



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

### Report on the audit of the financial statements

#### Qualified opinion

1. I have audited the financial statements of the Tswaing 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 and actual amounts 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 Tswaing Local Municipality as at 30 June 2024, and 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 5 of 2023 (DoRA).

#### Basis for qualified opinion

##### Trade and other receivables from exchange transactions

3. The municipality did not account for allowance for impairment of trade and other receivables from exchange transactions in accordance with GRAP 104, *Financial instruments*. The impairment methodology was not correctly applied, resulting in the allowance for impairment included in the trade and other receivables and debt impairment as disclosed in note 26 being understated by R7 834 288. In addition, I was unable to obtain sufficient appropriate audit evidence for trade and other receivables due to the status of accounting records. I was unable to confirm these trade and other receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade and other receivables from exchange transactions stated at R47 668 295 (2023: R50 580 764) as disclosed in note 5 to the financial statements.

##### Biological assets

4. I was unable to obtain sufficient appropriate audit evidence for biological assets, due to the status of the accounting records. The municipality did not have internal controls to account for



the movement of the biological assets. In addition, the depreciation and impairment considerations were not accounted for. I was unable to determine the full extent of the misstatement of biological assets in the statement of financial position. I was unable to confirm these biological assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the biological assets of R5 329 795 as disclosed in note 7 to the financial statements.

### Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for payments received in advance included in payables from exchange transactions due to status of the accounting records. Consequently, I was unable to determine whether any adjustment was necessary to payables received in advance of R25 119 399 included in payables from exchange transactions of R259 812 171 as disclosed in note 12 to the financial statements were necessary. In addition, payables from exchange transactions for trade payables were not accounted for in accordance with GRAP 1, *Presentation of financial statements*, which resulted in payables from exchange transactions disclosed in note 12 to the financial statements being understated by R8 172 875.

### Receivables from exchange transactions

6. During 2023, I was unable to obtain sufficient appropriate audit evidence for suppliers with debit balance, included in receivables from exchange transactions, due to the status of the accounting records. I was unable to confirm the suppliers with debit balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of supplier with debit balance of R7 935 629 included in receivables from exchange transactions of R8 045 226. My opinion on the financial statements for the period ended 2023 was modified accordingly.

### Service charges

7. I was unable to obtain sufficient appropriate audit evidence for service charges, due to the status of the accounting records. I was unable to confirm these service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges of R84 124 298 (2023: R74 662 061) as disclosed in note 17 and related trade and other receivables from exchange transaction of R47 668 295 (2023: R50 580 764) as disclosed in note 5 to the financial statements. In addition, the municipality did not accurately account for revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality did not charge for services in accordance with the approved tariffs and value of the properties as per valuation roll, resulting in service charges and related trade and other receivables from exchange transactions being understated by R12 426 704 (2023: R3 055 035).

### Property rates

8. I was unable to obtain sufficient appropriate audit evidence for property rates, due to the status of the accounting records. I was unable to confirm these property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates of R35 350 289 (2023: R28 770 537) as disclosed in note 20 and related receivables from non-exchange transactions as disclosed in note 4 to the financial statements.



## Prior period errors

9. I was unable to obtain sufficient appropriate audit evidence for those prior period errors adjustment on receivables from exchange transactions disclosed in note 49 to the financial statements, as the supporting information was not provided. I was unable to confirm this disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period error on receivables from exchange transactions disclosed in the financial statements.

## Unauthorised expenditure

10. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for unauthorised expenditure. As described in note 49 to the financial statements, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the unauthorised expenditure corresponding figures stated at R432 102 129 in note 46 to the financial statements.

## Irregular expenditure

11. Section 125(2)(d)(i) of the MFMA requires the disclosure of irregular expenditure incurred. The municipality have disclosed expenditure of R5 711 552 (2023: R4 511 147), as irregular expenditure, which was not in contravention with procurement and contract management legislation and regulations. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in note 42 to the financial statements, as sufficient appropriate audit evidence was not provided. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R954 476 555 (2023: R889 541 811) disclosed in note 42 in the financial statements.

## Context for opinion

12. 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.
13. 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.
14. 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**

15. I draw attention to the matters below. My opinion is not modified in respect of these matters.
16. I draw attention to note 40 to the financial statements, which indicates that a deficit of R 33 996 505 was incurred during the year ended 30 June 2024 and, as of that date the current liabilities exceeded its total current assets by R 159 048 433. As stated in note 40, these events or conditions, along with other matters as set forth in note 40, 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**

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

### **Fruitless and wasteful expenditure**

18. As disclosed in note 41 to the financial statements, fruitless and wasteful expenditure of R21 511 916 was incurred in the current year and fruitless and wasteful expenditure of R112 237 207 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.

### **Material losses - electricity**

19. As disclosed in note 43 to the financial statements, material electricity losses of R18 219 355 (2022-2023: R11 445 174) was incurred, which represents 34.98% (2022-2023: 27.49%) of total electricity purchased.

### **Restatement of corresponding figures**

20. As disclosed in note 49 to the financial statements, the corresponding figures for 30 June 2023 have been restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2024.

## **Other matter**

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

### **Unaudited disclosure notes**

22. 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.

## **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 [XXX], forms part of our auditor's report.

### **Report on 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 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.
28. I selected the following material performance indicators related to Key performance area 2: Basic service delivery and infrastructure 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.
- Number of KMs of access road to be constructed in Atamelang
  - Number of KM's of road to be constructed in Delareyville
  - Number of KM's of road to be constructed in Letsopa
  - Square meter of community hall constructed in Ganalaagte
  - Number of volume of storm water conduits (m3) soil and sand cleaned
  - Number of M2 potholes to be repaired and maintained in Delareyville



- Number of faulty water meters replaced in Delareyville, Atamelang, Sannieshof, Ottosdal/Letsopa
- Percentage of the amount spend on water network maintenance and repairs in Tswaing Local Municipality
- Percentage of the amount spend on sewer network maintenance and repairs in Tswaing Local Municipality
- Number of electricity broken poles replaced in Delareyville, Ottosdal and Sannieshof
- Number of electricity faulty meters replaced in Tswaing Local Municipality
- Number of streetlights maintained and repaired in Tswaing Local Municipality
- Number of high mast lights maintained and repaired in Tswaing Local Municipality
- Percentage of the amount spend on electricity underground network, maintenance and repairs in Tswaing Local Municipality
- Number of high mass lights maintained in villages and towns

29. 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.

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 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.

31. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

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

#### Various indicators

33. Based on the audit evidence, the actual achievement for 2 indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the target were lower than reported.

Indicator	Target	Reported achievement	Actual achievement
KPI 18: Number of faulty water meters replaced in Delareyville, Atamelang, Sannieshof, Ottosdal/Letsopa	300	24	14
KPI 19: Percentage of the amount spend on water network maintenance and repairs in Tswaing Local Municipality	100%	100%	89%

#### Various indicators

34. Based on the audit evidence, the actual achievements for 4 indicators did not agree to the achievements reported, but the targets were still achieved.

Indicator	Target	Reported achievement	Actual achievement
KPI 16: Number of volume of storm water conduits (m3) soil and sand cleaned	40m3	40m3	56m3
KPI 17: Number of M2 potholes to be repaired and maintained in Delareyville	200m2	0m2	365m2
KPI 22 Number of electricity faulty meters replaced in Tswaing Local Municipality	30	0	44
KPI 25 Percentage of the amount spend on electricity underground network, maintenance and repairs in Tswaing Local Municipality	100%	100%	532%



## Various indicators

35. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
KPI 23: Number of streetlights maintained and repaired in Tswaing Local Municipality	60	60
KPI 24: Number of high mast lights maintained and repaired in Tswaing Local Municipality	30	30

## KPI 29 Number of high mast lights maintained and repaired in villages and towns

36. I did not audit the indicator and its target of 30, as they were not approved during planning and included in the initial planning documents. The reported performance information is not consistent with the commitments made during planning and as a result, it holds little value for accountability process.

## Other matter

37. I draw attention to the matter below.

## Achievement of planned targets

38. 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.

39. 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].

## Key performance area 2: Basic service delivery and infrastructure development

<i>Targets achieved: 43%</i> <i>Budget spent: 70%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
KP1.12 Number of KMs of access road constructed in Atamelang	2 km's	Not Achieved



KPI.13 Number of KMs of access road constructed in Delareyville	1.5 Km's	Not Achieved
KPI 14. Number of KMs of internal road constructed in Letsopa	1.4 km's	Not Achieved
KPI 15. Square meter of community hall constructed in Ganalaagte	480 m2	Not Achieved
KPI 17. Number of M2 potholes to be repaired and maintained in Delareyville	220m2	Not Achieved
KPI 18. Number of faulty water meters replaced in Delareyville, Atamelang, Sannieshof, Ottosdal/Letsopa	300	Not Achieved – 24 meters replaced
KPI 21 Number of electricity broken poles replaced in Delareyville, Ottosdal and Sannieshof	30	Not Achieved – Only 20 electricity broken poles replaced
KPI 22. Number of faulty water meters replaced in Tswaing local municipality	30	Not Achieved

### Report on compliance with legislation

40. 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.
41. 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.
42. 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.
43. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

#### Human resource management

44. The municipal manager was appointed without submitting proof of previous employment, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 4(4)(b).



45. I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the municipal manager within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
46. Senior managers were appointed without submitting proof of previous employment prior to signing employment contracts, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 4(4)(b).
47. I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the senior managers within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
48. The municipal manager did not submit the staff establishment to the municipal council for approval as required by section 66(1)(a) of the MSA.
49. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.
50. The municipal manager did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.
51. I was unable to obtain sufficient appropriate audit evidence that senior managers signed performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

### **Annual financial statements and annual reports**

52. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.
53. The 2022/23 annual report was not made public after being tabled in the council, as required by section 127(5)(a)(i) of the MFMA.
54. The local community was not invited to submit representations in connection with the 2022/23 annual report, as required by section 127(5)(a)(ii) of the MFMA.
55. 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.

### **Expenditure management**

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



57. Reasonable steps were not taken to prevent irregular expenditure amounting to R64 934 744 as disclosed in note 42 to the annual financial statements, as required by section 62(1)(d) of the MFMA
58. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R21 511 916, as disclosed in note 41 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA
59. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R148 402 345, as disclosed in note 46 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

### **Revenue management**

60. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
61. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

### **Assets management**

62. 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.
63. 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.
64. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services 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 section(s) 14(2)(a) and 14(2)(b) of the MFMA.

### **Consequence management**

65. 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.
66. Irregular expenditure, 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.
67. Losses resulting from fruitless and wasteful expenditure were written-off as irrecoverable without being certified by council as irrecoverable, in contravention of section 32(2)(b) of the MFMA .
68. Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.



69. Cases of financial misconduct which constitute a crime committed by senior managers were not always reported to the South African Police Service, as required by municipal disciplinary regulations for senior managers 8(4) and municipal regulations on financial misconduct procedures and criminal proceedings 10(1).
70. Allegations of theft and fraud which exceeded R100 000 were not reported to the South African Police Service, as required by section 34(1) of PRECCA.

### **Strategic planning and performance management**

71. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote as required by section 1 of the MFMA.
72. A performance management system was not adopted, as required by municipal planning and performance management regulation 8.

### **Procurement and contract management**

73. 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).
74. Some of the quotations were accepted from 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).
75. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.
76. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2). This non-compliance was identified in the procurement processes for the SCM 001/2023/24 - Construction of Atamelang Access Road.
77. Sufficient appropriate audit evidence could not be obtained that contracts were awarded through a competitive bidding process that were adjudicated by the bid adjudication committee as required by SCM Regulations 29(1) (a) and (b) and Preferential Procurement Regulations.
78. Councillors of the municipality participated in committees evaluating or approving tenders OR attended meetings of committees evaluating or approving tenders, in contravention of section 117 of the MFMA.
79. The preference point system was not applied on some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
80. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.



81. 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.

### Other information in the annual report

82. 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 material indicators in the scoped-in key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
83. My opinion on the financial statements, the findings on the reported performance information 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.
84. 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 material indicators in the scoped-in key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
85. 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

86. 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.
87. The matters reported below are limited to the significant internal control deficiencies that resulted in qualified of opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
88. The municipality's leadership did not exercise adequate oversight of financial and performance reporting, compliance monitoring and related internal controls. Policies and procedures did not adequately guide financial, performance and compliance activities and consequence management measures were not fully implemented.
89. Management's internal controls and processes for the preparation and presentation of financial statements, performance reports and compliance monitoring did not ensure that the reports were free from material misstatements and material deviations from legislation. Numerous financial registers and schedules submitted by management did not agree with amounts in the annual financial statements; were not complete for all items recorded; and management did not



adequately ensure the collection, collation, verification, storing and reporting of actual performance information.

90. The audit committee and internal audit were not established during the year under review. As a result, there was no proper oversight and monitoring of internal controls to prevent and detect misstatements in the financial statements, to ensure compliance with legislation and the preparation of an annual performance report that is supported by full and proper supporting documentation.

## Other reports

91. I draw attention to the following engagements conducted by various parties. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

### Investigation into financial misconduct by former employees

92. During the 2021-22 financial year, the council ordered an investigation into various allegations of financial misconduct, as set out in section 171 of the MFMA, against former employees of the municipality. The investigation was conducted by an independent consulting firm. The final investigation report was dated and received on 29 July 2022 by the previous municipal manager and was tabled in council on 22 August 2022 in the special council meeting. The municipal manager referred the report to the Directorate of Priority Crime Investigations (Hawks) for further investigation of the criminal elements contained in the report.

Auditor General

Rustenburg

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 key performance area 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 (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(l)(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)



Legislation	Sections or regulations
LG: MSA: Regulations on appointment and conditions of employment of senior managers, 2014	Regulations 17(2); 36(1)(a)
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) Regualtions 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) Reguالتions 5(1); 5(2); 5(3); 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)

