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

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Kgatelopele Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2021, the 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 the notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment, as the fixed asset register did not reconcile to the amounts presented in the annual financial statements and the municipality did not have adequate systems of internal control to keep record of journals. As a result, I was unable to determine the impact of some journals on other components reported in the financial statements and I was unable to confirm the property, plant and equipment balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment of R330 276 250 as disclosed in note 4 to the financial statements. Since the property, plant and equipment balance is included in the determination of net cash flows from investing activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from investing activities stated at R35 903 573 in the financial statements.

Receivables from exchange transactions – consumer debtors

4. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange-transactions – consumer debtors, as the trial balance did not reconcile to the amounts presented in the annual financial statements and the municipality did not have adequate systems of internal control to keep record of journals. As a result, I was unable to determine the impact of some journals on other components reported in the financial statements and I was unable to confirm the consumer debtors balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange-transactions – consumer debtors of R19 917 313 (2020: R16 116 955) as disclosed in note 15

to the financial statements. Since the receivables from exchange transactions balance 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 R51 529 333 in the financial statements.

5. During 2020, the municipality did not recognise receivables from exchange transactions - consumer debtors in accordance with GRAP 104, *Financial Instruments*. The municipality did not have adequate systems of internal control to accurately record interest received. Consequently, receivables from exchange transactions - consumer debtors and interest received - investment were understated by R1 379 673.

Receivables from non-exchange transactions - Consumer debtors - Rates

6. I was unable to obtain sufficient appropriate audit evidence for consumer debtors - rates, as the trial balance did not reconcile to the amounts presented in the annual financial statements and the municipality did not have adequate systems of internal control to keep record of journals. As a result, I was unable to determine the impact of some journals on other components reported in the financial statements and I was unable to confirm the consumer debtors - rates balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to consumer debtors - rates of R10 104 804 as disclosed in note 11 and 16 to the financial statements. Since the consumer debtors - rates balance 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 R51 529 333 in the financial statements.

Receivables from non-exchange transactions

7. During 2020, I was unable to obtain sufficient appropriate audit evidence for the receivables from non-exchange transactions due to the municipality not having adequate accounting systems to maintain records for the allowance for impairment. I was unable to confirm the allowance for impairment included in receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to receivables from non-exchange transactions stated at R12 904 129 in note 11 and 16 to the financial statements.

Cash and cash equivalents

8. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents as the municipality did not have an adequate system of internal control to keep record of journals. As a result, I was unable to determine the impact of some journals on other components reported in the financial statements and I was unable to confirm the cash and cash equivalents balance by alternative means. Consequently, I was unable to determine whether any adjustments relating to cash and cash equivalents of R20 058 136 as disclosed in note 17 to the financial statements were necessary.

Payables from exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions, as the age analysis did not reconcile to the amounts presented in the annual

financial statements and the municipality did not have adequate systems of internal control to keep record of journals. As a result, I was unable to determine the impact of some journals on other components reported in the financial statements and I was unable to confirm the payables from exchange transactions balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to payables from exchange transactions of R34 759 307 as disclosed in note 20 to the financial statements. Since the payables 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 R51 529 333 in the financial statements.

10. The municipality did not account for trade payables included in payables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements*, as the creditors statements did not agree to the amounts disclosed under trade payables. Consequently, trade payables included in payables from exchange transactions and general expenses were understated by R1 378 669.

11. During 2020, I was unable to obtain sufficient appropriate audit evidence for the trade payables due to the poor status of the accounting records. I was unable to confirm the trade payables by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to trade payables stated at R26 112 459 in note 20 to the financial statements.

Revenue from exchange transactions

12. I was unable to obtain sufficient appropriate audit evidence for revenue from service charges, due to the poor status of the accounting records. I was unable to confirm the revenue from service charges by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges stated at R39 166 702 (2019: R41 281 575) in note 24 to the financial statements. Since the service charges are 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 R51 529 333 in the financial statements.

13. The municipality did not have adequate systems to account for interest received-investment in accordance with GRAP 9, *Revenue from exchange transactions,* as the municipality did not perform adequate reconciliations. Consequently, interest received-investment and receivables from exchange transactions were understated by R2 486 533. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

14. During 2020, the municipality did not recognise revenue from exchange transactions in accordance with GRAP 9, *Revenue from Exchange transactions.* The municipality did not have adequate systems of internal control to correctly classify availability charges as revenue from non-exchange transactions. Consequently, revenue from exchange transactions service charges were overstated and revenue from non-exchange transactions were understated by R 3 208 062, respectively.

15. During 2020, the municipality did not recognise service charges in accordance with GRAP 9, *Revenue from Exchange transactions.* The municipality did not have adequate systems of internal control to correctly record service charges. Consequently, service charges were

overstated by R 2 413 724. Additionally, there was an impact on the receivables from exchange transactions and the surplus for the period.

Revenue from non-exchange transactions

16. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions due to the poor status of the accounting records and the municipality did not have adequate systems of internal control to keep record of journals. As a result, I was unable to determine the impact of some journals on other components reported in the financial statements and I was unable to confirm the revenue from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to revenue from non-exchange transactions stated at R83 068 240 in the financial statements. Since the revenue from non-exchange transactions are 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 R51 529 333 in the financial statements.

17. I was unable to obtain sufficient appropriate audit evidence that public contributions and donations for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the public contributions and donations by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to public contributions and donations stated at R0 in note 36 to the financial statements. Since the public contributions and donations are 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 R51 529 333 in the financial statements.

18. During 2020, the municipality did not recognise interest received in accordance with GRAP 23, *Revenue from non-exchange transactions*. The municipality incorrectly classified interest received from non-exchange transactions as interest received from exchange transactions. Consequently, interest from non-exchange transactions was understated by an undetermined amount.

Statutory Receivables

19. The municipality did not have adequate systems to maintain records of statutory receivables in accordance with GRAP 108, *Statutory receivables*, as the municipality did not disclose statutory receivables. Consequently, statutory receivables was understated by R16 318 380 (2020: R11 722 230) and property rates in receivables from non-exchange transactions is overstated with an amount of R10 104 804 (2020: R11 154 595) and vat receivables is overstated with an amount of R6 213 576 (2020: R567 635).

VAT Receivable

20. I was unable to obtain sufficient appropriate audit evidence for Vat receivable as the municipality did not have adequate systems to maintain records of VAT. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to Vat receivables stated at R6 213 576 as disclosed in note 14 to the financial statements. Since the Vat receivables are 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 R51 529 333 in the financial statements.

Inventories

21. I was unable to obtain sufficient appropriate audit evidence for land inventory and maintenance materials, as the inventory listing did not reconcile to the amounts presented in the annual financial statements. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to land inventory and maintenance materials of R3 374 829 (2020: R1 388 075) and R0 as disclosed in note 9 to the financial statements. Since the land inventory and maintenance materials are 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 R51 529 333 in the financial statements.

Receivables from exchange transactions – other debtors

22. During 2020, I was unable to obtain sufficient appropriate audit evidence for the receivables from exchange transactions - other debtors due to the poor status of the accounting records. I was unable to confirm the receivables from exchange transactions - other debtors by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to receivables from exchange transactions - other debtors stated at R1 225 014 in note 10 to the financial statements.

Bulk purchases

23. I was unable to obtain sufficient appropriate audit evidence that bulk purchases for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to bulk purchases stated at R20 475 330 in note 42 to the financial statements. Since the bulk purchases are 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 R51 529 333 in the financial statements.

Depreciation and amortisation

24. The municipality did not recognise all items of property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment*. The depreciation was incorrectly calculated on property, plant and equipment. Consequently, depreciation was overstated by R2 503 163 and property, plant and equipment was understated by R2 503 163. In addition, I was unable to obtain sufficient appropriate audit evidence regarding depreciation, due to the status of the accounting records. I was unable to confirm depreciation by alternative means. Consequently, I was unable to determine whether any adjustment relating to depreciation stated at R22 777 332 in note 39 to the financial statements was necessary.

Bad debts written off

25. I was unable to obtain sufficient appropriate audit evidence for bad debts written off as the municipality did not have adequate systems of internal control to keep record of journals. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments to bad debts written off stated at R4 894 525 in note 41 to the financial statements was necessary.

26. During 2020, the municipality did not account for bad debts written off in accordance with GRAP 1, *Presentation of financial statements.* The municipality did not write off bad debts correctly. Consequently, bad debts written off were overstated and receivables from exchange transactions - consumer debtors were understated by R2 248 439, respectively.

Overtime payments

27. I was unable to obtain sufficient appropriate audit evidence for the overtime payments paid by the municipality as no evidence was provided to support payments made in the form of timesheets and overtime approval forms. I was unable to confirm the amount by alternative means. Consequently, I was unable to determine whether any adjustments to overtime payments stated at R1 662 993 in note 37 to the financial statements was necessary.

Provisions

28. The municipality did not account for provisions for landfill sites rehabilitation in accordance with with GRAP 19, *Provisions contingent liabilities and contingent assets.* The municipality did not not update the prior year provision for landfill site rehabilitation balance to show the amount that would be due to rehabilitate the landfill site at year end. Consequently, provisions were understated by R1 693 216 and finance costs and general expenses by R547 511 and R1 145 705, respectively.

Contingencies

29. I was unable to obtain sufficient appropriate audit evidence for contingencies as the municipality did not have an adequate system of internal control to account these contingencies and did not keep proper accounting records. I was unable to confirm contingencies by alternative means. The contingencies reported in the prior year of R2 435 478 has not been disclosed in the comparative in the current year financial statements. In addition, no contingencies were disclosed in the current year financial statements. Consequently, I was unable to determine whether any adjustments were necessary to contingencies for the current and prior year.

Prior period errors

30. I was unable to obtain sufficient appropriate audit evidence that management has properly disclosed all adjustments made to correct prior period errors, due to the status of the accounting records and non-submission of information in support of these adjustments. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to confirm whether any adjustments to prior period errors were necessary in note 50 to the financial statements.

Related parties

31. The municipality did not have adequate systems in place to account for related parties, in accordance with GRAP 20, *Related party disclosures*. The municipality did not perform proper reconciliations to ensure the comparative figures in the current year financial statements agree to the prior year financial statements, which resulted in related parties for the prior year being understated by R12 771 531. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the related parties for the current period.

Commitments

32. The municipality did not have adequate systems in place to record commitments in accordance with GRAP 1, *Presentation of financial statements.* The municipality did not perform proper reconciliations to ensure the comparative figures in the current year financial statements agree to the prior year financial statements, which resulted in commitments for the prior year being understated by R110 894 388.

33. I was unable to obtain sufficient appropriate audit evidence for commitments as the municipality did not have an adequate system of internal control to account for these commitments and did not keep proper records. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustments relating to commitments of R47 902 058 as disclosed in note 48 to the financial statements were necessary.

34. During 2020, the municipality did not account for contractual commitments in accordance with GRAP 17, *Property, plant and equipment*. The municipality did not accurately disclose commitments in note 48 to the financial statements. Consequently, commitments were overstated by R6 305 790.

Going concern

35. The municipality did not disclose their assessment of the use of the going concern assumption in accordance with GRAP 1, *Presentation of financial statements*. The disclosure made by management in note 51 is incomplete and inaccurate when compared to the annual financial statements.

Unauthorised expenditure

36. I was unable to obtain sufficient appropriate audit evidence for the unauthorised expenditure incurred during the year under review, as well as the opening balance of unauthorised expenditure reported in the prior year, as the note was omitted from the financial statements. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to unauthorised expenditure in note 52 to the financial statements.

Irregular expenditure

37. The municipality did not disclose all the irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of the supply chain management (SCM) requirements resulting in irregular expenditure being understated in the current and previous year. I was unable to determine the full extent of the understatement as it was impracticable to do so.

Cash flow statement

38. I was unable to obtain sufficient appropriate audit evidence for the calculation of the net cash flows from operating activities and financing activities in the cash flow statement, as the municipality did not appropriately account for cash and non-cash items. I was unable to confirm these items by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the net cash flows from operating activities and financing activities in the cash flow statement and the note thereto.

Statement of comparison of budget and actual amounts

39. The municipality did not have adequate systems in place to properly account for budgeted amounts disclosed in the statement of comparison of budget and actual amounts in accordance with GRAP 24, *Presentation of budget information in financial statements*. The impact on the financial statements is that the variances analysis will not be correct.

Statement of change in net assets

40. I was unable to obtain sufficient appropriate audit evidence for the amounts included in the statement of change in net assets, as the municipality did not maintain records of differences between the underlying records as well as correction of errors made. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to these amounts. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. Consequently, my opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability for the current period.

Electricity losses

41. In terms of section 125(1)(c) of the MFMA, the municipality is required to disclose particulars of material losses in the notes to the financial statements. In the current year, the municipality did not calculate the distribution losses as required as the disclosure only indicates units lost and not the rand value of the losses. Due to the absence of the accurate information required to calculate distributions losses, the full extent of the losses could not be determined as it was impracticable to do so.

Additional disclosure in terms of Municipal Finance Management Act

42. In terms of section 125(1)(c) of the MFMA, the municipality is required to disclose particulars of PAYE, SDL and UIF, Pension and medical aid deductions in the notes to the financial

statements. This was not disclosed in the notes to the financial statements, resulting in MFMA required disclosures being understated. I was unable to determine the full extent of the understatement for the current and prior year as it was impracticable to do so.

Financial instruments

43. The municipality did not have adequate systems in place to account for financial instruments, in accordance with GRAP 104, *Financial Instruments*, which resulted in financial instruments not being disclosed and accounted for in the financial statements for the current and prior year. I was unable to determine the impact of this misstatement as it was impracticable to do so.

Emphasis of matter

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

Underspending of conditional grants

45. As disclosed in note 18 to the financial statements, the municipality materially underspent on the municipal infrastructure grant and water infrastructure grant by R12 072 786 and R6 548 343 respectively.

Other matter

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

Unaudited disclosure notes (MFMA125)

47. 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.

Responsibilities of the accounting officer for the financial statements

48. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the MFMA and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (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.

49. 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 there is no realistic alternative but to do so.

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

50. My responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

51. 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 the other ethical requirements that relevant to my audit of the in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the audit of the annual performance report

52. 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 key performance area presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

53. 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 key performance area presented in the annual performance report of the municipality for the year ended 30 June 2021:

Key Performance Area	Pages in the annual performance report
KPA 1 – Basic Service Delivery: Service Delivery and Infrastructure Development	x – x

54. 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.

55. The material findings on the usefulness and reliability of the performance information of the selected key performance area are as follows:

Various indicators

56. I was unable to obtain sufficient appropriate audit evidence for the reported achievements for the listed indicators. This was due to a 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 households provided with clean piped water by 30 June 2021.	4692 households
Number of households provided with access to Basic sanitation service by 30 June 2021	4879 households
Number of Indigents provided with free basic water in terms of equitable share requirements (06KL per indigent household) by June 2021	1509
Number of Sewer pump station refurbished by 30 June 2021	7 sewer pump stations

Other matter

57. I draw attention to the matter below.

Achievement of planned targets

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

Report on the audit of compliance with legislation

Introduction and scope

59. 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.

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

Annual financial statements

61. 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 identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

62. The annual financial statements were not submitted to the Auditor-General, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

63. The annual financial statements were not submitted to the Auditor-General within two months after the end of the financial year and a written explanation setting out the reasons for the failure was not tabled in council, as required by section 133(1)(a) of the MFMA.

Expenditure management

64. I was unable to obtain sufficient appropriate audit evidence that payments from the municipality's bank accounts were approved by the accounting officer, the chief financial officer or a properly authorised official, as required by section 11(1) of the MFMA.

65. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, as required by section 65(2)(a) of the MFMA.

66. Reasonable steps were not taken to prevent irregular expenditure and unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure and unauthorised expenditure incurred as indicated in the basis for qualification paragraphs.

Revenue management

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

Asset management

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

Strategic planning and performance management

69. The SDBIP for the year under review did not include the monthly operational and capital expenditure by vote, as required by section 1 of the MFMA.

70. A performance management system was not adopted, as required by municipal planning and performance management regulation 8.

Procurement and contract management

71. Sufficient appropriate audit evidence could not be obtained that some goods and services with a transaction value of below R200 000 were procured using price quotations as required by SCM regulation 17(1)(a) and (c).

72. 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).

73. Sufficient appropriate audit evidence could not be obtained that quotations were awarded only to bidders who submitted a declaration on whether they were 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

74. 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.

75. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. Similar non-compliance was also reported in the prior year.

76. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA.

Consequence management

77. Unauthorized 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.

78. Irregular and fruitless and wasteful 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.

Other information

79. 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 development priorities presented in the annual performance report that have been specifically reported in this auditor's report.

80. 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.

81. 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 development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

82. 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

83. 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 disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

84. There was insufficient review at the appropriate levels of the financial statements and the annual performance report before submission for audit.

85. Leadership compiled an action plan based on the audit report findings; however, they did not adequately monitor the existing action plan. This resulted in material findings reoccurring in the current financial year.

86. The municipality 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 statements.

87. Controls over daily and monthly processing and reconciling of transactions were not performed on a regular basis, contributing to material misstatement not being prevented or detected in the financial statements.

88. The municipality did not review and monitor compliance with applicable laws and regulations. Furthermore, the municipality's internal processes and system did not prevent material non-compliance and irregular, unauthorised and fruitless and wasteful expenditure.

89. The accounting officer did not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities relating to performance evaluation, supply chain management, financial and reporting and asset, liability, revenue and expenditure management.

Auditor General

Kimberley

15 March 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence