



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

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Ratlou Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, 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

Property, plant and equipment

3. The municipality did not meet the requirements of the financial reporting framework, as it did not correctly assess impairment for infrastructure assets, work in progress and community assets with a carrying value of R152 919 898 (2023: R151 706 591); R56 930 779 (2023: R28 802 300) and R85 754 326 respectively, in accordance with Standards of GRAP 17, *Property, plant and equipment*. I was unable to quantify the full extent of the misstatement on the infrastructure assets, work in progress and community assets as disclosed in note 4, the depreciation and amortisation expense of R30 270 947 (2023: R29 954 023) as disclosed in note 32 and impairment of R2 187 859 (2023: R16 735 960) as disclosed in note 33, as it was impracticable to do so. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus.
4. I was unable to obtain sufficient appropriate audit evidence for the property, plant and equipment due to the status of the accounting records. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustment to the property, plant and equipment of R366 040 756 as disclosed in note 4 to the financial statements was necessary.

Receivables from non-exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions, due to a lack of proper record keeping and reconciliation of control accounts. I was also unable to obtain sufficient appropriate audit evidence for the debt impairment calculated on the gross balances due to this limitation. I was unable to confirm these receivables from non-exchange transactions and allowance for impairment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from non-exchange transactions stated at R88 402 (2023: R239 103) as disclosed in note 11 and 13 to the financial statements as well as the debt impairment expense of R15 544 930 (2023:R13 831 836) as disclosed in note 36 to the financial statements.

Receivables from exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions, due to the status of the accounting records. I was unable to confirm these receivables by alternative means. Consequently, I was unable to determine whether any adjustment were necessary to receivables from exchange transactions stated at R8 676 990 (2023: R7 239 972) as disclosed in note 10 as well as debt impairment expense of R15 544 930 (2023: R13 831 836) as disclosed in note 36 to the financial statements.

VAT receivable

7. I was unable to obtain sufficient appropriate audit evidence for the VAT receivable due to the status of the accounting records. I was unable to confirm this VAT receivable by alternative means. Consequently, I was unable to determine whether any adjustment were necessary to the VAT receivable of R10 362 663 (2023: R7 080 876) as disclosed in note 12 to the financial statements was necessary.

Payables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for payment received in advance included in payables from exchange transactions due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm these payments received in advance by alternative means. Consequently, I was unable to determine whether any further adjustments to the payments received in advance stated at R9 966 073 (2023: R13 387 744) in note 6 to the financial statements were necessary

Interest received on property rates

9. I was unable to obtain sufficient appropriate audit evidence for interest received on property rates, due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm the interest received on property rates by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to interest received on property rates stated at R8 937 815 (2023: R9 508 639) in note 23 to the financial statements.

Employee related costs

10. During 2023, I was unable to obtain sufficient appropriate audit evidence for employee related costs as disclosed in note 30 to the financial statements, due to the status of accounting



records. I was unable to confirm these employee related costs by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the corresponding figure of employee related costs, stated at R91 236 823. My audit opinion on the financial statement for the period ended 30 June 2023 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the employee related costs for the current period.

Government grants and subsidies

11. During 2023, I was unable to obtain sufficient appropriate audit evidence for disaster management grant included in government grants and subsidies disclosed in note 28 to the financial statements due to the status of accounting records. I was unable to confirm the disaster management grant by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the corresponding figure of disaster management grant, as stated at R3 063 368. My audit opinion on the financial statement for the period ended 30 June 2023 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the disaster management grant for the current period.

Cash flow statement

12. The municipality did not correctly prepare and disclose the net cash flows from operating activities and net cash flows from investing activities as required GRAP 2, *Cash flow statements*. This was due to multiple errors in determining net cash flows from operating activities and net cash flows from investing activities for the current and the prior year. I was unable to determine the full extent of the errors as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment was necessary to the cash flows statements as disclosed were necessary.

Commitments

13. The municipality did not have an adequate contract management system to record, maintain and reconcile payments made on its commitments and to disclose capital commitments, as required by GRAP 17, *Property, plant and equipment*. This resulted in commitments disclosed in note 42 to the financial statements being overstated by R2 568 556.
14. During 2023, I was unable to obtain sufficient appropriate audit evidence for commitments disclosed in note 42 to the financial statements, due to the status of accounting records. I was unable to confirm these commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments, stated at R91 091 318 in note 42 to the financial statements. My audit opinion on the financial statement for the period ended 30 June 2023 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the commitments for the current period.

Contingent liabilities

15. During 2023, I was unable to obtain sufficient appropriate audit evidence for contingent liabilities disclosed in note 43 to the financial statements, due to the status of accounting records. I was



unable to confirm these contingent liabilities by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the corresponding figure of contingent liabilities, stated at R9 016 005. My audit opinion on the financial statement for the period ended 30 June 2023 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the contingent liabilities for the current period.

Irregular expenditure

16. Not all irregular expenditure was included in note 50 to the financial statements, as required by section 125(2)(d) of the MFMA. Expenditure incurred in contravention of supply chain management requirements was not included in note 50. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustment relating to the irregular expenditure of R247 082 981 (2023: R239 974 614) as disclosed in note 50 to the financial statements was necessary.

Prior year adjustments

17. Not all prior period errors were disclosed in note 46 to the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors*. The nature and the amount of the correction for some financial statement items affected, and the amount of the correction at the beginning of the earliest previous period were not disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence for those prior period errors disclosed in note 46 to the financial statements, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in the financial statements.

Statement of comparison of budget and actual amounts

18. The municipality did not correctly prepare and disclose statement of comparison of budget and actual amounts as required by Standards of GRAP 24, *Presentation of budget information in financial statements*. This was due to multiple errors in determining variances and omitted information. I was not able to determine the full extent of the errors in the statement of comparison of budget and actual amounts. Consequently, I was unable to determine whether any adjustments to the statement of comparison of budget and actual amounts as disclosed in the financial statements were necessary.

Segment reporting

19. I was unable to obtain sufficient appropriate audit evidence for segment reporting as disclosed in note 53 to the financial statements, due to the status of accounting records. I was unable to confirm this segment reporting by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the disclosure of segment reporting.

Emphasis of matters

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



Unauthorised and fruitless and wasteful expenditure

21. As described in note 49 to the financial statements, fruitless and wasteful expenditure incurred in the previous years has not been dealt with in accordance with section 32 of the MFMA.
22. As disclosed in note 48 to the financial statements, unauthorised expenditure of R9 419 189 was incurred in the current year and unauthorised expenditure of R41 546 207 that was incurred in the previous years has not yet been dealt with in accordance with section 32 of the MFMA.

Other matter

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

Unaudited disclosure notes

24. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statement. 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

25. 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.
26. 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

27. 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 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.
28. 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 are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.



Report on the annual performance report

29. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

30. I selected the following material performance indicators related to Infrastructure Development and Basic Service Delivery presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- KM of gravel roads maintained
- Number of Reports on Serviced and Maintained High Mast & Flood Lights
- Number of planned & Emergency Maintenance projects undertaken on municipal facilities
- Number of Reports on Eskom Electrification Programme & Projects submitted to Council
- Number of Indigent Household (HH) receiving Free Basic Electricity
- Number of Reports on the implementation of Water Projects by DWA&S, NMMDM & Sedibeng noted by Council
- Number of strategic waste removal points reports on waste removal noted by council
- Number of Reports on Housing Projects Implemented by DHS noted by Council
- Number of Sports facilities constructed for phase 2&3
- Number of completed & energised high mast lights
- Number of internal access roads constructed

31. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

32. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included



- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for measures taken to improve performance.
33. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
34. The material findings on the reported performance information for the selected material indicators are as follows:

KM of gravel roads maintained

35. Neither the indicator nor its target of kms length of maintained gravel roads by 30 June 2024 was clearly defined during the planning process. The indicator is not specific as to which gravel roads will be maintained by 30 June 2024. Consequently, the indicator and its target are not useful for measuring and reporting on progress against the municipality's planned objectives.

Number of completed and energised high mast lights

36. An achievement of 12 completed and energised high mast lights was reported against a target of 12 high mast lights completed and energised by 30 June 2024. However, the audit evidence showed the actual achievement to be only 10 high mast lights completed and energised. Consequently, the target was not achieved.

Number of planned and emergency maintenance projects undertaken on municipal facilities

30. An achievement of 4 planned and emergency maintenance projects undertaken on municipal facilities was reported against a target of 4 planned and emergency maintenance projects undertaken on municipal facilities by 30 June 2024 but the audit evidence showed the actual achievement to be 5 planned and emergency maintenance projects undertaken on municipal facilities. The achievement against the target was better than reported.

Number of indigent household (HH) receiving free basic electricity

37. An achievement of 8570 of indigent household (HH) receiving free basic electricity was reported against a target of 8531 indigent household receiving free basic electricity. However,



some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Number of sports facilities constructed for phase 2 and 3

38. An achievement of zero sports facility constructed phase 2 (Logageng) by 30 June 2024 was reported against a target of 1 sport facility constructed phase 2 (Logageng) by 30 June 2024). The reason reported for the underachievement was the late appointment of a contractor. However, the audit evidence showed the reason to be delays caused by the contractor to complete the project. Consequently, the reported reasons are not useful for informed decision-making and accountability.

Number of internal access roads constructed

39. The target in the annual performance report differed from what was committed in the approved initial planning document. While the reported target was all layer works completed by 30 June 2024, the planned indicator was one internal access road constructed in Madibogopan & Diolwane by 30 June 2024. This change was made without obtaining the required approval, undermining transparency and accountability.
40. Moreover, an achievement of all layer works completed by 30 June 2024 was reported against the target of one internal access road constructed in Madibogopan & Diolwane by 30 June 2024 which relates to this indicator. However, the audit evidence confirmed the actual achievement to be all layer works completed by 30 June 2024, indicating that the achievement against the target was worse than reported.

Other matters

41. I draw attention to the matters below.

Achievement of planned targets

42. 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.
43. 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.



Infrastructure Development and Basic Service Delivery

<i>Targets achieved: 70%</i> <i>Budget spent: 96%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of internal access roads constructed	1 Internal Access Road constructed in Makgobistad by 30 June 2024	Not achieved
Number of sports facilities for phase 2 & 3	1 Sport facility constructed Phase 2 (Logageng) by 30 June 2024	Not achieved

Material misstatements

44. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Infrastructure Development and Basic Service Delivery. Management did not correct the misstatements the misstatements and I reported material findings in this regard.

Report on compliance with legislation

45. 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.
46. 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.
47. 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.
48. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Financial statements, performance and annual report

49. 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.



50. Material misstatements of non-current assets, current assets, liabilities, revenue expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer audit opinion.

51. The oversight report adopted by the council on the 2022/23 annual report was not made public, as required by section 129(3) of the MFMA.

Asset management

52. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

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

Consequence management

54. Unauthorised 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.

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

56. 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)(b) of the MFMA.

Human resources management

57. The municipal manager did not develop the staff establishment and did not submit it to the municipal council for approval as required by section 66(1)(a) of the MSA

Revenue management

58. An adequate management, accounting and information system which debtors was not in place, as required by section 64(2)(e)(i), (ii), (iii) of the MFMA.

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

Strategic planning and performance management

60. 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 and the service delivery targets and performance indicators for each quarter, as required by section 1 of the MFMA.



Expenditure management

61. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R9 419 189, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by budget overspending.
62. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance on procurement on various goods and services.

Procurement and contract management

63. Some of the construction contracts were awarded to contractors that did not qualify for the contract CIDB Regulations 17 and 25(7A). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the key project below:
- Construction of Logageng sports complex (Tender number: NW381/PMU1/-TECH/2022/2023)
 - Appointment for a panel of consulting Engineers for various municipal infrastructure projects for a period of 36 months as and when required
64. 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. This limitation was identified in the procurement processes for the projects below:
- Appointment of service provider for the preparation of assets register for movable, immovable intangible and investment property assets and audit support for a period of 36 months (NW381/BTO01/2023/2024)
 - RLM062 Development of LED Strategy for Ratlou Local Municipality
65. 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. This limitation was identified in the procurement processes for the projects below:
- Appointment of service provider for the preparation of assets register for movable, immovable intangible and investment property assets and audit support for a period of 36 months (NW381/BTO01/2023/2024)
 - RLM062 Development of LED Strategy for Ratlou Local Municipality
66. Some of the contracts 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. This non-compliance was identified in the procurement processes for the listed below:
- Bid number: NW381/PMU1/-TECH/2022/2023) - Construction of Logageng Sports complex number.



- Tender number: NW381/TECH09/2023/2024) - Construction of Internal Access Road in Mabule and Mathateng
67. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). This non-compliance was identified in the procurement processes for the following projects:
- Maintenance of trucks (R2 125 082,61)
 - Refurbishment of Kraaipan internal access road
68. Some of the contracts were awarded to bidders based on points given for legislative requirement that were not stipulated /differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations. This non-compliance was identified in the procurement processes for the following projects:
- Construction of Logageng Sports complex number (Tender number: NW381/PMU1/-TECH/2022/2023)
 - RLM062 Development of LED Strategy for Ratlou Local Municipality
69. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). This non-compliance was identified in the procurement processes for the following projects.
- RLM062 Development of LED Strategy for Ratlou Local Municipality
 - Maintenance of trucks (R2 125 082,61)
 - Refurbishment of Kraaipan internal access road
70. 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 SCM Regulation 17(1)(a) and (c).
71. 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).

Internal control deficiencies

72. 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.
73. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.



74. The accounting officer did not

- fill key vacancies in finance, scm and internal audit divisions to create stability
- develop, implement, monitor strictly and track the post audit action plan which addresses the root cause of the repeat findings
- develop and implement basic internal controls in the financial and performance management units and ensuring adequate supporting documentation for the financial statements and performance are available for audit and agree to the reported information.

75. Accounting officer, audit committee and internal auditors did not thoroughly review financial statements and performance report before submission for audit to ensure errors were identified and corrected.

Material irregularities

76. 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 in progress

77. Reasonable steps were not taken in the 2022-23 financial year to ensure that full and proper records were kept of significant receivable from exchange, receivable from non – exchange, Vat receivable, payable and irregular expenditure, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a disclaimed audit opinion, as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.

78. The lack of full and proper records is likely to result in substantial harm to the municipality, as the municipality may not be able to continue its operations. This is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

79. The accounting officer was notified of the material irregularity on 29 February 2024 and invited to make written submission on the actions take or to be taken to address the matter. The accounting officer acknowledged the notification on 07 March 2024. The accounting officer requested an extension to revise the initial response to the notification of 09 April 2024, the request was approved on 03 May 2024 and the revised response to the notification was submitted on 06 May 2024.

80. The accounting officer did not perform sufficient root cause analysis to determine the full extent of record-keeping control deficiencies. Material limitations on the financial statement line items that were included in the MI notification were not addressed. I determined that the accounting officer did not take appropriation action committed to in his written submission in response to the notification and notified the accounting officer in a determination letter on 23 April 2024.



81. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by (6 months from date of notification) with a progress report after 3 months):

- The non-compliance with section 62(1)(b) of the MFMA should be investigated (which can include the root cause analysis) to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and enhance control weaknesses.
- Based on the reasons and circumstances, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by 62(1)(b) of the MFMA.
- The plan should include anticipated timeframes and address the following key areas as a minimum:

(a) Billing information and reconciliations to support revenue from service charges;

(b) Consumer debtor reconciliations (including age analysis) of all amounts owed to the municipality;

(c) Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received;

(d) Creditors reconciliations of amounts due by the municipality to third parties;

(e) VAT reconciliations supported by complete and accurate records, and

(f) Efficiently manage the available resources of the municipality.”

Auditor General

Rustenburg

30 November 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	Section 1 (a), (b) & (d) of the definition: irregular expenditure Section 1 Definition of SDBIP Sections 11(1); 13(2); 14(1); 14(2)(a); 14(2)(b); 15 Sections 24(2)(c)(iv); 29(1); 29(2)(b); 32(2) Sections 32(2)(a); 32(2)(a)(i); 32(2)(a)(ii); 32(2)(b) Sections 32(6)(a); 32(7); 53(1)(c)(ii); 54(1)(c) Sections 62(1)(d); 62(1)(f)(i); 62(1)(f)(ii); 62(1)(f)(iii) Sections 63(2)(a); 63(2)(c); 64(2)(b); 64(2)(c); 64(2)(e) Sections 64(2)(f); 64(2)(g); 65(2)(a); 65(2)(b); 65(2)(e) Sections 72(1)(a)(ii); 95(a); 112(1)(iii); 112(1)(j) Sections 116(2)(b); 116(2)(c)(ii); 117; 122(1); 122(2) Sections 126(1)(a); 126(1)(b); 127(2); 127(5)(a)(i) Sections 127(5)(a)(ii); 129(1); 129(3); 133(1)(a) Sections 133(1)(c)(i); 133(1)(c)(ii); 170; 171(4)(a); 171(4)(b)
LG: MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1); 71(2); 72
LG: MFMA: Municipal investment regulations, 2005	Regulations 3(1)(a); 3(3); 6; 7; 12(2); 12(3)
LG: MFMA: Municipal regulations on financial misconduct procedures and criminal proceedings, 2014	Regulations 5(4); 6(8)(a); 6(8)(b); 10(1)
LG: MFMA: Municipal supply chain management (SCM) regulations, 2017	Regulations 5; 12(1)(b); 12(1)(c); 12(3); 13(b); 13(c); 13(c)(i) Regulations 16(a); 17(1)(a); 17(1)(b); 17(1)(c); 19(a) Regulations 21(b); 22(1)(b)(i); 22(2); 27(2)(a); 27(2)(e) Regulations 28(1)(a)(i); 28(1)(a)(ii); 29(1) (a) and (b) Regulations 29(5)(a)(ii); 29(5)(b)(ii); 32; 36(1) Regulations 38(1) (c); 38(1)(d)(ii); 38(1)(e); 38(1)(g)(i) Regulations 38(1)(g)(ii); 38(1)(g)(iii) Regulations 43; 44; 46(2)(e); 46(2)(f)
Municipal Systems Act 32 of 2000 (MSA)	Sections 25(1); 26(a); 26(c); 26(i); 26(h) Sections 29(1)(b)(ii); 29(3)(b); 34(a); 34(b); Sections 38(a); 41(1)(a); 41(1)(b); 41(1)(c)(ii); 42; 43(2) Sections 56(a); 57(2)(a); 57(4B); 57(6)(a) Sections 66(1)(a); 66(1)(b); 67(1)(d); 74(1) Sections 93B(a); 93B(b); 93C(a)(iv); 93C(a)(v); 96(b)
LG: MSA: Municipal planning and performance management regulations, 2001	Regulations 2(1)(e); 2(3)(a); 3(3); 3(4)(b); 3(5)(a); 7(1); 8 Regulations 9(1)(a); 10(a); 12(1); 15(1)(a)(i); 15(1)(a)(ii)
LG: 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)
LG: MSA: Regulations on appointment and conditions of employment of senior managers, 2014	Regulations 17(2); 36(1)(a)



Legislation	Sections or regulations
LG: MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2); 5(3); 5(6); 8(4)
Annual Division of Revenue Act (DoRA)	Sections 11(6)(b); 12(5); 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1)
CIDB regulations	Regulations 17; 25(7A)
Municipal Property Rates Act 6 of 2004 (MPRA)	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Sections 2(1)(a); 2(1)(f)
Preferential Procurement regulations (PPR), 2017	Regulations 5(1); 5(3); 5(6); 5(7) Regulations 6(1); 6(2); 6(3); 6(5); 6(6); 6(8) Regulations 7(1); 7(2); 7(3); 7(5); 7(6); 7(8) Regulations 8(2); 8(5); 9(1); 10(1); 10(2); 11(1)
Preferential Procurement regulations (PPR), 2022	Regulations 3(1) Regulations 4(1); 4(2); 4(3); 4(4) Regulations 5(1); 5(2); 5(3); 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)

