Report of the auditor-general to the North West Provincial Legislature and the council on Rustenburg Local Municipality

Report on the audit of the consolidated and separate financial statements

Qualified opinion

1. I have audited the consolidated and separate financial statements of Rustenburg Local Municipalities and its subsidiaries set out on pages xx to xx, which comprise the consolidated and separate statement of financial position as at 30 June 2021, the consolidated and separate statement of financial performance, statement of changes in net assets, and 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 consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Rustenburg Local Municipality as at 30 June 2021, and their financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003) (MFMA) and the Division of Revenue Act 4 of 2020 (DoRA).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment as the underlying supporting registers for infrastructure assets, land and buildings and projects included in work-in-progress were not sufficiently complete. I was unable to confirm these infrastructure assets, land and buildings and work-in-progress by alternative means. Consequently, I was unable to determine whether any adjustments relating to property, plant and equipment of R8 945 415 000 and R8 372 097 000 (2020: R8 951 181 000 and R8 351 991 000) as disclosed in note 4, the depreciation and impairment on property, plant and equipment of R377 605 000 and R338 559 000 (2020: R370 719 000 and R338 211 000) included in the depreciation and amortisation expense as disclosed in note 34 to the consolidated and separate financial statements was necessary or the related prior period errors disclosure in note 48 to the consolidated and separate financial statements was necessary.

Payables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for unallocated deposits due to the state of the underlying records and lack of information supporting these amounts. I was unable to confirm these unallocated deposits by alternative means. Consequently, I was unable to determine whether any adjustments to unallocated deposits of R151 982 000 (2020: R127 710 000) included in payables from exchange transactions as disclosed in note 22 or the

related prior period errors disclosure in note 48 to the consolidated and separate financial statements were necessary.

Value added tax (VAT) payable

5. I was unable to obtain sufficient appropriate audit evidence for the VAT payable due to limitations placed on the scope of my work. I was unable to confirm the VAT payable by alternative means. Consequently, I was unable to determine whether any adjustments to the VAT payable of R186 692 000 and R184 736 000 (2020: R172 944 000 and R149 171 000) as disclosed in note 23 or the related prior period errors disclosure in note 48 to the consolidated and separate financial statements was necessary.

Revenue from exchange transactions

6. The municipality did not account for all revenue from sale of electricity, water, sewerage charges and refuse removal in accordance with GRAP 9, *Revenue from exchange transactions* as the municipality did not maintain adequate records of the services rendered. I was unable to determine the full extent of the misstatement on service charges of R3 200 276 000 and R3 134 083 000 (2020: R2 830 036 000 and R2 766 037 000) as disclosed in note 25 to the consolidated and separate financial statements and net consumer debtors of R357 331 000 and R339 091 000 (2020: R170 573 000 and R148 987 000) as disclosed in note 15 to the consolidated and separate financial statements. Furthermore, the municipality did not accurately account for sale of electricity, which resulted in consumer debtors – electricity as disclosed in note 15 and sale of electricity as disclosed in note 25 being understated by R98 107 278 000 (2020: R48 013 768) and sale of water, which resulted in consumer debtors – water as disclosed in note 15 and sale of water as disclosed in note 25 being understated by R49 978 497. Consequently, I was unable to determine whether any adjustments to service charges of R3 200 276 000 and R3 134 083 000 (2020: R2 830 036 000 and R2 766 037 000) as disclosed in note 25 to the consolidated and separate financial statements and net consumer debtors of R357 331 000 and R339 091 000 (2020: R170 573 000 and R148 987 000) as disclosed in note 15 to the consolidated and separate financial statements was necessary.

Property rates

7. I was unable to obtain sufficient appropriate audit evidence for property rates due to the state of the accounting records and lack of information supporting these amounts. I was unable to confirm these property rates by alternative means. Consequently, I was unable to determine whether any adjustments to property rates of R412 887 000 disclosed in note 29 and receivables from non-exchange transactions as disclosed in note 14 to the consolidated and separate financial statements was necessary.

Irregular expenditure

8. During 2017/18, I was unable to obtain sufficient appropriate audit evidence for the opening balance of irregular expenditure disclosed due to the fact that the municipality did not maintain a detailed register of irregular expenditure. I was unable to determine whether any adjustments to irregular expenditure of R6 316 687 000 (2020: R5 702 093 000) as disclosed in note 55 to the consolidated and separate financial statements were necessary. My audit opinion on the financial statements for the periods ended 30 June 2020 was modified accordingly. I was still unable to confirm these irregular expenditure by alternative means. Consequently, my opinion on the current year financial statements is also modified because of the possible effect of this matter on the current period's figures.

Context for the opinion

9. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's

responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.

10. 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.

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

Material uncertainty relating to going concern

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

13. As disclosed in note 51 of the consolidated and separate financial statements the municipality's current liabilities exceed its current assets, the recoverability of outstanding debtors is low and more than ninety percent of gross debtors have been impaired and on averaget the municipality takes longer than the prescribed thirty day period to pay creditors. These conditions, together with other matters as set forth in note 51, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Unauthorised and fruitless and wasteful expenditure

15. As disclosed in note 53 to the consolidated and separate financial statements, unauthorised expenditure of R555 919 000 and R963 824 000 in respect of prior years was not investigated

16. As disclosed in note 54 to the consolidated and separate financial statements, fruitless and wasteful expenditure of R3 509 000 was incurred in the current year and fruitless and wasteful expenditure of R29 487 000 from prior years were not investigated.

Material losses

17. As disclosed in note 56 to the consolidated and separate financial statements, material water losses of R194 793 000 (2020: R188 778 000) was incurred as a result of water lost through the distribution process, which represents 48.66% (2020: 45,83%) of total water purchased.

18. As disclosed in note 56 to the consolidated and separate financial statements, material electricity losses of R121 523 000 (2020: R110 814 000) was incurred as a result of electricity lost through the distribution process, which represents 4.91% (2020: 7.07%) of total electricity purchased.

Restatement of corresponding figures

19. As disclosed in note 48 to the consolidated and separate financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2021.

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 municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

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 thereon.

Responsibilities of the accounting officer for the consolidated and separate financial statements

23. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

24. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the Rustenburg Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or there is no realistic alternative but to do so.

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

25. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

26. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

27. 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 is relevant to my audit of the consolidated and separate financial statements 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

28. 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 was engaged to perform procedures to raise findings but not to gather evidence to express assurance.

29. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance areas presented in the municipality's annual performance report for the year ended 30 June 2021:

Key performance area	Pages in the annual performance report
KPA 5 - Basic services and infrastructure development	x – x

30. 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.

31. The material findings in respect of the usefulness and reliability of the selected key performance areas are as follows.

KPA 5 - Basic Services and Infrastructure Development

KPI 37: Number of households with access to basic water

32. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined source information and method of collection or that related systems and processes were established to enable consistent measurement and reliable reporting of the actual achievement of the indicators listed below. This was due to a lack of measurement definitions and processes. In addition, the reported target of the 20 000 was not consistent with the planned target of 500. I was unable to confirm that the indicators are well defined and verifiable by alternative means. As a result, I was unable to audit the reliability of the achievements reported in the annual performance report of the indicator.

KPI 38: % compliance to water quality as per South African National standards by 30 June 2021

33. I was unable to obtain sufficient appropriate audit evidence for the achievement of 95% reported against target 95% in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

KPI 39: % Reduction of Non-Revenue Water loss by 30 June 2021

34. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against target 5% 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.

KPI 40: Number of households with access to basic sanitation services

35. The method of calculation for measuring the planned indicator was not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of my work and I was unable to audit the reliability of the achievement of 840 reported against target 500 in the annual performance report.

Other matter

36. I draw attention to the matter below.

Achievement of planned targets

37. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 38 to 41 of this report.

Report on audit of compliance with legislation

Introduction and scope

38. 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.
39. The material findings on compliance with specific matters in key legislation are as follows:

Financial statements

40. The consolidated and separate financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets, liabilities and commitments identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and/ or supporting records that could not be provided resulted in the financial statements receiving qualified audit opinion
41. The annual financial statements were not submitted to the Auditor-General, for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.
42. The consolidated financial statements were not submitted to the Auditor-General, for auditing, within three months after the end of the financial year, as required by section 126(1)(b) of the MFMA.

Strategic planning and performance management

43. The performance of the Rustenburg Water Service Trust was not monitored and reviewed as part of the annual budget process, as required by section 93B(b) of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).
44. The municipality's performance management system and related controls were inadequate as it did not enable useful and reliable performance measurement and reporting as required by regulation 7(1) of the municipal planning and performance management regulations.

Asset management

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

Consequence management

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

Expenditure management

47. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by awarding of contracts without following a competitive bidding process.
48. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R3 509 000, as disclosed in note 54 to the consolidated and separate 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 and penalties.

Revenue management

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

Procurement and contract management

50. Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a).
51. Sufficient appropriate audit evidence could not be obtained that contracts 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).
52. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations. Similar non-compliance was also reported in the prior year.
53. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 Preferential Procurement Regulations 11.
54. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).
55. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. Similar limitation was also reported in the prior year.

Other information

56. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report which includes the audit committee's report. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
57. 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 thereon.
58. 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 consolidated and separate financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

59. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

60. I considered internal controls relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation. However, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

- Management did not effectively implement and monitor the corrective action plans initiated by leadership to address prior year audit findings. Root causes were not addressed, which resulted in repeat findings on financial and performance reporting as well as compliance with legislation.

- The municipality does not have a proper system in place to account for and monitor spending on capital contracts, which is the main reason for project management shortcomings and accounting misstatements that result from this internal control weakness. In addition, management failed to address the significant control deficiencies within the asset management system.

- There is a lack of controls over daily and monthly processing and reconciling of transactions. In addition, management did not implement effective controls to ensure that all information in the financial statements and the report on predetermined objectives were reliable before submission for audit. These shortcomings are evident at year-end during the annual reporting process as well as during the financial year. This negatively impact the reporting and budget monitoring processes as well as the quality of the financial and other information provided to council during the course of the year.

- Records management remains a concern. The unavailability of documents resulted in a lack of complete, relevant and accurate information in support of financial and performance information.

- Management did not implement appropriate risk management activities to identify risks and shortfalls in the municipality's financial systems, supply chain management, performance reporting as well as non-compliances with laws and regulations.

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 the material irregularities reported in the previous year's auditor's report.

Material irregularities identified during the audit

62. The material irregularities identified are as follows:

Other material irregularities

Fleet management services procured not part of the original tender

63. The municipality entered into a contract for the provision of automated fleet and fuel management solutions during June 2018 as their fleet was in a state of disrepair and most of the vehicles reached it economical lifespan. On 20 July 2018, a *"price negotiation"* meeting was held between appointed service provider and the municipality. During this meeting, the original scope of the work was extended and new services were added to the scope of services that was not part of the original tender process.

64. SCM Regulation 19(a) provides that a supply chain management policy must specify that goods or services above a transaction value of R200 000 (VAT included) and long term contracts may be procured by the municipality only through a competitive bidding process, subject to regulation 11(2). However, the scope of work was extended beyond the limits of SCM Regulations 19(a) during the price negotiation and items that was not part of the competitive bidding process, were included at higher than market related price. The before mentioned resulted in a likely material financial loss for the municipality

65. The accounting officer was notified of this material irregularity on 22 November 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer stated in his response of 8 December 2021 that he completed the internal investigation process in line with MFMA section 32, and subsequently, disciplinary steps have been taken against the chair of the bid evaluation committee and the deputy chief financial officer. The before mentioned officials were dismissed or resigned including the accounting officer responsible for concluding the contract. The contract with the service provider was terminated during August 2019 based upon a high court order, to prevent further financial loss. During August 2019, the accounting officer referred the matters to the HAWKS, while requesting National Treasury to support a forensic investigation into the above-mentioned contract. However, it is not practicable to determine when the legal process will be finalised due to the complex legal nature of the transaction.

66. I will follow up on the investigations and the implementation of the planned actions during my next audit.

Payments made for fleet management service items above market value

67. The municipality entered into a contract for the provision of automated fleet and fuel management solutions during June 2018 as their fleet was in a state of disrepair and most of the vehicles reached it economical lifespan. On 20 July 2018, a *"price negotiation"* meeting was held between appointed service provider and the municipality. Several items were included in the original tender, were procured at prices above market values.

68. MFMA section 62(1)(a) states that 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 the resources of the municipality are used effectively, efficiently and economically. The municipality did not ensure that the resources of the municipality were used effectively, efficiently and economically procured during the price negotiations as goods and services were procured at above market related values. There the municipality did not obtain value for money for the payments made. The non-compliance with MFMA section 62(1)(a) is therefore likely to result in a material financial loss for the municipality as the prices paid for the items that formed part of the original tender process was higher than the market price.

69. The accounting officer was notified of this material irregularity on 8 December 2021 and was invited to make a written submission on the actions that will be taken to address the matter. A response from the accounting officer was received on 11 January 2022. The accounting officer indicated that he completed the investigation process in line with MFMA section 32 and subsequently disciplinary steps have been taken against the Chair of the Bid Evaluation

Committee and the Deputy Chief Financial Officer. The before mentioned officials were dismissed or they resigned, including the accounting officer responsible for concluding the contract. The contract with the service provider was terminated during August 2019 based upon a high court order, to prevent further financial loss. During August 2019, the accounting officer referred the matters to the HAWKS, while requesting National Treasury to support a forensic investigation into the above-mentioned contract. However, it is not practicable to determine when the legal process will be finalised due to the complex legal nature of the transaction.

70. I will follow up on the investigations and the implementation of the planned actions during my next audit

Status of previously reported material irregularities

Penalties paid as a result of late submission of VAT returns

71. The municipality incurred penalties of as a result of late submission of the November 2019 VAT return, which in contravention of section 28(1)(a) of the VAT Act. The non-compliance with section 28(1)(a) of the VAT Act has resulted in a material financial loss for the Rustenburg Local Municipality of R2 298 252 by 30 June 2020. The penalties paid is included in the fruitless and wasteful expenditure register of the municipality and in the fruitless and wasteful expenditure disclosed in note 52 to the financial statements.

72. The accounting officer was notified of this material irregularity on 16 March 2021 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer has completed the investigation process in line with MFMA section 32 as per the unauthorised, irregular, fruitless and wasteful expenditure reduction plan to determine the responsible person, applicable consequence and determine the non/recovery and has referred the investigation report to the Municipal Public Accounts Committtee during September 2021, as part of a transparent accountability process.

73. I will follow up on the investigation and the implementation of the planned actions during my next audit.

Other reports

74. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality'ss 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.

Investigations

75. The Directorate for Priority Crime Investigation (DPCI) is investigating various cases of corruption and fraud relating to contracts awarded during 2013-14, 2017-18 and 2018-19. Those cases that were concluded were referred to the National Prosecution Authority (NPA) whilst the remainder investigations were still in progress at the date of the report.

76. The Directorate for Priority Crime Investigation (DPCI) was investigating various cases relating to fraud and procurement irregularities which occurred during 2012-13, 2015-16 and 2017-18. Three of the cases were referred to the National Prosecuting Authority (NPA) for prosecution and one case was still under investigation.

77. Three matters relating to alleged procurement irregularities was referred to the Directorate for Priority Crime Investigation (DPCI) for investigation. Although the DPCI was still in progress at the date of the this report they also referred to the cases to the National Prosecuting Authority (NPA).

78. An allegation of fraud that occurred in the 2016-17 financial year was referred to the Directorate for Priority Crime Investigation (DPCI) for investigation. These investigations were concluded and referred to the National Prosecuting Authority (NPA) for prosecution.

79. An allegation of fraud committed by officials of the municipality that occurred in 2014 was referred to the Directorate for Priority Crime Investigation (DPCI) for investigation. Criminal proceedings are underway.

80. An independent firm was appointed to perform a forensic audit on various SCM regulation 32 appointments by the municipality during 2016-17. The forensic investigations were finalised. Two of these investigations were subsequently referred to the Directorate for Priority Crime Investigation (DPCI). These investigations have been concluded and referred to the National Prosecuting Authority (NPA) for prosecution.

81. The Commercial Crime Investigation Unit are investigating possible fraud that occurred in the 2016-17 financial year. The investigation was still in progress at the date of this report.

Auditor General

Rustenburg

03 March 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in the auditor's report, I also:

   - identify and assess the risks of material misstatement of the consolidated and separate 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 by the accounting officer.
   - conclude on the appropriateness of the accounting officer's 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 related to events or conditions that may cast significant doubt on the municipality's ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
   - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

3. 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.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.