Report of the auditor-general to the Northwest Provincial Legislature and the council on Ditsobotla Local Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Ditsobotla Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025 , the statement of financial performance, statement of changes in net assets, cash flow statement, and the statement of comparison of budget and actual amounts 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

Receivables from non-exchange

3. I was unable to obtain sufficient appropriate audit evidence that receivables from non-exchange had been properly accounted for, due to the status of the accounting records. As required by GRAP 104, *Financial instruments*, an assessment was not performed at the end of the financial year of whether there is any objective evidence that debtors from non-exchange transactions are impaired and a provision for bad debts for long outstanding debtors was not created. I was unable to determine the value of the misstatement of receivables from non-exchange transactions and provision for bad debts, as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustment relating to receivables from non-exchange of R323 844 500 (2024: R285 694 942) as disclosed in note 8 to the financial statements were necessary.

4. The municipality did not disclose the receivables from non-exchange in note 8 to the financial statements as required by GRAP 104, *Financial instruments*. The disclosures did not include an analysis of the age of financial assets that is past due as at the end of the reporting period but not impaired. I was unable to quantify the full extent of the omitted disclosure as it was impracticable to do so.

Other statutory receivables

5. I was unable to obtain sufficient appropriate audit evidence that other statutory receivables had been properly accounted for, due to the status of the accounting records. I was unable to confirm other statutory receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to other statutory receivables of

R64 895 386 (2024: R115 641 672) and the related disclosures as disclosed in note 9 of the financial statements.

VAT receivable

6. I was unable to obtain sufficient appropriate audit evidence that VAT receivable had been properly accounted for, due to the status of the accounting records. I was unable to confirm the VAT receivable by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to VAT receivable of R538 140 091 (2024: R533 252 851) and the related disclosures as disclosed in note 10 of the financial statements.

Consumer debtors

7. I was unable to obtain sufficient appropriate audit evidence that consumer debtors had been properly accounted for, due to the status of the accounting records. As required by GRAP 104, *Financial instruments*, an assessment was not performed at the end of the financial year of whether there is any objective evidence that consumer debtors are impaired and a provision for bad debts for long outstanding debtors was not created. I was unable to determine the value of the misstatement of consumer debtors and provision for bad debts, as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustment relating to consumer debtors of R417 548 851 (2024: R329 123 092) as disclosed in note 11 and allowance for debt impairment of R601 856 285 (2024: R601 856 285) as disclosed in note 11 to the financial statements were necessary.

8. In addition, the municipality did not disclose the consumer debtors in note 11 to the financial statements as required by GRAP 104, *Financial instruments*. The disclosures did not include an analysis of the age of financial assets that is past due as at the end of the reporting period but not impaired. I was unable to quantify the full extent of the omitted disclosure as it was impracticable to do so.

Investment property

9. I was unable to obtain sufficient appropriate audit evidence that investment property had been properly accounted for, due to the status of the accounting records. I was unable to quantify the resultant misstatement on investment property of R251 784 793 (2024: R251 784 793) and the related disclosures as disclosed in note 2 of the financial statements as it was impractical to do so.

Property, plant and equipment

10. I was unable to obtain sufficient appropriate audit evidence that property, plant and equipment had been properly accounted for, due to the status of the accounting records. I was unable to confirm the property, plant and equipment by alternative means. In addition, the municipality did not perform an impairment assessment of the property, plant and equipment in accordance with GRAP 21, *Impairment of non-cash-generating assets*, despite indicators of impairment having been identified. I was unable to quantify the full extent of the misstatement on these items of property plant and equipment as it was impracticable to do so. Consequently, I was unable to determine whether any further adjustment was necessary to property, plant and

equipment of R857 034 829 (2024: R887 309 834) and the related disclosures as disclosed in note 3 of the financial statements.

Payables from exchange transactions

11. I was unable to obtain sufficient appropriate audit evidence that payables from exchange transactions had been properly accounted for, due to the status of the accounting records. I was unable to confirm the payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to payables from exchange transactions of R2 061 629 785 (2024: R2 030 645 216) as disclosed in note 5 of the financial statements.

Employee benefit obligation

12. The municipality did not have adequate systems in place to record the provisions in note 14 to the financial statements in accordance with GRAP 25, *Employee benefits*. Material differences were identified between the valuation reports and the financial statements. The employee benefit obligation was misstated due to omission of the leave accrual, bonus accrual and long service awards as well as incorrect calculation of the post-employment medical aid. Consequently, I was unable to determine whether any adjustment was necessary to employee benefit obligation of R54 394 973 (2024: R49 745 234) as disclosed in note 6 of the financial statements.

13. In addition, the municipality did not disclose then employee benefit obligations in note 6 to the financial statements as required by GRAP 25, *Employee benefits*. The disclosure included key assumptions, a sensitivity analysis and which could not be supported. I was unable to quantify the full extent of the omitted disclosure as it was impracticable to do so.

Unspent conditional grants

14. I was unable to obtain sufficient appropriate audit evidence that unspent conditional grants had been properly accounted for, due to the status of the accounting records. I was unable to confirm the unspent conditional grants by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unspent conditional grants of R62 007 646 (2024: R62 007 646) as disclosed in note 13 of the financial statements.

Provisions

15. The municipality did not have adequate systems in place to record the provisions in note 14 to the financial statements in accordance with GRAP 19, *Provisions*. Material differences were identified between the valuation reports and the financial statements. The provision was overstated due to inclusion of unrelated items such as long service awards and bonuses. Furthermore, the discounting rate was utilised despite no valid landfill permits or future rehabilitation dates, rendering the disclosure of discounting inappropriate and irrelevant. Consequently, I was unable to determine whether any adjustment was necessary to provisions of R105 695 341 (2024: R101 250 113) as disclosed in note 14 of the financial statements.

Service charges

16. The municipality did not measure revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*. The municipality did not have adequate internal controls in place to ensure that the revenue billed was based on recent and actual meter readings, in compliance with the municipal by-laws. I was unable to determine the value of the misstatement on service charges of R166 768 869 (2024: R126 141 726) as disclosed in note 17 to the financial statements or the related consumer debtors, as well as on distribution losses, as it was impracticable to do so.

17. In addition, I was unable to obtain sufficient appropriate audit evidence for service charges to determine the full extent of the misstatement due to the status of record keeping. I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to service charges, stated at R166 668 869 (2024: R126 141 726) in note 17 to the financial statements and the service concession arrangements stated at R31 542 940 (2024: R24 467 996) as disclosed in note 16 to the financial statements as it was impracticable to do so.

Government grants and subsidies

18. During 2024, I was unable to obtain sufficient appropriate audit evidence that government grants and subsidies had been properly accounted for, due to the status of the accounting records. I was unable to determine whether any adjustment was necessary government grants and subsidies of R200 754 141 as disclosed in note 30 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. I was still unable to confirm this government grants and subsidies by alternate means. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Employee related costs

19. I was unable to obtain sufficient appropriate audit evidence that employee related costs had been properly accounted for, due to the status of the accounting records. I was unable to confirm the employee related costs by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to employee related costs of R328 662 006 (2024: R336 469 181) as disclosed in note 32 to the financial statements.

Depreciation and amortisation

20. I was unable to obtain sufficient appropriate audit evidence that depreciation and amortisation had been properly accounted for due to the status of accounting records. I was unable to confirm the depreciation and amortisation by alternative means I was unable to determine whether any adjustment was necessary to depreciation and amortisation of R33 817 827 (2024: R74 163 965) as disclosed in note 34 of the financial statements.

Finance costs

21. The municipality did not have adequate systems in place to record the finance costs in accordance with GRAP 1, *Presentation of financial statements*. The finance costs recognised did not include interest charged by SARS on late VAT payments, interest on late payments to

pension fund administrators and medical aid providers as well as the interest cost component of the defined benefit obligation determined under GRAP 25, *Employee benefit obligations.* Consequently, finance costs of R29 907 461 as disclosed in note 35 were understated by R8 826 394. I was unable to determine the resultant impact of these misstatements on the payables from exchange transactions of R2 061 629 785 as disclosed in note 5 to the financial statements as it was impracticable to do so.

22. During 2024, I was unable to obtain sufficient appropriate audit evidence that finance costs had been properly accounted for, due to the status of the accounting records. I was unable to determine whether any adjustment was necessary to finance costs of R26 784 646 as disclosed in note 35 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. I was still unable to confirm this finance costs by alternate means. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Lease rentals on operating lease

23. I was unable to obtain sufficient appropriate audit evidence that lease rentals on operating lease had been properly accounted for, due to the status of the lease register and accounting records. I was unable to confirm the lease rentals on operating lease by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to lease rentals on operating lease of R10 265 512 (2024: R259 990) and the related disclosure as disclosed in note 24 of the financial statements.

Contracted services

24. I was unable to obtain sufficient appropriate audit evidence for security services and legal cost included in contracted services due to the status of the accounting records and adequate records of receipt of good and services was not maintained. I was unable to confirm the security services and legal cost by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the security services and legal cost included in contracted services of R16 579 756 and R9 893 891 respectively as disclosed in note 40 to the financial statements.

Statement of changes in net assets

25. I was unable to obtain sufficient appropriate audit evidence that statement of changes in net assets had been properly accounted for due to the status of the accounting records. I was unable to confirm the statement of changes in net assets by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the statement of changes in net assets of R579 461 785 (2024: R370 418 981) as disclosed in the financial statements.

Cash flow statement

26. I was unable to obtain sufficient appropriate audit evidence that the net cash flows from operating activities had been properly accounted for due to the status of the accounting records. I was unable to confirm the net cash flows from operating activities by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the net

cash flows from operating activities of R213 049 356 (2024: R787 128 082) as disclosed in the financial statements.

27. During 2024, I was unable to obtain sufficient appropriate audit evidence that net cash flows from investing activities had been properly accounted for, due to the status of the accounting records. I was unable to determine whether any adjustment was necessary to net cash flows from investing activities R27 232 939 as disclosed in the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. I was still unable to confirm this net cash flows from investing activities by alternate means. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Statement of comparison of budget and actual amounts

28. The municipality did not accurately disclose and present the original budget amounts, the adjustments and the explanations of material differences between the budget and actual amounts in the statement of comparison of budget and actual amounts in accordance with GRAP 24, *Presentation of budget information* in financial statements. I was unable to quantify the full extent of the incorrect disclosure as it was impracticable to do so.

Contingent liabilities

29. The municipality did not have adequate systems in place to record the contingent liabilities in accordance with GRAP 19, *Provision, contingent assets and contingent liabilities* as material differences were identified between the financial statements and legal correspondence from attorneys. In addition, the municipality did not account for all the contingent liabilities in the financial statements. Consequently, I was unable to determine whether any adjustment was necessary to the contingent liabilities of R64 052 651 (2024: R64 052 651) as disclosed in note 42 to the financial statements as it was impracticable to do so.

Prior year adjustments

30. The municipality did not correctly disclose all adjustments made relating to prior period errors in note 44 to the financial statements as required by GRAP 3, A*ccounting policies, estimates and errors* as the municipality did not have adequate controls in place. The nature and the amount of the correction for each financial statement item affected and the amount of the correction at the beginning of the earliest prior period were not disclosed for all adjustments made. I was unable to quantify the full extent of the omitted disclosures, as it was impracticable to do so.

31. Furthermore, I was unable to obtain sufficient appropriate audit evidence for the prior year adjustments made, as the municipality did not have adequate controls in place to ensure that the supporting information for these adjustments were available. I was unable to confirm these adjustments by alternative means.

Risk management

32. The municipality did not disclose risk management in note 45 to the financial statements as required by GRAP 104, *Financial instruments.* The disclosure included liquidity and credit risk

indicators which could not be supported. I was unable to quantify the full extent of the omitted disclosure as it was impracticable to do so.

Fruitless and wasteful expenditure

33. Section 125(2)(d)(i) of the MFMA requires the disclosure of fruitless and wasteful expenditure incurred. The municipality incurred interest and penalties for late payments which was not recorded as fruitless and wasteful expenditure. Consequently, fruitless and wasteful expenditure as per note 46 to the financial statements was understated by R14 853 760 (2024: R41 155 494).

Irregular expenditure

34. Section 125(2)(d)(i) of the MFMA requires the disclosure of irregular expenditure incurred. The municipality made payments in contravention of the supply chain management requirements, which were not included in irregular expenditure disclosed. As the municipality did not quantify the full extent of the irregular expenditure, it was impracticable to determine the resultant understatement of irregular expenditure as per note 47 to the financial statements. In addition, I was unable to obtain sufficient appropriate audit evidence for the opening balance and the prior year correction due to the status of the accounting records. I was unable to confirm this irregular expenditure by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to irregular expenditure of R341 338 941 (2024: R318 906 618) disclosed in note 47 to the financial statements.

Additional disclosures in terms of the MFMA

35. The municipality did not have adequate systems in place to record the additional disclosures in terms of section 124 and 125 of the MFMA. Material differences were identified between supporting information and disclosures in note 49 to 52 to the financial statements. Consequently, additional disclosures in terms of section 124 and 125 of MFMA as disclosed in note 49 to 52 to the financial statements were understated by R200 941 628 (2024: R71 673 887).

36. In addition, the municipality did not disclose the details of councillor's consumer accounts along with the names of councillors for the current year that were outstanding for more than 90 days and those that were outstanding for less than 90 days as required by section 124(1)(b) of the MFMA. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Financial instruments

37. The municipality did not disclose the financial instruments in accordance with GRAP 104, *Financial instruments*, as the disclosures were omitted in the financial statements. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Accounting by principals and agents

38. The municipality did not disclose the accounting by principals and agents in accordance with GRAP 109, Accounting by principals and agents, as the disclosures were omitted in the

financial statements. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Segment information

39. The municipality did not disclose the accounting by principals and agents in accordance with GRAP 18, *Segment reporting*, as the disclosures were omitted in the financial statements. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Unauthorised expenditure

40. The municipality did not disclose unauthorised expenditure, as required by section 125(2)(d)(i) of the MFMA as the disclosures were omitted in the financial statements. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Commitments

41. The municipality did not disclose commitments in terms of GRAP 17, *Property, plant and equipment*, as the disclosures were omitted in the financial statements. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Going concern

42. The municipality did not disclose the going concern considerations as required by GRAP 1, *Presentation of financial statements*, as the disclosure was omitted in the financial statements. I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Distribution losses

43. The municipality did not disclose the water and electricity distribution losses for the current and prior year as required by section 125(2)(d)(i) of the MFMA. Adequate control measures were not in place to accurately determine the extent of these losses. Consequently, I was unable to determine the extent of the water and electricity distribution losses as it was impracticable to do so.

Other matter

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

45. 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

46. 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.

47. 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

48. 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.

49. 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 audit of the annual performance report

50. 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 key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

51. No supporting evidence was provided for auditing to substantiate the reported performance information for the selected key performance area. Consequently, I could not audit the usefulness and reliability of this information.

Other matter

52. I draw attention to the matter below.

Achievement of planned targets

53. The annual performance report includes information on reported achievements against planned targets and provides measures tak0en to improve performance. This information should be considered in the context of the material findings on the reported performance information.

54. 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.

Basic service delivery and infrastructure development

Targets achieved: 31,03%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Number of households provided with access to water pipeline reticulation system	2 000 households provided with access to water with pipeline reticulation system by 30 June 2025	Not achieved
Number of household water meter connections	2 000 household water meter connections at Boikhutso Ext 3 by 30 June 2025.	Not achieved
Number of unblocked household sewerage pipelines	2 000 of unblocked household sewerage pipelines by 30 June 2025	Not achieved
Number of sewerage manholes cleaned	100 sewerage manholes cleaned by June 2025	Not achieved
Water loss suffered during supply of water	6 000 litres of water losses by 30 June 2025	Not achieved
Number of meters to be audited and completed by 30 June 2024	1 500 meters audit conducted and completed by 31 June 2025	Not achieved
Number of transformers maintained	30 transformers maintained by 30 June 2024	12 transformers maintained by 30 June 2025
Number of switch gears maintained	20 switch gears maintained	7 panels replaced at Lichtenburg mini substation 7 switch gears maintained
Number of substations maintained	15 substations maintained	8 substations maintained
Number of electricity meters audited	2 000 electricity meters audited by 30 June 2025	Not achieved
Kilometres of municipal roads maintained	8km of municipal roads maintained by end of June 2025	0km of municipal roads maintained by end of June 2025
Square meters of potholes patched	10 000m^2 of potholes patched by the end of June 2025	0m^2 of potholes patched by the end of June 2025.

Targets achieved: 31,03%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Kilometre of stormwater pipelines unblocked	10km of stormwater pipelines unblocked by end of June 2025	0km of stormwater pipelines unblocked by end of June 2025
Kilometres of roads maintained	40km of road maintenance by end of June 2025	Not achieved
Percentage completed on upgraded roads and stormwater Itsoseng Phase 2	100% completion on upgrading of roads and stormwater in Itsoseng Phase 2 by 30 June 2025	64% completion on upgrading of roads and stormwater in Itsoseng Phase 2 by 30 June 2025
Percentage completion on upgraded roads and stormwater in Tlhabologang	100% completion on upgrading of roads and stormwater in Tlhabologang by 30 June 2025	60% completion on upgrading of roads and stormwater in Tlhabologang by 30 June 2025
Percentage completion constructed on Putfontein Hall	100% completion on construction of Putfontein Hall by 30 September 2024	70% completion on construction of Putfontein Hall by 30 September 2024
Percentage completion constructed on upgrading Boikhutso roads network, ward 3, and stormwater	60% completion on upgrading of Boikhutso roads network, ward 3, and stormwater by 30 June 2025	Not achieved

Report on compliance with legislation

55. 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.

56. 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.

57. 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.

58. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual reports

59. 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.

60. 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 disclaimer audit opinion.

61. The 2023/24 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

62. The council failed to adopt an oversight report containing the council's comments on the 2034/24 annual report, as required by section 129(1) of the MFMA.

Strategic planning and performance management

63. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.

64. The performance management system and related controls were not maintained or as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).

Revenue management

65. An adequate management, accounting and information system which accounts for revenue, debtors and receipt of revenue was not in place, as required by section 64(2)(e) of the MFMA.

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

67. I was unable to obtain sufficient appropriate audit evidence that accounts for municipal tax and charges were prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

Expenditure management

68. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA.

69. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors, as required by section 65(2)(b) of the MFMA.

70. 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 incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliances with SCM regulations.

71. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties charged by suppliers due to late payments.

72. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending on the allocated budgets for each vote.

Asset management

73. 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.

74. 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.

75. An investment policy was not adopted by the council, as required by section 13(2) of the MFMA and municipal investment regulation 3(1)(a).

Consequence management

76. 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.

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

Human resource management

78. I was unable to obtain sufficient appropriate audit evidence that the municipal manager submitted proof of previous employment, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 4(4)(b).

79. 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.

80. Job descriptions were not established for all posts in which appointments were made, as required by section 66(1)(b) of the MSA and regulation 7(1) of Municipal Staff Regulations.

81. 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.

82. 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.

83. The staff members did not enter into a performance agreement within the prescribed period, as required by regulation 35(1) of the Municipal Staff Regulations.

Utilisation of conditional grants

84. Performance in respect of programmes funded by the Municipal Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 24 of 2024).

85. Performance in respect of programmes funded by the Integrated National Electrification Programme grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 24 of 2024).

Governance and oversight

86. The Internal audit unit was not established, as required by section 165(1) of the MFMA.

Procurement and contract management

87. Sufficient appropriate audit evidence could not be obtained that goods and services within the prescribed transaction values for formal written price quotations were procured using price quotations as required by SCM Regulation 17(1)(a) and (c).

88. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM Regulations 17(1)(a) and 17(1)(b).

89. 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).

90. Sufficient appropriate audit evidence could not be obtained that quotations were only accepted from bidders whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.

91. 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).

92. Sufficient appropriate audit evidence could not be obtained that bid specifications were unbiased and allowed all potential suppliers to offer their goods or services, as required by

SCM Regulation 27(2)(a). This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

93. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM Regulation 22(1) and 22(2). This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

94. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders based on points given for legislative requirement that were stipulated in the original invitation for bidding and quotations, as required by SCM regulations 21(b) and 28(1) (a) (i) and Preferential Procurement Regulations. This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

95. 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. This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

96. 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). This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

97. Sufficient appropriate audit evidence could not be obtained that contract were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43. This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

98. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

99. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) Preferential Procurement Policy Framework Act and its regulations. This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

100. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 Preferential

Procurement Regulations 11 and/or 2022 Preferential Procurement Regulation 4(4) and 5(4). This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

101. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders based on points given for legislative requirement that were stipulated in the original invitation for bidding and quotations as required by the 2017 Preferential Procurement Regulation 5(1) & 5(3). This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

102. Sufficient appropriate audit evidence could not be obtained that tenders which failed to achieve the minimum qualifying score for functionality were disqualified as unacceptable tender in accordance with 2017 Preferential Procurement Regulation 5(6). This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

103. Sufficient appropriate audit evidence could not be obtained that tenders which failed to achieve the minimum qualifying score for functionality were not evaluated further in accordance with 2017 Preferential Procurement Regulation 5(7). This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

104. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A). This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

105. The performance of contractors or providers was not monitored monthly, as required by section 116(2)(b) of the MFMA. This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

106. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. This non-compliance was identified in the procurement processes for the upgrading of the roads network and stormwater in Itsoseng, phase 2 key project.

Other information in the annual report

107. The accounting officer is responsible for the other information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.

108. My opinion on the financial statements, and my reports on the audit of the annual performance report and 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.

109. 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 key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

110. 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

111. 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.

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

113. The accounting officer did not adequately exercise its 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 auditing were accurate and complete, and that action plans developed were adequately and timeously implemented.

114. Management did not implement sound monitoring controls over proper record keeping, reconciliation of transactions and accurate processing of transactions that support reported financial information, performance on predetermined objectives and compliance with laws and regulations. Furthermore, action plans to address prior year audit findings were not fully implemented and monitored, as numerous instances of repeat audit findings were reported.

Material irregularities

115. 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

Status of previously reported material irregularities

Full and proper records not kept (2019-20) – service charges, going concern, payables, property, plant and equipment, commitments, expenditure and distribution losses

116. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of significant distribution losses, revenue and accounts receivable, cash and cash equivalents and expenditure and accounts payable, 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.

117. 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, i.e. it may not be able to demonstrate that it can ensure access to basic services in a financially sustainable manner. This is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

118. The accounting officer was notified of the material irregularity (MI) on 14 June 2021. The accounting officer has not taken the appropriate action committed to in his written submission in response to the notification. I had recommended that the accounting officer should take the following actions to address the MI by 9 June 2022.

119. The non-compliance with section 62(1)(b) of the MFMA should be investigated to determine the reasons and circumstances that led to the non-compliance for taking appropriate corrective actions and to address control weaknesses.

120. 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 section 62(1)(b) of the MFMA. A plan should include anticipated timeframes and address the following key areas as a minimum:

    a) A complete asset register of all the municipality's infrastructure assets, including work-in-progress, as well as information for assets that have been fully depreciated but still in use.

    b) Billing information and reconciliations to support revenue from service charges.

    c) Reconciliations of all bank accounts of the municipality; and

    d) 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.

121. I had further recommended that the accounting officer should take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA, by 9 September 2022. The accounting officer was supposed to describe the anticipated timeframe and milestones to be achieved and include, as a minimum, strategies to:

a) Increase the collection of revenue.

b) Optimise costs in respect of bulk purchases.

c) Enter payment arrangements with major suppliers.

d) Efficiently manage the available resources of the municipality and

e) Repair and maintain infrastructure assets.

122. The above timeframes for the implementation of the recommendations were running concurrently.

123. The accounting officer submitted a written response to and supporting evidence for the implementation of the recommendations on 7 September 2022. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.

124. On 7 August 2023, I notified the accounting officer of the following remedial actions to address the MI, which should be implemented within six months from the date of the notification, with a progress report after three months:

- The non-compliance with section 62(1)(b) of the MFMA must be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.
- Based on the reasons and circumstances, appropriate action must 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 auditee are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan must include anticipated timeframes and address the following key areas as a minimum:

a) A complete asset register of all the municipality's infrastructure assets, including work-in-progress, as well as information for assets that have been fully depreciated but still in use.

b) Billing information and reconciliations to support revenue from service charges.

c) Reconciliations of all bank accounts of the municipality; and

d) 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.

125. I further recommended that the accounting officer must take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the auditee, as required by section 135(1) and 135(3)(a) of the MFMA. The plan must describe the anticipated timeframe and milestones to be achieved and include as a minimum, strategies to:

a) Increase the collection of revenue.

b) Optimise costs in respect of bulk purchases.

c) Enter payment arrangements with major suppliers.

d) Efficiently manage the available resources of the municipality and

e) Repair and maintain infrastructure assets.

126. A progress report on the implementation of the remedial actions was received on 7 March 2024. Satisfactory progress was not made with the implementation of the remedial actions.

127. On 12 June 2024, I invoked section 11(2) of the Material Irregularity Regulations (the MI Regulations), requesting intervention from relevant roleplayers in the accountability ecosystem (AES). This action was taken to address the ongoing issues and ensure corrective measures were implemented to resolve the material irregularity. The roleplayers were requested to submit a progress report on the interventions implemented to the Office of the Premier by 30 September 2024 and the Office of the Premier had to submit a report to me on all the interventions implemented by relevant roleplayers by 31 October 2024.

128. Delays were noted in the progress report being provide and I engaged the Office of the Premier in April 2025 on the outstanding progress report.

129. A progress report on the actions being taken by the relevant roleplayers were submitted by the Office of the Premier on 14 May 2025. Shortcomings were noted in the actions being taken as part of the intervention, which were duly communicated to the Office of the Premier on 23 June 2025, whereafter an extension was requested until 26 September 2025 to submit a revised progress report.

130. On 6 October 2025, the Office of the Premier submitted a revised progress report. The report highlighted that the municipality was supported through provincial intervention through section 139(5)(a) and (c) of the Constitution. National Cabinet resolved on 03 September 2025 to intervene at the municipality through section 139(7) of the Constitution read with section 150 of the MFMA, which came into effect on the 09 September 2025. The report was assessed, and further shortcomings were noted and duly communicated with the Office of the Premier on 20 October 2025. Currently, the National Cabinet Representative (NCR) have been appointed to implement the intervention.

131. The actions taken by the accounting officer and the interventions implemented by the relevant roleplayers to address the material irregularity is under assessment, which will inform my determination on the further appropriate action to take.

Lack of proper performance management system

132. The municipality did not comply with regulation 7(1) of the Municipal Planning and Performance Management Regulations as evident from significant deficiencies identified in the performance management system during the 2021-22, 2022-23 and 2023-24 audits. Technical indicator descriptions or standard operating procedures that would ensure that key performance indicators were well-defined and the measurement process, methods and calculations were predetermined for accurate and complete measurement and credible reporting of the municipality's performance were not developed and implemented, or the related supporting evidence of such processes or documentation could not be provided.

133. A lack of credible performance information on basic services and other primary functions of the municipality is likely to affect the ability of the municipality, council and other levels of government in executing their management, accountability, oversight and governance functions. This is due to incorrect and unreliable data that is used to plan, budget, monitor and report on performance and actual service delivery on management, council, district, provincial and national levels. Using unreliable performance information year-on-year has an adverse impact on the accumulated performance results and the decision-making by the various roleplayers in these processes.

134. The following processes as outlined in the MFMA and the MSA is likely to be affected:

a) Mid-year budget and performance assessment (section 72 of the MFMA)

b) Preparation of an annual performance report (section 121(3)(c) of the MFMA and section 46 of MSA)

c) Tabling of annual report in council (section 127(2) of the MFMA)

d) Oversight reports on annual reports (section 129 of the MFMA)

e) Reporting on the performance of municipalities in the province by the MEC for local government to the minister (section 47 of the MSA)

f) Reporting by the minister to Parliament on the performance of local government in terms of general key performance indicators (section 48 of MSA)

135. The non-compliance is likely to result in substantial harm to the municipality if appropriate actions are not taken to address the cause of the significant deficiencies within the performance management system and records.

136. The acting accounting officer was notified on 6 December 2024 and again on 21 February 2025 and invited to make a written submission on the actions that have been or will be taken to address the matter. The accounting officer response to the MI is still outstanding.

137. I followed up on the progress of action taken by the accounting officer, however, there were no actions taken to address the material irregularity. I subsequently engaged the NCR on 1 October 2025 regarding the continued non-responsiveness, and I am in the process of making a decision on the further action to take.

Full and proper SCM records not kept

138. The municipality did not comply with section 62(1)(b) of the MFMA since it failed to keep full and proper records to support compliance with SCM regulations and to meet the minimum requirements of keeping proper records to demonstrate a proper system of financial management and this has resulted in the overall SCM compliance limitations for the 2020/21, 2021/22, 2022/23 and 2023/24 financial period.

139. The failure to keep full and proper SCM records is likely to affect the ability of the municipality, council and other levels of government in executing their management, accountability, oversight and governance functions. This is due to the municipality not being transparent and accountable about how public funds were spent since it cannot demonstrate that a system

which is fair, equitable, transparent, competitive and cost-effective was used to allocate awards.

140. The following processes as outlined in the MFMA is likely to be affected:

a) Tabling of annual report in council (section 127(2) of the MFMA)

b) Oversight reports on annual reports (section 129 of the MFMA)

c) Council meetings open to public and certain public officials (section 130 of the MFMA)

141. The non-compliance is likely to result in substantial harm to the municipality if appropriate actions are not taken to address the cause of the significant deficiencies that result in full and proper records relating to SCM not being kept.

142. The acting accounting officer was notified on 6 December 2024 and again on 21 February 2025 and invited to make a written submission on the actions that have been or will be taken to address the matter. The accounting officer response to the MI is still outstanding.

143. I followed up on the progress of action taken by the accounting officer, however, there were no actions taken to address the material irregularity. I subsequently engaged the NCR on 1 October 2025 regarding the continued non-responsiveness, and I am in the process of making a decision on the further action to take.

Overpayment to consultants for preparation of 2020-21 financial statements

144. The municipality appointed a consultant to provide professional services for financial statement compilation and audit support services for the 2020-21 financial year. The total contract value for the services relating to the financial statement compilation and audit support was R2 100 000. The municipality, however, paid the consultant R3 648 549.54 up to February 2022 relating to these services.

145. Due to the lack of expenditure control at the time of making the payments to the consultant, the municipality paid more than the contract amount for the services relating to the financial statement compilation and audit support for the 2020-21 financial year. This is contrary to section 65(2)(a) of the MFMA which require that the accounting officer must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorization, withdrawal and payment of funds. The non-compliance is likely to result in a material financial loss for the municipality.

146. The acting accounting officer was notified on 22 June 2022 and invited to make a written submission on the actions that have been or will be taken to address the matter. Various accounting officers acted since for short periods of time and due to this instability, the accounting officer response to the MI is still outstanding. A substantive accounting officer was only appointed by council on 4 July 2024.

147. I followed up on the progress of action taken by the accounting officer, however, there were no actions taken to address the material irregularity. I subsequently engaged the NCR on 1 October 2025 regarding the continued non-responsiveness, and I am in the process of making a decision on the further action to take.

Reasonable steps not taken to ensure equivalent value obtained for payments made to consultants

148. The municipality obtained a disclaimer audit opinion for the 2019-20 financial year mainly due to the poor record keeping and internal controls. Despite little or no progress made to improve the internal controls and municipality's record keeping, the accounting officer appointed the consultants to prepare GRAP compliant financial statements for the 2020-21 financial year at the cost of R2 100 000.

149. The municipality's inadequate record keeping was known to the accounting officer prior to appointment of the consultant to prepare the financial statements. The lack of full and proper records of the financial affairs of the municipality as well as the lack of capacity in the finance unit impacted on the quality of financial statements that was prepared by the consultants. As a result, the failure by the accounting officer to ensure that the municipality kept full and proper records of its financial affairs and that the lack of capacity in the finance unit is addressed amounts to reasonable steps not taken to ensure the resources of the municipality were used effectively, efficiently and economically as required by MFMA section 62(1)(a).

150. The acting accounting officer was notified on 11 November 2022 and invited to make a written submission on the actions that have been or will be taken to address the matter. Various accounting officers acted since for short periods of time and due to this instability, the accounting officer response to the MI is still outstanding. A substantive accounting officer was only appointed by council on 4 July 2024.

151. I followed up on the progress of action taken by the accounting officer, however, there were no actions taken to address the material irregularity. I subsequently engaged the NCR on 1 October 2025 regarding the continued non-responsiveness, and I am in the process of making a decision on the further action to take.

Annual financial statements not submitted for auditing (2021-22)

152. The annual financial statements for the financial year ending 30 June 2022 were not submitted for auditing by 31 August 2022, as required by section 126(1)(a) of the MFMA.

153. The non-submission of the annual financial statements for auditing, and the subsequent non-inclusion of the municipality's financial statements in the annual report was likely to result in substantial harm to the municipality, as there will be a lack of accountability and transparency for the fiscal and financial affairs of the municipality. This would be due to the following legislative processes relating to the financial years ending 30 June 2022 being delayed / not implemented:

a) The audit of the financial statements by the auditor-general

b) Consideration of the annual report by the municipal council

c) Adoption of an oversight report containing council's comments on the annual report

d) Making the oversight report public

e) The assessment of the annual financial statements and audit report by the MEC for local government

f) The submission of the annual report and oversight report to the provincial legislature

154. The acting accounting officer was notified on 11 November 2022 and invited to make a written submission on the actions that have been or will be taken to address the matter. Various accounting officers acted since for short periods of time and due to this instability, the accounting officer response to the MI is still outstanding. A substantive accounting officer was only appointed by council on 4 July 2024.

155. As part of the provincial intervention at the municipality, the acting accounting officer submitted the financial statements for the financial year 2021-22 on 10 April 2024. In addition, the accounting officer submitted the financial statements for the financial year 2022-23 and 2023-24 on 30 August 2024. Therefore, the material irregularity is resolved.

Other reports

156. I draw attention to the following engagement conducted. 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.

157. The South African Human Rights Commission (SAHRC) investigated a complaint lodged in October 2024 of an incomplete road project in Itsoseng Zone 2. This matter is still under investigation and are still in progress at the date of this report.

Auditor General

Rustenburg

30 November 2025

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 areas and on the municipality and 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 and 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 the municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the municipality, 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	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 5 of 2024	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)

Legislation	Sections or regulations
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1),31
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), Regulations: 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)