



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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mahikeng 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 Mahikeng Local Municipality as at 30 June 2024, and its financial performance, cash flows statement and statement of comparison of budget and actual amounts 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

Cash and cash equivalents

3. I was unable to obtain sufficient appropriate audit evidence for bank balances included under cash and cash equivalents due to the status of the accounting records. The municipality could not provide supporting evidence for the reconciling items between the cash book and bank statement. I was unable to confirm these amounts by alternative means. Consequently, I was unable to determine whether any adjustment relating to bank balances under cash and cash equivalents of R22 294 949 disclosed in note 14 to the financial statements was necessary.

Investment Property

4. I was unable to obtain sufficient appropriate audit evidence for investment property due to the status of the accounting records. Information to support the calculation and assumptions used for valuation of investment properties, was not provided. I was unable to confirm this investment property by alternative means. Consequently, I was unable to determine whether any adjustment relating to investment property of R240 644 000 disclosed in note 3 to the financial statements was necessary.



5. Furthermore, the municipality did not account for investment property in accordance with GRAP 16, *Investment property*. Some investment properties not owned by the municipality were incorrectly included in the investment property register. Consequently, investment property was overstated by R43 199 230. Additionally, the investment properties were also not fair valued in the current financial year as required by the accounting policy. I was unable to determine the full extent of the impact on fair value adjustments, surplus for the period and the accumulated surplus, as it was impracticable to do so.

Inventory

6. I was unable to obtain sufficient appropriate audit evidence for inventory due to the status of the accounting records. The municipality could not provide supporting evidence for inventory values recorded in the accounting system. I was unable to confirm these amounts by alternative means. Consequently, I was unable to determine whether any adjustment relating to inventory of R18 136 434 disclosed in note 11 to the financial statements was necessary.

Provisions

7. I was unable to obtain sufficient appropriate audit evidence for provisions due to the status of the accounting records. The methods and assumptions applied in determining the provision for rehabilitation of the landfill site could not be reliably confirmed. I was unable to confirm these provisions by alternative means. Consequently, I was unable to determine whether any adjustment relating to provisions of R216 198 891 disclosed in note 16 to the financial statements was necessary.

Service charges – Sale of water

8. I was unable to obtain sufficient appropriate audit evidence for service charges relating to the sale of water. The billing for service charges on water was based on estimated consumption for a substantial period. I was unable to confirm the sale of water by alternate means. Additionally, there is misalignment in how the accounting system estimates consumption and the approved method of calculating the estimate as per the credit control policy. I was unable to determine the impact on the sale of water as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment relating to sale of water of R139 511 905 (2023: R135 021 589) disclosed in note 18 was necessary.

Interest received

9. The municipality did not adequately account for interest received, in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality used an incorrect interest rate to determine the amount of revenue from overdue accounts. Consequently, interest received and receivables from exchange transaction is understated by R18 075 009 as disclosed in note 17 to the financial statements. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus.

Cash Flow statement

10. The net cash flows from operating activities in the prior year were not correctly prepared and disclosed as required Standards of GRAP 2, Cash flow statements. Restatements were made

to rectify prior year restatement which resulted in multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R280 752 785 in the financial statements were necessary. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the net cash flow from operating activities for the current period.

11. The net cash flows from investing activities in the prior year were not correctly prepared and disclosed as required Standards of GRAP 2, Cash flow statements. Restatements were made to rectify prior year restatement which resulted in multiple errors in determining cash flows from investing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from investigating activities as stated at R185 143 726 in the financial statements were necessary. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the net cash flow from investing activities for the current period.

Distribution losses

12. I was unable to obtain sufficient appropriate audit evidence for distribution losses through the sale of water as management have not disclosed the information. I was unable to confirm these distribution losses by alternative means. Consequently, I was unable to determine the extent of the water distribution losses as it was impracticable to do so.

Context for opinion

13. 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.
14. 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.
15. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Unauthorised, irregular and fruitless and wasteful expenditure

17. As disclosed in note 39 to the financial statements, unauthorised expenditure of R140 937 537 was incurred in the current year and unauthorised expenditure of R913 435 518 from the prior years have not yet been dealt with in accordance with section 32 of the MFMA.
18. As disclosed in note 40 to the financial statements, fruitless and wasteful expenditure of R789 872 was incurred in the current year and fruitless and wasteful expenditure of R35 214 841 from the prior years have not yet been dealt with in accordance with section 32 of the MFMA.
19. As disclosed in note 41 to the financial statements, irregular expenditure of R311 179 074 was incurred in the current year and irregular expenditure of R1 848 264 657 from the prior years have not yet been dealt with in accordance with section 32 of the MFMA.

Material losses

20. As disclosed in note 12, note 13 and note 42 to the financial statements, material impairment of R1 792 501 082, R1 108 040 556 and R77 492 027 was incurred as a result of irrecoverable or non-paying receivable from exchange, receivable from non-exchange and other financial assets.

Restatement of corresponding figures

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

Underspending of the conditional grant

22. As disclosed in note 15 to the financial statements, the municipality materially underspent on the Water indigent support grant received from the Water Services Authority by R17 731 714 and the Disaster management grant by R14 382 000.

Other matter

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

Unaudited disclosure notes

24. 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

25. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP, MFMA and the requirements of 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 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.
28. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor’s report. This description, which is located at page xx-xx, forms part of our auditor’s report.

Report on the audit of 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 against predetermined objectives for the selected development priority presented in the annual performance report. The municipality is responsible for the preparation of the annual performance report.
30. I selected the following development priority presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a development priority that measures the municipality’s performance on its primary mandated functions and that is of significant national, community or public interest.

Development priority	Page numbers	Purpose
KPA - Basic Services Delivery and Infrastructure development	[XX]	To provide water services, sanitation services. To construct, upgrade and maintain roads. To retrofit & maintain public lighting. To provide waste management. To manage and maintain parks and cemeteries. To manage and maintain community facilities

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

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

34. The material findings on the reported performance information for the selected development priority are as follows:

KPA – Basic Service Delivery and infrastructure development

KPI 97 - Number of outdoor tennis court developed at Mmabatho tennis centre - phase 3 completed

35. The approved planning documents included a commitment to number of outdoor tennis court developed at Mmabatho tennis centre. However, an achievement of concrete seating of second lift done to increase capacity, was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

Missing indicators

36. The MFMA defines the legislative mandate of the municipality. However, various indicators to measure performance on the mandate were omitted from the approved planning documents. Consequently, achievement against the mandate was not planned or accounted for, which is

likely to result in it not being delivered and undermines transparency and accountability for delivery on the mandate responsibilities.

Mandate responsibility	Reason provided for non-inclusion
Percentage / Number of households with access to basic level of water	No reason was provided
Percentage / Number of households with access to basic level of sanitation	No reason was provided
Percentage / Number of households with access to basic level of solid waste removal	No reason was provided

Various indicators

37. A comparison of the actual performance for the year against the planned targets and/or the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement.

- KPI 89 - Number of square meters of surfaced road maintained
- KPI 90 - Length in kms of stormwater drainage systems maintained
- KPI 91 - Length in kms of rural gravel road maintained
- KPI 92 - Number of street lighting maintained
- KPI 93 - Number of High Masts lights maintained
- KPI 96 - Upgrading of road from Tloung Village to Bokone - Phase II for 700m completed
- KPI 97 - Number of outdoor tennis court developed at Mmabatho tennis centre - phase 3 completed
- KPI 98 - Number of high mast lights to be erected and electrified project to complete
- KPI 99 - Number of Kms paved road for project in Setlopo Sa Bosigo - Phase II completed
- KPI 100 - Number Kms of interconnected road Upgraded from Mmabatho WWTW to Mmabatho WTW
- KPI 104 - Number of Kms of surface road painted
- KPI 124 - Number of illegal dumping spots cleaned

KPI 95 - Number of HPS Fittings Retrofitted with LED Fittings

38. The indicator and its target of 273 HPS fittings retrofitted with LED fittings by 30 June 2024, were included in the approved revised planning documents but were not reported on in the annual performance report. The accounting officer did not provide a reason for this. Consequently, performance against the planned target was not accounted for, which undermines transparency and accountability.

KPI 104 - Number of kms of surface road painted

39. Procure a motor vehicle that will be utilized by Logistics team only was reported as a measure aimed at improving performance against the target of 80 kms of surfaced road painted by 30 June 2024. However, I could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

Various indicators

40. Based on the audit evidence, the actual achievement for four indicators did not agree to the achievements reported. Consequently, the actual achievements were less than reported. Furthermore, the targets were not achieved since the under-achievements on the targets were more than reported and the actual achievements against the targets were lower than reported.

Indicator	Target	Reported achievement	Actual achievements
KPI 93 - Number of High Masts lights maintained	500 High Masts lights maintained by 30 June 2024	793 High Mast Lights maintained by 30 June 2024	619 High Mast Lights maintained by 30 June 2024
KPI 96 - Upgrading of road from Tloung Village to Bokone - Phase II for 700m completed	Upgrading of road from Tloung Village to Bokone - Phase II for 700m complete by 30 September 2023	Upgrading of road from Tloung Village to Bokone - Phase II for 700m project practical complete, contractor busy with snag list	Upgrading of road from Tloung Village to Bokone - Phase II for 0m project practical complete, contractor busy with snag list
KPI 99 - Number of Kms paved road for project in Setlopo Sa Bosigo - Phase II completed	2,7 Kms paved road for project in Setlopo Sa Bosigo - Phase II completed by 30 September 2023	2,7 Kms paved road for project in Setlopo Sa Bosigo - Phase II Project practical complete, contractor busy with snag list	0 Kms paved road for project in Setlopo Sa Bosigo - Phase II Project practical complete, contractor busy with snag list
KPI 100 - Number Kms of interconnected road Upgraded from Mmabatho WWTW to Mmabatho WTW	8Kms of interconnected road Upgraded from Mmabatho WWTW to Mmabatho WTW by 30 June 2024	Completed 8Kms of interconnected road Upgraded from Mmabatho WWTW to Mmabatho WTW, All phases attained practical completion	Completed 0Kms of interconnected road Upgraded from Mmabatho WWTW to Mmabatho WTW, All phases attained practical completion

KPI 89 - Number of square meters of surfaced road maintained

41. An achievement of 62 894.38 m² surfaced road maintained by 30 June 2024 was reported against a target of 40 000 m² of surfaced road maintained by 30 June 2024. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially more than reported. Consequently, it is likely that the target was still achieved.

Various indicators

42. Some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and reported achievements. 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 90 - Length in kms of stormwater drainage systems maintained	40 kms of stormwater drainage systems maintained by 30 June 2024	40.509 kms of stormwater drainage systems maintained by 30 June 2024
KPI 92 - Number of Street lighting maintained	600 Street lighting maintained by 30 June 2024	2154 Street lighting maintained by 30 June 2024
KPI 98 - Number of high mast lights to be erected and electrified project to complete	80 high mast lights to be erected and electrified project to complete by 30 June 2024	24 high mast light energised, 31 high mast light paid to Eskom for energising, 25 lights still awaiting quotes from eskom total poles erected 80 poles with light fittings
KPI 104 - Number of kms of surface road painted	80 kms of surfaced road painted by 30 June 2024	66.95 kms of surfaced road were painted
KPI 123 - Number of Weekly collections of refuse at trade premises and urban residential areas	1 weekly collection of refuse at trade premises and urban residential areas by 30 June 2024	1 weekly collection of refuse at trade premises and urban residential areas
KPI 124 - Number of illegal dumping spots cleaned	30 illegal dumping spots cleaned by 30 June 2024	48 illegal dumping spots cleaned

Other matters

43. I draw attention to the matters below.

Achievement of planned targets

44. 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.

45. The tables 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].

KPA – Basic Service Delivery and infrastructure development

<p><i>Targets achieved: 65%</i></p> <p><i>Budget spent: 105%</i></p>		
Key service delivery indicator not achieved	Planned target	Reported achievement
KPI 97 - Number of outdoor tennis court developed at Mmabatho tennis centre - phase 3 completed	1 (Nr.16) outdoor tennis court developed at Mmabatho tennis centre - phase 3 completed by 30 June 2024	Concrete seating of second lift done to increase capacity
KPI 98 - Number of high mast lights to be erected and electrified project to complete	80 high mast lights to be erected and electrified project to complete by 30 June 2024	24 high mast light energised, 31 high mast light paid to Eskom for energising, 25 lights still awaiting quotes from eskom total poles erected 80 poles with light fittings
KPI 104 - Number of Kms of surface road painted	80 Kms of surfaced road painted by 30 June 2024	66.95 kms of surfaced road were painted

Material misstatements

46. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA – Basic Service and infrastructure development. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

47. 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.
48. 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.
49. 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 Mahikeng Local 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.
50. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual reports

51. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, 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 qualified audit opinion.
52. 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

53. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R140 939 573, as disclosed in note 39 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by payments on funded budgets and overspending on operational expenditure
54. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R789 872, as disclosed in note 40 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest charged on overdue accounts.
55. Reasonable steps were not taken to prevent irregular expenditure amounting to R311 179 074 as disclosed in note 41 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with procurement and contract management regulations and policies.

Procurement and contract management

56. 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).
57. The preference point system was not applied to 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.
58. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated or calculated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations.
59. Some of the contracts 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 2022 Preferential Procurement Regulation 4(4) and 5(4).
60. 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. This limitation was identified in the procurement processes for various key service delivery project.

61. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was also reported in the prior year. This limitation was identified in the procurement processes for various key service delivery project.
62. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e) / the code of conduct for councillors issued in terms of the Municipal Systems Act / the code of conduct for staff members issued in terms of the Municipal Systems Act.
63. Other SCM role players who or whose close family members/ partners/ associates had a private or business interest in contracts awarded by the municipality participated in the process relating to that contract, in contravention of SCM Regulation 46(2)(f).
64. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM Regulation 38(1).

Human resource management

65. 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.

Asset management

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

Revenue management

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

Strategic planning and performance management

68. No KPIs were set in respect of the provision of basic water and sanitation services, as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).
69. The performance management system and related controls were inadequately implemented as it did not describe how the performance planning, monitoring, review, reporting, improvement processes should be managed, as required by municipal planning and performance management regulation 7(1).

Consequence management

70. 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 section 32(2)(b) of the MFMA.

Other information in the annual report

71. The accounting officer is responsible for the other information included in the annual report which includes the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected development priority presented in the annual performance report that have been specifically reported on in this auditor's report.
72. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
73. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
74. 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

75. 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.
76. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
77. The accounting officer did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance with legislation. The municipality did not have sufficient monitoring and reviewing controls to ensure that financial and performance reports submitted for audit were accurate and complete, and that action plans developed were adequately and timeously implemented.

78. Slow response by management in monitoring and implementation of action plans to addressing significant control deficiencies to prevent recurring misstatements in the financial statements and performance report and non-compliance with applicable laws and regulations. Inadequate Implementation of controls over daily and monthly processing and reconciling of transactions.
79. There is a significant lack of implementation of proper record keeping to ensure that information is submitted for audit in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting and performance information. This is due to ineffective human resource management to ensure adequate and sufficiently skilled resources are in place and performance is monitored.

AUDITOR GENERAL

Rustenburg

11 December 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected development priority 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)	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), Sections: 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), Sections: 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), Regulations: 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), Sections: 54A(1)(a), 56(1)(a), 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 15(1)(a)(i), 15(1)(a)(ii)

Legislation	Sections or regulations
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1),31
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), Regulations: 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)