The Accounting Officer
Kgatelopele Local Municipality
222 Barker Street
Danielskuil
8405

30 November 2022

Reference:21353REG21/22

Dear Municipal Manager

Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of Kgatelopele Local Municipality for the year ended 30 June 2022.

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 121(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 audit 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 you are required to include the audit report in the municipality's annual report to be tabled.
4. Prior to printing or copying the annual report which will include the audit 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 audit 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 Public Audit Act (PAA) and the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants *(including International Independence Standards*), the AGSA, 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 unless this is to a legislature or internal committee of a legislature or a court in a criminal matter and the disclosure has been approved by the auditee and the Auditor-General.
7. Until the steps described in par. 2 and par. 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

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Moji Makamole
Senior Manager: Northern Cape

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Report of the auditor-general to Provincial Legislature and the 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 X to X, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information 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 was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Cash and cash equivalents

3. 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 R75 803 344 (2021: R20 060 580) as disclosed in note 8 to the financial statements were necessary.

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 age analysis did not reconcile to the amounts presented in the annual financial statements and the municipality did not have adequate accounting systems to maintain records for the allowance for impairment. In addition, adequate systems of internal control to keep record of journals were not in place. 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 R25 805 932 (2021: R13 696 655) as disclosed in note 7 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 R105 501 681 in the financial statements.

5. The municipality did not have adequate systems in place to account for receivables from exchange transactions in accordance with GRAP 104, *Financial instruments,* as the municipality deducted debtors with credit balances on receivables from exchange transactions instead of disclosing the amount as payables from exchange transactions. Consequently receivables from exchange transactions and payables from exchange transactions were understated by R2 722 902. Additionally, there was an impact on the accumulated surplus for the period.

Receivables from non-exchange transactions - Consumer debtors - Rates

6. I was unable to obtain sufficient appropriate audit evidence for consumer debtors - rates, as the age analysis did not reconcile to the amounts presented in the annual financial statements and the municipality did not have adequate accounting systems to maintain records for the allowance for impairment. In addition, adequate systems of internal control to keep record of journals were not in place. 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 R18 115 309 (2021: R16 072 146) as disclosed in note 4 and 5 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 R105 501 681 in the financial statements.

Property, plant and equipment

7. During 2021, 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 R338 996 602 as disclosed in note 10 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 R40 150 158 in the financial statements.

Investment property

8. I was unable to obtain sufficient appropriate audit evidence for investment property, as the the fair value adjustment to investment property did not reflect the market conditions at the reporting date and the support for inputs and assumptions were not provided. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property of R52 041 248

as disclosed in note 9 to the financial statements. Since the investment property 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 R40 150 158 in the financial statements.

Work in progress

9. The municipality did not have adequate systems to account for work in progress in accordance with GRAP 17, *Property, plant and equipment,* as the retention costs were not included in work in progress and the completed projects were still included in work in progress. Consequently,work in progress was understated by R1 815 516, payables from exchange transactions were understated by R3 065 002 and property, plant and equipment were understated by R1 249 486. Additionally, there was an impact on the accumulated surplus for the period.

Intangible assets

10. I was unable to obtain sufficient appropriate audit evidence for intangible assets due to the poor status of the accounting records. I was unable to confirm the intangible assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to intangible assets of R2 155 728 as disclosed in note 11 to the financial statements. Since the intangible assets 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 R40 150 158 in the financial statements.

Revenue from exchange transactions

11. I was unable to obtain sufficient appropriate audit evidence for revenue from service charges and interest received - investment, due to the poor status of the accounting records. I was unable to confirm the revenue from service charges and interest received - investment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges and interest received - investment stated at R41 663 453 (2021: R39 110 243) and R4 027 263 in note 21 and note 24 to the financial statements. Since the service charges and interest received - investment 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 R105 501 681 in the financial statements.

12. During 2021, 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 accumulated surplus.

Government grants and subsidies

13. I was unable to obtain sufficient appropriate audit evidence for government grants and subsidies due to the poor status of the accounting record. I was unable to confirm the government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to government grants and subsidies stated at R88 784 874 in note 28 to the financial statements. Since the government grants and subsidies 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 R105 501 681 in the financial statements.

Licences and permits

14. The municipality did not recognise licences and permits in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality incorrectly classified licences and permits from revenue exchange transactions as licences and permits from revenue non - exchange transactions. Consequently, licences and permits from exchange transactions was understated by R1 226 119 and licences and permits from non-exchange transactions were overstated by R1 226 119.

Revenue from non-exchange transactions

15. During 2021, 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 R91 790 132 in the financial statements.

General expenses

16. I was unable to obtain sufficient appropriate audit evidence for general expenses due to the poor status of the accounting records and 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 amount by alternative means. Consequently, I was unable to determine whether any adjustments was necessary to general expenses of R10 138 281 as disclosed in note 38 to the financial statements. Since the general expenses 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 R105 501 681 in the financial statements.

17. The municipality did not have adequate systems in place to account for general expenses in accordance with GRAP 1, *Presentation of financial statements*, as the municipality did not record general expenses in full. Consequently, general expenses were understated by R 2 517 636, payables from exchange transactions were understated by R1 678 981 and

contracted services were overstated by R838 655. This also has an impact on the surplus and on the accumulated surplus in the financial statements.

Contracted services – Professional staff

18. I was unable to obtain sufficient appropriate audit evidence for professional staff due to the poor status of the accounting records. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments was necessary to professional staff of R6 426 577 as disclosed in note 37 to the financial statements. Since the professional staff 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 R105 501 681 in the financial statements.

Contracted services – Maintenance of vehicle, plant and machinery

19. I was unable to obtain sufficient appropriate audit evidence for maintenance of vehicle, plant and machinery due to the poor status of the accounting records. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments was necessary to maintenance of vehicle, plant and machinery of R2 302 475 as disclosed in note 37 to the financial statements. Since the maintenance of vehicle, plant and machinery 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 R105 501 681 in the financial statements.

Employee related costs

20. I was unable to obtain sufficient appropriate audit evidence for basic and pension contributions as the payroll report 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 was necessary to employee related costs of R40 973 274 as disclosed in note 31 to the financial statements. Since the employee related costs 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 R105 501 681 in the financial statements.

Bad debts written off

21. I was unable to obtain sufficient appropriate audit evidence for bad debts written off as the schedule provided 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 was necessary to bad debts written off of R9 590 945 (2021: R4 894 525) as disclosed in the financial statements.

Payables from exchange transactions

22. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to the poor status of the accounting records. Consequently, I was unable to determine whether any adjustments were necessary to payables from exchange transactions of R43 056 918 (2021: R34 339 784) as disclosed in note 14 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 R105 501 681 in the financial statements.

23. During 2021, 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.

Consumer deposits

24. I was unable to obtain sufficient appropriate audit evidence for consumer deposits due to the poor status of the accounting records. Consequently, I was unable to determine whether any adjustments were necessary to consumer deposits of R1 415 378 as disclosed in note 16 to the financial statements. Since the consumer deposits 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 R105 501 681 in the financial statements.

Inventories

25. I was unable to obtain sufficient appropriate audit evidence for inventories as the inventory listing did not reconcile to the amounts presented in the annual financial statements. Consequently, I was unable to determine whether any adjustments were necessary to inventories of R2 339 460 (2021: R2 799 554) as disclosed in note 3 to the financial statements. Since the inventories 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 R105 501 681 in the financial statements.

Vat receivable

26. 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 R15 716 060 (2021: R6 162 268) as disclosed in note 6 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 R105 501 681 in the financial statements.

Bulk purchases

27. During 2021, 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 36 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 R55 778 362 in the financial statements.

Prior period errors

28. 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 44 to the financial statements.

Irregular expenditure

29. 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.

Net cash flows from operating activities

30. I was unable to obtain sufficient appropriate audit evidence for the calculation of the net cash flows from operating 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 in the cash flow statement and the note thereto.

Unauthorised expenditure

31. 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, due to the poor status of the accounting records. 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 46 to the financial statements.

Fruitless and wasteful expenditure

32. I was unable to obtain sufficient appropriate audit evidence for the fruitless and wasteful expenditure incurred during the year under review due to the poor status of the accounting records. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to fruitless and wasteful expenditure in note 47 to the financial statements.

Commitments

33. I was unable to obtain sufficient appropriate audit evidence for commitments, as the commitments register provided did not reconcile to the amounts presented in the annual financial statements. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustments relating to commitments of R119 037 719 (2021: R51 658 803) as disclosed in note 42 to the financial statements were necessary.

34. During 2021, 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 R8 118 914.

Statutory Receivables

35. I was unable to obtain sufficient appropriate audit evidence for statutory receivables as the amounts as per the statement of financial position did not agree to the amounts included in the disclosure note. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to statutory receivables stated at R39 506 372 as disclosed in note 50 to the financial statements.

Related parties

36. During 2021, 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 2021 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.

Statement of comparison of budget and actual amounts

37. 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.

Segment reporting

38. The municipality did not have adequate systems in place to properly account for segment reporting in accordance with GRAP 18, *Segment reporting*. The municipality did not not report information about each segment identified in accordance with GRAP 18 separately or in aggregate; did not disclose the types of goods and/or services delivered by each segment disclosure and did not report a measure of surplus or deficit for the period and the basis of measurement.

Additional disclosure in terms of Municipal Finance Management Act

39. In terms of section 125(1)(c) of the MFMA, the municipality is required to disclose particulars of PAYE, audit fees, 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.

Emphasis of matter

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

Underspending of conditional grants

41. As disclosed in note 18 to the financial statements, the municipality materially underspent on the municipal infrastructure grant and regional bulk infrastructure grant by R12 486 317 and R62 367 000 respectively.

Other matter

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

Unaudited disclosure notes (MFMA 125)

43. 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

44. The accounting officer is responsible for the preparation and fair presentation of the financial statements 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 Division of Revenue Act 9 of 2021 (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.

45. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters

relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

46. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

47. 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

Introduction and scope

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

49. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

50. I evaluated 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 areas presented in the municipality's annual performance report for the year ended 30 June 2022:

Key performance area	Pages in the annual performance report
KPA 1 – Basic Service Delivery: Service Delivery and Infrastructure Development	X – X

51. 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.

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

Various indicators

53. The reported targets did not agree with the planned targets as per the approved service delivery and budget implementation plan. In addition, these targets for the indicators listed below were changed without the necessary approval:

Indicator number	Indicator description	Initial target	Revised target
KPI 2	Number of households provided with electricity prepaid and credit by 30 June 2022.	3045	3574
KPI 5	Number of Indigents provided with Free basic water in terms of equitable share requirements (06KL per indigent household) by June 2022.	1725	1500
KPI 6	Number of Indigents provided with Free basic electricity in terms of the equitable share requirements (Free 50kw basic electricity per indigent household) by June 2022.	1725	1500

KPI 7	Number of Indigents provided with Free basic sanitation services per indigent household by June 2022	1725	1500
KPI 8	Number of Indigents provided with Free weekly solid waste removal services in Danielskuil and Lime Acres per indigent household by 30 June 2022	1725	1500

Various indicators

54. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against targets for these indicators as reported in the annual performance report. This was due to limitations placed on the scope of my work. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported measures taken to improve performance.

Indicator description	Reported target	Reported achievement
Number of households provided with access to Basic sanitation service by 30 June 2022.	3137	2813
Number of households provided with weekly solid waste removal services in Danielskuil and Lime Acres by 30 June 2022.	2795	2790

Number of Indigents provided with Free basic electricity in terms of the equitable share requirements (Free 50kw basic electricity per indigent household) by June 2022

55. The measures taken to improve performance, against the target of 1725 with an actual achievement of 1707, were not reported in the annual performance report.

Various indicators

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

Indicator description	Reported achievement
Number of households provided with clean piped water by 30 June 2022	3186
Number of households provided with electricity prepaid and credit by 30 June 2022	3593
Number of households provided with access to Basic sanitation service by 30 June 2022.	2813
Number of Indigents provided with Free basic water in terms of equitable share requirements (06KL per indigent household) by June 2022.	1993
Number of Indigents provided with Free basic electricity in terms of the equitable share requirements (Free 50kw basic electricity per indigent household) by June 2022.	1707
Number of Indigents provided with Free basic sanitation services per indigent household by June 2022	1733
Number of Indigents provided with Free weekly solid waste removal services in Danielskuil and Lime Acres per indigent household by 30 June 2022	1733
Number of new households connected to existing sewer network by 30 June 2022.	130
Number of households provided with weekly solid waste removal services in Danielskuil and Lime Acres by 30 June 2022.	2790

Other matter

57. I draw attention to the matter below.

Achievement of planned targets

58. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year of targets. This information should be considered in the

context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) 48 to 56 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, performance reports and annual reports

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. Sufficient appropriate audit evidence could not be obtained that the 2020/21 annual report was tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

Expenditure management

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

64. 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.

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

Revenue management

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

67. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

68. I was unable to obtain sufficient appropriate audit evidence that accounts for municipal tax and service charges were prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

69. I was unable to obtain sufficient appropriate audit evidence that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

70. 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

71. The SDBIP for the year under review was not approved by the mayor, as required by section 53(1)(c)(ii) of the MFMA.

72. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote as required by section 1 of the MFMA.

73. The performance management system and related controls were inadequate as it did not describe how the performance planning, measurement and reporting processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

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

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

76. 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.

77. 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.

78. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.

79. Contracts above R30 million did not include a condition for mandatory subcontracting to advance designated groups, as required by the 2017 Preferential Procurement Regulation 9(1).

80. Sufficient appropriate audit evidence could not be obtained that awards were made to providers who were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44.

Utilisation of conditional grants

81. I was unable to obtain sufficient appropriate audit evidence that the Municipal Infrastructure Grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Division of Revenue Act (Act 9 of 2021).

82. I was unable to obtain sufficient appropriate audit evidence that the Water Services Infrastructure Grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Division of Revenue Act (Act 9 of 2021).

83. I was unable to obtain sufficient appropriate audit evidence that the Expanded Public Works Programme Integrated Grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Division of Revenue Act (Act 9 of 2021).

Consequence management

84. 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.

85. 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.

86. Allegations of financial misconduct against senior managers were not always investigated, as required by disciplinary regulations for senior managers 5(3) and section 171(4) of MFMA.

Human resource management

87. The municipal manager did not sign a performance agreement within the prescribed period, as required by section 57(2)(a) of the MSA.

Other information

88. 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 key performance areas presented in the annual performance report that have been specifically reported in this auditor's report.

89. 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.

90. 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 key performance areas presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

91. 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

92. 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.

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

94. 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.

95. 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.

96. 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.

97. 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.

98. 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

30 November 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence