monitor compliance with applicable legislation as numerous non-compliance were identified that resulted in the modification of the auditor's report.

Other reports

71. 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.
72. Directorate for Priority Crime Investigation (Hawks) are investigating allegations of irregularities against senior officials at the municipality. These proceedings were in progress at the date of this report.

Auditor General

Auditor-General

Kimberley

18 December 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 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	<p>Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii),</p> <p>Sections: 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f),</p> <p>Sections: 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a),</p> <p>Sections: 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)</p>
MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
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	<p>Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e),</p> <p>Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i),</p> <p>Regulations: 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)</p>
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	<p>Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2),</p> <p>Sections: 54A(1)(a), 56(1)(a), 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)</p>
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)

Legislation	Sections or regulations
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 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: Municipal Staff Regulations	Regulations: 7(1),31
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(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), 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)