

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Sol Plaatje 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 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 Sol Plaatje Local 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 municipality did not review the useful lives and indicators of impairment of all completed assets included in property, plant and equipment at each reporting date in accordance with GRAP 17, *Property, plant and equipment* and GRAP 21, *Impairment of non-cash-generating assets*. I was unable to determine the full extent of the misstatement of completed assets included in property, plant and equipment, impairment, depreciation and amortisation for the current and prior year as it was impracticable to do so. Additionally, there was an impact on the surplus for the period and accumulated surplus.
4. I was unable to obtain sufficient appropriate audit evidence that infrastructure assets had been properly accounted for due to prior year adjustments and transactions affecting infrastructure assets that could not be supported. I was unable to confirm the infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to infrastructure stated at R1 753 035 946 (2023: R1 659 154 265) in note 9 of the financial statements.

5. The municipality did not account for infrastructure assets in accordance with GRAP 17, *Property, plant and equipment*. Completed infrastructure assets were incorrectly included as under construction. Consequently, infrastructure assets under construction were overstated by R154 995 767 and completed assets included in infrastructure assets were understated by R154 995 767. I was unable to quantify the misstatement of the depreciation amount as the municipality did not determine useful lives for these completed assets. There was a resultant impact on the surplus for the period and on the accumulated surplus.
6. The municipality did not account for infrastructure assets in accordance with GRAP 17, *Property, plant and equipment*. Repairs and maintenance were incorrectly classified as infrastructure assets under construction. Consequently, infrastructure under construction was overstated by R27 105 553 as disclosed in note 9 to the financial statements. There was a resultant impact on the surplus for the period and on the accumulated surplus.

Service charges

7. The municipality did not recognise all sales of water and electricity, as required by GRAP 9, *Revenue from exchange transactions*. Properties were identified for which the sale of water and electricity was not billed and recorded for the current and the prior year. I was unable to determine the full extent of the understatement of the sale of water and electricity included in service charges and service debtors for water and electricity included in trade receivables from exchange transactions and VAT payable, as it was impracticable to do so for the current and prior year. There was a resultant impact on the surplus for the period and on the accumulated surplus.
8. The municipality did not recognise all sales of water and electricity, as required by GRAP 9, *Revenue from exchange transactions*. As the municipality did not use recent consumption data when calculating interim billing, I was unable to determine the full extent of the understatement of the sale of water and electricity included in service charges and service debtors for water and electricity included in trade receivables from exchange transactions and VAT payable, as it was impracticable to do so for the current and prior year. There was a resultant impact on the surplus for the period and on the accumulated surplus.
9. The municipality recognised items that did not meet the definition of revenue in accordance with GRAP 9, *Revenue from exchange transactions* as the municipality incorrectly billed consumers during periods when meters were broken or missing, I was unable to determine the full extent of the overstatement of the sale of water and electricity included in service charges and service debtors for water and electricity included in trade receivables from exchange transactions and VAT payable, as it was impracticable to do so for the current and prior year. There was a resultant impact on the surplus for the period and on the accumulated surplus.
10. I was unable to obtain sufficient appropriate audit evidence to support the sewerage and sanitation revenue charged to certain consumers. The municipality could not provide verifiable supporting documentation for the additional charges on certain properties. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to sewerage and sanitation charges stated at R93 749 304 in note 24 of the financial statements.

Investment property

11. The municipality recognised items that did not meet the definition of investment property in accordance with GRAP 16, *Investment property*. Land and buildings not owned by the municipality was incorrectly classified as investment property. Consequently, I was unable to determine the full extent of the overstatement of investment properties, as it was impracticable to do so. There was a resultant impact on the surplus for the period and the accumulated surplus.

Trade receivables from exchange transactions

12. I was unable to obtain sufficient appropriate audit evidence for the amounts written off as uncollectable due to the status of accounting records. I was unable to confirm the debt write off by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the amounts written off as uncollectable stated at R422 847 849 (2023: R119 068 844) in note 4.3 to the financial statements.

Material losses – electricity

13. Material losses – electricity was not recognised as required by section 125(2)(d) of the MFMA. Debtors accounts were identified for which electricity service charges were not billed and recorded that resulted in the total units sold as per the municipality's calculation being misstated. I was unable to determine the full extent of the misstatement of material losses – electricity, stated at R192 263 663 (2023: R197 509 664) in note 46.9 to the financial statements, as it was impracticable to do so.

Context for opinion

14. 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.
15. 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.
16. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matter

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

Restatement of corresponding figures

18. As disclosed in note 39 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

19. As disclosed in note 46.9 to the financial statements, material water losses of R85 381 138 (2023-2022: R77 947 877) was incurred, which represents 66,04% (2023-2022: 63,99%) of total water purchased.

Other matters

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

Unaudited disclosure notes

21. 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

22. 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

23. 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.

24. 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

25. 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.
26. 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 XX forms part of our auditor's report.

Report on the audit of the annual performance report

27. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected strategic objective presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
28. I selected the following strategic objective presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a strategic objective that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic objective	Page numbers	Purpose
Improved service delivery	XX	Access to Basic Services and Infrastructure Development

29. I evaluated the reported performance information for the selected strategic objective 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.
30. 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 is presented in the annual performance report in the prescribed manner and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance

31. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

32. The material findings on the reported performance information for the selected strategic objective are as follows:

Improved service delivery

Various indicators

33. Based on audit evidence, the actual achievements for two indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially less or more. Consequently, the targets were not achieved, the underachievement on the targets were less or more than reported.

Indicator	Target	Reported achievement
Limit unaccounted for electricity to less than 15% by 30 June {(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased} - 100}	15%	24%
Limit unaccounted for water (Non-Revenue Water) to less than 40% annually {(Number of Kilolitres Water Purified - Number of kilolitres Water Sold) / Number of kilolitre's Water Purified x 100}	40%	66%

Other matters

34. I draw attention to the matters below.

Achievement of planned targets

35. 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.

36. The table that follows provides information on the achievement of planned targets and lists the key service delivery 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.

Improved service delivery

<i>Targets achieved: 43.75%</i> <i>Budget spent: 97.04%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Development of a Strategy for the safeguarding of municipal assets to restrict vandalism of municipal infrastructure	1	0
80% waste water effluent quality level achieved as per National Effluent Quality Standards annually	80%	66.17%
Number of water samples collected and tested	960	649
The percentage of the municipal capital budget actually spent on capital projects by 30 June (Total actual amount spent on capital projects/Total amount budgeted for capital projects) X100	90.00%	68.87%
Number of households in Lethabo Park to be connected to the electricity network (Phase 2)	634	555
Review of the WSDP	1	0
Limit unaccounted for electricity to less than 15% by 30 June {(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased} - 100}	15%	24%
Limit unaccounted for water (Non-Revenue Water) to less than 40% annually {(Number of Kilolitres Water Purified - Number of kilolitres Water Sold) / Number of kilolitre's Water Purified x 100}	40%	66%

% Progress on the refurbishment of the filters and backwash system for the new Waste Water Treatment Works (WWTW) , Phase 1	100.00%	20.00%
% progress on the repair of emergency leakages at the Newton reservoir	100.00%	20.00%
% Progress on the completion of the emergency water meter installation and procurement of a water quality monitoring hardware	100.00%	62.50%
% Progress on the completion of the Emergency Bulk leak repairs and Corrosion Protection	100.00%	0.00%
% progress on the upgrade of the power supply and refurbishment of the abstraction pump station (Old and New Plant - Riverton) Ph 1	100.00%	53.00%
% Completion on the design work for Ph 1 of the Kimberley network leak detection and repair	30.00%	20.00%
% replacement of internal water pipes in Main Rd, Reservoir Rd, Dalham Rd, Carrington Rd, Central Rd and Broadway	100.00%	52.50%
Construction of a Ring Main Unit (RMU) in Colville	100.00%	50.00%
Construction of a 11 KV line in Ronald's Vlei	100.00%	90.00%
99% water quality level achieved as per SANS 241 annually	99.00%	89.98%
Upgrade water infrastructure (replace 2 000 water meters)	2,000	0
Upgrade electricity infrastructure (replace 2 000 prepaid electricity meters)	2,000	0
% Progress on the upgrade of the security at the Riverton water treatment works	100.00%	20.00%
% Progress on the upgrade of the old Water Treatment Plant (WTP) chlorine and dosing works	50.00%	20.00%
% Completion on the design work for Ph 2 of the Kimberley network leak detection and repair	30.00%	20.00%
% Completion on the design work for the upgrade of the Ritchie Water Treatment Works (WTW) and Bulk pipeline	30.00%	20.00%
Replace 400W MV luminaires with 276W LED luminaires	315	262

% Progress on the construction phase for the Carters Ridge sewer pump station building with all electrical and mechanical equipment as per the Project Plan by 30 June 2024	100.00%	47.60%
% Completion for the installation of electrical and mechanical components in Lerato Park Sewer pump Station as per the project plan by 30 June 2024	100.00%	62.80%
Number of households in Colville to be connected to the electricity network	138	0

Material misstatements

37. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Improved Service Delivery. Management did not correct the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

38. 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.
39. 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.
40. 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.
41. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

42. 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 liabilities, revenue, expenditure, disclosure items and the cash flow statement identified by the auditors in the submitted financial statements were subsequently corrected, 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

43. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by Supply Chain management (SCM) Regulation 17(1)(a) and (c).
44. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored monthly as required by section 116(2) of the MFMA. Similar limitation was also reported in the prior year.
45. 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. Similar limitation was also reported in the prior year.

Expenditure management

46. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
47. Reasonable steps were not taken to prevent irregular expenditure amounting to R64 619 891 as disclosed in note 45.3 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.
48. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R40 733 895 as disclosed in note 45.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid on overdue accounts.

Consequence management

49. Some irregular expenditure 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.

Revenue management

50. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
51. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

Asset management

52. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
53. Capital assets were disposed of without the municipal council having, in a meeting open to the public, and considered the fair market value of the assets and the economic and community value to be received in exchange for the assets, as required by sections 14(2)(b) of the MFMA.

Other information in the annual report

54. 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 development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.
55. 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.
56. 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 development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
57. 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

58. 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.
59. The matter reported below is 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.
60. Leadership did not adequately prevent the identified misstatements and instances of non-compliance, as the financial statements and their supporting documentation were not thoroughly reviewed. Additionally, certain instances of material non-compliance resulted from leadership actions, contributing to unfavourable audit outcomes.

Material irregularities

61. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularities identified during the audit

62. The material irregularities identified are as follows:

Overpayment made to the second contractor on Upgrade / Augmentation of Legaeng and Eagle street pump Stations Project

63. In terms of MFMA section 62(1) (a) and (d), "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that (a) the resources of the municipality are used effectively, efficiently and economically, (d) unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.
64. Sol Plaatje Local Municipality appointed True Build Services CC on 30 July 2021 for the Upgrade / Augmentation of Legaeng and Eagle Street Pump Station. The project commenced on 8 September 2021 with a planned completion of 3 August 2022. Due to lack of progress on site, an agreement between True Build Services CC and the municipality was reached on 25 November 2022 to cede the remaining works to Kapa Koni Investments to complete the project. There were instances identified where duplicate payments were made to the two suppliers and where payments were made for work not received in contravention of MFMA section 62(1) (a) and (d). This resulted in overpayments amounting to R1 090 000,00 which, if not recovered, is likely to result in a material financial loss.
65. I notified the accounting officer of the material irregularity on 20 March 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter.
66. On 24 April 2024, the accounting officer's response on the actions taken and that will be taken to address the matter was received. This response was incomplete and on 13 September 2024, the accounting officer resubmitted his response.
67. After an investigation conducted by the municipality it was concluded that an overpayment amounting to R1 408 888.61 was made to True Build Services CC. The municipality issued a letter of demand dated 26 August 2024, requesting the repayment of these monies.
68. I will follow-up on the recovery of the financial loss during my next audit.

Status of previously reported material irregularities

Municipal accounts not paid within 30 days

69. Eskom invoices received during the period 1 July 2019 to 30 June 2020 for bulk electricity purchases were not always paid within the prescribed 30-day period, in contravention of Section 65(2)(e) of the MFMA. The non-compliance resulted in a financial loss in the form of interest of R5 618 616 being levied and paid to the supplier on the outstanding balances.

70. I notified the accounting officer of the material irregularity on 30 August 2022 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer had not taken any action in response to being notified of the material irregularity.

71. I recommended that the accounting officer should take the following actions to address the material irregularity, which should have been implemented by 1 July 2024, with progress report after 3 months:

Appropriate action should be taken to obtain the relevant approval from council and commence with the implementation of the revenue enhancement plan to address the financial problems of the municipality that are preventing the Municipality from paying Eskom within 30 days, as required by MFMA section 65(2)(e). The financial plan should include realistic timeframes and milestones to be achieved and include as a minimum strategies to:

- (a) Implement the revenue enhancement interventions with the intention to increase the collection of revenue;
- (b) Efficiently manage the available resources of the municipality to optimise and reduce costs;
- (c) Reduce electricity distribution losses; and
- (d) Negotiate a reasonable payment arrangement with Eskom and properly budget for the amounts to be paid.

72. The AO failed to provide a progress report on 1 April 2024 on the implementation of the recommendations. The AO did also not submit the written submission and substantiating documentation on the implementation of the recommendation at the due date of 1 July 2024. I follow-up continuously with the accounting officer on the outstanding response on the implementation of the recommendations. On 17 September 2024, the accounting officer provided a written response and substantiating documentation on the implementation of the recommendations. I assessed the response and noted shortcomings that were communicated to the accounting officer on 7 October 2024. A supplementary response with substantiating documentation were received on 10 October 2024.

73. The accounting officer developed a revenue management strategy in November 2023 with defined milestones and timelines. The strategy amongst other provide for the measures to increase collection of revenue and interventions to reduce electricity losses significantly by 2027. The implementation of the plan commenced on 1 July 2024. The accounting officer provided substantiating documents to demonstrate the actions that have already been implemented such as the meter audit that was conducted as well as those actions that are in progress such as the installation of new electricity meters and implementation of credit control processes.

74. The accounting officer submitted an application for the Eskom municipal debt relief programme, which was approved by National Treasury on 1 October 2023. As per the compliance certificates issued by the National Treasury, the municipality has consistently been making payments to Eskom since October 2023 and achieved a 78% compliance rating as 30 June 2024 and Eskom has written-off interest of approximately R81 million in December 2023 and R13 million in May 2024.

75. The accounting officer has also entered into a payment arrangement with Eskom on 12 June 2024 to re-pay debt that has accrued after May 2023. This payment arrangement is running concurrently with the debt relief programme. The municipality is making regular payments to Eskom which have reduced the outstanding debt to Eskom to less than a billion.
76. The actions taken by the accounting officer to implement the recommendations are deemed appropriate and have addressed the MI and therefore the material irregularity has been resolved.
77. I will continue to monitor the compliance with the Eskom debt relief programme and the impact of the initiatives implemented in accordance with the revenue enhance strategy during my subsequent audit.

Pollution of water sources not prevented – Gogga pump station

78. In terms of the National Water Act (NWA) (Act No.36 of 1998), Section 19(1) "An owner of land, a person in control of land or a person who occupies or uses the land on which— (a) any activity or process is or was performed or undertaken; or (b) any other situation exists, which causes, has caused or is likely to cause pollution of a water resource, must take all reasonable measures to prevent any such pollution from occurring, continuing or recurring."
79. In terms of the National Environmental Management Act (NEMA), 1998 (Act No. 107 of 1998), Section 28(1) "Every person who causes, has caused or may cause significant pollution or degradation of the environment, must take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring, or, in so far as such harm to the environment is authorised by law or cannot reasonably be avoided or stopped, to minimise and rectify such pollution or degradation of the environment".
80. It was confirmed that there were various concerns and challenges regarding the effective treatment of wastewater, the quality of effluent disposed into the immediate environment and compliance with general treatment and disposal legislative requirements at Gogga Pump Station.
81. Sewerage discharge continued into the environment (from the Pump Station and overflowing lines). It was also noted that a manhole (sewer release point) just outside the pump station (on the main line to the Homevale Wastewater Treatment Works) was seriously overflowing. Notwithstanding the overflows observed, critical mechanical and operational equipment within the pump station were not functioning properly.
82. The pump station was not properly maintained. This showed that the municipality did not take reasonable steps to prevent the pollution that was causing harm to the environment in contravention of NWA Section 19(1) and did not take reasonable steps to prevent pollution of water sources in contravention of NEMA Section 28(1). The regular raw sewer overflows into the veld caused major pollution within a vast area amongst the reticulation lines up to the R31 road. The fact that Communal housing surrounds the pump station is of particular concern with serious health, safety and related nuisances affecting the community. The non-compliance was likely to cause substantial harm to the general public.

83. I notified the accounting officer of the material irregularity on 27 October 2023 and invited the AO to make a written submission on the actions taken and that will be taken to address the matter.
84. On 12 February 2024, the accounting officer's response on the actions taken and that will be taken to address the matter was received. The municipality has addressed the critical finding made on the non-compliances identified regarding the contamination of raw sewerage on the outfall sewer line from Gogga pumping station to Homevale Wastewater Treatment Plant.
85. I will continue to monitor the remedial actions taken regarding the environmental harm during my next audit.

Other reports

86. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. 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.
87. The Directorate for Priority Crime Investigation (Hawks) is investigating allegations of fraud, corruption and money laundering relating to the municipality. These proceedings were in progress at the date of this report.

Auditor General

Auditor-General

Kimberley

30 November 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 development priorities 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)