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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, 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 Mamusa Local Municipality as at 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (DoRA).

Basis for qualified opinion

Consumer debtors

3. I was unable to obtain sufficient appropriate audit evidence for sewerage as the municipality did not maintain an adequate system of internal controls and did not keep proper accounting records. I was unable to confirm sewerage by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to sewerage stated at R6 044 788 (2024: R4 233 467) in the financial statements.

Payables from exchange transactions

4. During 2024, I was unable to obtain sufficient appropriate audit evidence for trade payable due to the status of the accounting records. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. I was still unable to confirm trade payables 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 payables from exchange transactions for the current period's figures.

Service charges

5. The municipality incorrectly accounted for service charges as required by GRAP 9, *Revenue from exchange transactions*. Basic electricity, water, sewerage and sanitation were not billed to all customers. Furthermore, customers were accurately billed due to meter readings from the service provider and customer statements differences. I was unable to determine the full extent of the understatement of service charges, disclosed at R79 838 312 in note 18, and the related consumer debtors as disclosed at R28 841 214 in note 11 to the financial statements, as it was impracticable to do so.

Property rates

6. The municipality did not adequately account for property rates in accordance with GRAP 23, *Revenue from non-exchange transactions*. The municipality billed property rates on its own properties. Consequently, revenue from non-exchange as disclosed in note 23 to the financial statements was overstated by R14 400 650. Receivables from non-exchange transactions, as disclosed in note 10 to the financial statements, were overstated by the same amount.

Employee related costs

7. I was unable to obtain sufficient appropriate audit evidence that employee-related costs for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm whether all employee-related costs were recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to employee-related costs stated at R104 462 174 in the financial statements.

Contracted services

8. I was unable to obtain sufficient appropriate audit evidence that contracted services for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm whether all contracted services were recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to contracted services stated at R27 940 629 in the financial statements.

Debt impairment

9. During 2024, I was unable to obtain sufficient appropriate audit evidence that debt impairment for the current year was properly accounted for, as the municipality did not maintain an adequate system of internal controls, and did not keep proper accounting records. I was unable to confirm whether debt impairment was properly accounted for by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to debt impairment stated at R 64 202 315 in the financial statements.

10. In addition, the municipality did not adequately account for allowance in accordance with GRAP 104, *Financial instruments.* The municipality did not correctly account for debt impairment. Consequently, debt impairment as disclosed in note 34 was understated by R 63 022 78 (R64 202 315) and consumer debtors as disclosed in note 11 and receivable from non-exchange disclosed in note 10 were overstated by the same amounts in the financial statements.

Irregular expenditure

11. Not all irregular expenditure was included in note 46 to the financial statements, as required by section 125(2)(d) (i) of the MFMA. Expenditure incurred in contravention of supply chain management requirements, which resulted in irregular expenditure of R19 026 800(R21 162 144) was not included in note 46.

12. In addition, I was unable to obtain sufficient appropriate audit evidence for irregular expenditure due to the poor status of the accounting records. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the irregular expenditure stated at R334 975 946 (R313 472 371) in the financial statements was necessary.

Fruitless and wasteful expenditure

13. During 2024, the municipality did not adequately account for fruitless and wasteful expenditure as required by section 125 (2) d (i) of MFMA. The municipality incorrectly accounted for fruitless and wasteful expenditure relating to prior years. Consequently, the opening balance of fruitless and wasteful expenditure was overstated by R7 680 492.

Segment reporting

14. The municipality did not adequately account for segment reporting as required by GRAP 8, *Segment reporting.* Differences were noted between current year figures as per note 53 (segment information) and the management schedule. I was unable to determine the full extent of these misstatements on the risk management disclosure, as disclosed in note 53 to the financial statements, as it was impracticable to do so.

Cash flow statements

15. Cash flow statements were not correctly prepared and disclosed as required by GRAP 2, *Cash flow statements.* This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the 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 R 23 917 955 (R 25 758 348) in the financial statements were necessary.

Context for opinion

16. 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.

17. 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.

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

Material uncertainty relating to going concern

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

20. I draw attention to the following indicators that have a negative outlook on the going concern of the municipality. These indicators include the generated deficit for the year under review, the poor current assets to current liabilities ratio, which poses a material uncertainty on the municipality's ability to continue as a going concern. Management has also described how they plan to deal with these events and circumstances. Our opinion is not modified in respect of this matter.

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

22. As disclosed in note 45 to the financial statements, unauthorised expenditure of R47 633 463 was incurred in the current year and the unauthorised expenditure of R555 207 435 in respect of prior years has not yet been dealt with in accordance with section 32 of the MFMA.

23. As disclosed in note 49 to the financial statements, the municipality incurred material electricity distribution losses of R19 472 735 (2023-24: R12 000 000), which represents 33% (2023-24: 23%) of total electricity purchased. The electricity losses are a result of illegal tampering of electricity meters, theft and technical losses due to insufficient maintenance.

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

25. 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

26. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

27. 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

28. 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 it 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 based on these financial statements.

29. 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 on page 17, forms part of my auditor's report.

Report on the annual performance report

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

31. I selected the following material performance indicators related to basic service delivery and infrastructure development presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

    - Number of households with access to a basic level of refuse removal
    - Kilometres of streets bladed/kilometres of streets graded

- Number of stormwater drainage system networks unblocked/number of kilometres of stormwater drainage system channels unblocked
- Number of streetlights maintained
- Number of high mast lights maintained
- Kilometres of access road constructed in Molatswaneng
- Kilometres of access road constructed in Glaudina
- Construction of the Motoro sports ground by the target date
- Construction of high mast lights in Ipelegeng (wards 6, 2, 4 and 8) by the target date

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

33. 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.
    - there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

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

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

Various indicators

36. Based on the audit evidence, the actual achievements for the indicators below did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially less. Consequently, the targets were not achieved, the under-achievements on the targets were more than reported and the achievements against the targets were lower than reported.

Indicator	Target	Reported achievement
Number of streetlights maintained	To maintain 100 streetlights by 30 June 2025	37 streetlights maintained.
Kilometres of access road constructed in Molatswaneng	1,5 km access road constructed in Molatswaneng	1,5 km access road constructed in Molatswaneng.

Various indicators

37. 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
Number of households with access to a basic level of refuse removal	15 350 households to have access to a basic level of refuse removal by June 2025	15 400 households to have access to a basic level of refuse removal.
Number of high mast lights maintained	12 high mast lights maintained by June 2025	13 high mast lights maintained.
Kilometres of access road constructed in Glaudina	1 km access road constructed in Glaudina by June 2025	0 km access road constructed in Glaudina. Progress at 0%. Not paved.
Construction of the Motoro sports ground by the target date	Construction of the Motoro sports ground by 30 June 2025	Construction of the Motoro sports ground. Progress at 20%.
Construction of high mast lights in Ipelegeng (wards 6, 2, 4 and 8) by the target date	Construction of high mast lights in Ipelegeng (wards 6, 2, 4 and 8) by 30 June 2025	6 high mast lights in Ipelegeng were constructed but not energised. Progress at 39%.

Other matters

38. I draw attention to the matters below.

Achievement of planned targets

39. 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.

40. 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: 66,7% of the target was achieved

Budget spent: Operational budget was used for development priority, basic service delivery and infrastructure development

Key service delivery indicator not achieved	Planned target	Reported achievement
Kilometres of street bladed/graded	20 km streets bladed/graded by 30 June 2025	0 km graded
Number of stormwater drainage system networks unblocked/ number of kilometres of stormwater drainage system channels unblocked	4 km stormwater drainage systems	0 km of stormwater drainage unblocked
Number of streetlights maintained	To maintain 100 streetlights by 30 June 2025	37 streetlights maintained
Kilometres of access road constructed in Glaudina	1,5 km access road constructed in Molatswaneng by June 2025	0km of access road constructed in Glaudina. Progress at 0%. Not paved.
Construction of the Motoro sports ground by the target date	Construction of the Motoro sports ground by 30 June 2025	Construction of the Motoro sports ground. Progress at 20%.
Construction of high mast lights in Ipelegeng (wards 6, 2, 4 and 8) by the target date	Construction of six high mast lights in Ipelegeng (wards 6, 2, 4 and 8) by 30 June 2025	Six high mast lights in Ipelegeng were constructed but not energised. Progress at 39%.

41. Material misstatements identified were preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery and infrastructure development

Report on compliance with legislation

42. 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.

43. 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.

44. 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.

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

Annual financial statement, performance and annual report

46. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were subsequently corrected and but the uncorrected material misstatements and/or supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Revenue management

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

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

49. Revenue due to the municipality was not calculated monthly, as required by section 64(2)(b) of the MFMA.

Expenditure management

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

51. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by the non-compliance with procurement regulations.

52. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified, as indicated in the basis for qualification paragraph. The majority of the disclosed

fruitless and wasteful expenditure was caused by penalties and interest on the late and non-payment of the monies due by the municipality.

53. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by overspending on budgeted votes of the municipality.

Consequence management

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

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

Grant management

56. The Municipal Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Division of Revenue Act (Act 24 of 2024).

Procurement and contract management

57. 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 supply chain management (SCM) policy, in contravention of SCM regulations 17(1)(a) and 17(1)(b). Similar limitation was also reported in the prior year.

58. 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). Similar limitation was also reported in the prior year.

59. 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). Similar limitation was also reported in the prior year.

60. 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. Similar limitation ~~was~~ also reported in the prior year.

61. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Upgrading of Motoro Sports Grounds and Construction of Molatswaneng internal roads.

62. 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 5 of 2000 (PPPFA). Similar non-compliance was also reported in the prior year.

63. Sufficient appropriate audit evidence could not be obtained that contracts and

64. quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) PPPFA and its regulations.

65. 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 PPPFA and the 2017 Preferential Procurement Regulations 11 and/or 2022 Preferential Procurement Regulation 4(4) and 5(4). A similar limitation was also reported in the prior year.

66. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored monthly as required by section 116(2) of the MFMA. A similar limitation was also reported in the prior year.

67. 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. A similar limitation was also reported in the prior year.

Strategic planning and performance management

68. The Service Delivery Budget and Implementation Plan for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote as required by section 1 of the MFMA.

Other information in the annual report

69. The accounting officer is responsible for the other information included in the annual report, which includes the accounting officer's report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programmes presented in the annual performance report that have been specifically reported on in this auditor's report.

70. 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.

71. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

72. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

73. I did not receive the other information before 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

74. 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.

75. The matters reported below are limited to the significant internal control deficiencies that resulted in qualified opinion, and the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.

76. Effective systems of internal control were not implemented to ensure accurate financial statements. The preparation of the financial statements was not adequately executed, including comprehensive reviews that ensure that the annual financial statements are accurate, complete, supported and evidenced by reliable information.

77. Management, as the first level of assurance providers, has not effectively discharged its duties and responsibilities regarding the validity, accuracy and completeness of the annual financial statements, this was evidenced by the material misstatements that we have identified.

78. The Post Audit Action Plan established was not effective in the current year, as there is no improvement in the preparation of the annual financial statements and the overall control environment.

79. Management failed to prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

80. The municipality did not review and monitor compliance with applicable legislation. As a result, there were multiple instances of non-compliance with laws and regulations, particularly in the procurement and contract management area.

Material irregularities

81. 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

82. The material irregularity (MI) relates to an MI identified as a result of the Mamusa Local Municipality receiving a repeated disclaimer audit opinion for the 2019-20 financial year due to a lack of appropriate audit evidence to express an audit opinion on the financial statements. The audit team indicated that Mamusa Local Municipality has received repeat disclaimer audit opinions for the past 13 years.

83. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of service charges, going concern, payables, property, plant and equipment, commitments, expenditure and distribution losses 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.

84. The lack of full and proper records is likely to result in substantial harm to the municipality, as it contributed to the material uncertainty regarding its ability to continue operations. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

85. The accounting officer was notified of the MI on 11 June 2021 and invited to make a written submission on the actions taken and those that will be taken to address the matter. The accounting officer could not provide sufficient and appropriate supporting evidence for actions taken or planned to be taken in response to being notified of the MI. I recommend that the accounting officer take the following actions to address the MI, which should be implemented by 31 May 2022.

    a) 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 the purpose of taking appropriate corrective actions and to address control weaknesses.

    b) Based on the reasons and circumstances, appropriate action should be taken to develop and start 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. The plan should include anticipated timeframes and address the following key areas as a minimum:

- a valuation roll that includes all properties and consumers.
- complete records and reconciliations of all consumers that were billed for services, including meter readings taken for all consumers.
- complete assets register of all of the municipality's infrastructure assets, property, plant and equipment, including work-in-progress, as well as information for assets that have been fully depreciated but still in use.
- payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that the goods and services paid for were received.
- detailed records of water and electricity purchases and sales to quantify the extent and reason for distribution losses.

86. I further recommended that the accounting officer should take appropriate action to develop and start with the implementation of an action plan to address the financial problems of the municipality, as required by sections 135(1) and 135(3)(a) of the MFMA, by 31 August 2022. The plan should describe the anticipated timeframe and milestones to be achieved and include, as a minimum, strategies to:

- implement the debt collection policy and increase the collection of revenue.
- efficiently manage the available resources of the municipality.
- enter into payment arrangements with major suppliers.
- fund routine maintenance as well as urgent repairs to infrastructure assets.
- replace all damaged water meters.

87. I considered the written response and substantiating documentation provided on 9 September 2022, as well as the supplementary responses and substantiating documentation, and concluded that the recommendations were not adequately implemented at the stipulated time and appropriate actions were not taken to address the MI.

88. 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:

a) The non-compliance with section 62(1)(b) of the MFMA must be investigated further to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and enhancing control weaknesses.

b) Based on the reasons and circumstances, appropriate action must be taken to continue with the development and 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 62(1)(b) of the MFMA. The plan must include anticipated timeframes and address the following key areas as a minimum:

- A valuation roll that includes all properties and consumers.
- Complete records and reconciliations of all consumers that were billed for services, including meter readings taken for all consumers.
- Complete assets register of all of the municipality's infrastructure assets, property, plant and equipment, including work-in-progress, as well as information for assets that have been fully depreciated but still in use.
- Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that the goods and services paid for were received.
- Detailed records of water and electricity purchases and sales to quantify the extent and reason for distribution losses.

c) The accounting officer must take appropriate action to continue with the development and implementation of an action plan to address the financial problems of the auditee, as required by sections 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 strategy to:

- implement the debt collection policy and increase the collection of revenue.
- efficiently manage the available resources of the municipality.
- enter into payment arrangements with major suppliers.
- fund routine maintenance as well as urgent repairs of infrastructure assets.
- replace all damaged water meters.

89. The accounting officer provided a progress report on 21 November 2023, which included specific feedback on the development and implementation of an action plan to address the lack of full and proper record-keeping at the municipality. However, the progress report lacked detail around an investigation to determine the reasons and circumstances that led to the non-compliance.

90. On 18 February 2024, I provided the accounting officer with feedback on the progress report, highlighting the identified shortcomings and specifying the areas that needed to be addressed in the final response. The final response was received on 12 March 2024 and, upon assessment, it was determined that the remedial actions had not been adequately implemented and satisfactory progress had not been made.

91. On 12 June 2024, I invoked section 11(2) of the Material Irregularity Regulations, requesting intervention from relevant role players in the accountability ecosystem. This action was taken to address the ongoing issues and ensure corrective measures were implemented to resolve the MI. The role players 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 role players by 31 October 2024.

92. Delays were noted in the progress report being provided and I engaged the Office of the Premier in April 2025 regarding the outstanding progress report.

93. A progress report on the actions being taken by the relevant role players was 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.

94. On 6 October 2025, the Office of the Premier submitted a revised progress report. The progress report was assessed and further shortcomings were noted and duly communicated to the Office of the Premier on 20 October 2025.

95. The progress with the actions taken by the accounting officer and the interventions implemented by the relevant role players to address the MI is under assessment, which will inform my determination on the further appropriate action to take.

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 material performance indicators 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 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 as of 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	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), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 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), 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), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 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), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 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), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 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), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 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), 26(5), 27(4)(a)(i)

Legislation	Sections or regulations
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), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
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),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)