Report of the auditor-general to North West Provincial Legislature and the council on Lekwa-Teemane local municipality

Report on the audit of the consolidated and separate financial statements

Adverse opinion

1. I have audited the consolidated and separate financial statements of the Lekwa-Teemane Local Municipality and its subsidiary (the group) set out on pages xx to xx, which comprise the consolidated and separate statement of financial position as at 30 June 2025, the consolidated and separate statement of financial performance, consolidated and separate statement of changes in net assets and, the consolidated and separate cash flow statement and the consolidated and separate statement of comparison of budget information with actual information for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the financial statements do not present fairly, in all material respects, the consolidated and separate financial position of the Lekwa Teemane Local Municipality and it's subsidiary as at 30 June 2025, and its consolidated and separate financial performance and consolidated and separate 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 adverse of opinion

Investment property

3. The municipality did not correctly account for investment properties as required by GRAP 16, *Investment properties,* as properties that did not meet the definition of investment property were incorrectly recognised as investment property. Consequently, investment property and fair value adjustment were overstated by R9 784 241 in the consolidated and separate financial statements.

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence that management had appropriately accounted for capital work-in-progress - roads, pavements & storm water included in property, plant and equipment, due to the status of the accounting records. I was unable to confirm these capital work-in-progress - roads, pavements & storm water included in property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments to capital work-in-progress - roads, pavements & storm water included in property, plant and equipment of R77 585 193 (2024: R88 852 244) as included in note 11 to the consolidated and separate financial statements were necessary.

Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence that trade payables, unallocated deposits and debtors with credit balance are correctly accounted for due to the status of accounting records. I was unable to confirm these payables by alternative means. Consequently, I was unable to determine whether any adjustment relating to trade payables of R400 659 827 (2024: R301 808 589) and R398 243 654 (2024: R298 755 271) as disclosed in note 13 of consolidated and separate financial statements respectively, unallocated deposits of R3 746 864 (2024: R6 249 966) and debtors with credit balance of R9 773 760 (2024: R8 716 656) as included in note 13 of the notes to the consolidated and separate financial statements was necessary.

VAT payables

6. The municipality did not have adequate systems and processes in place to correctly account for value-added tax (VAT) payables as required by GRAP 104, *Financial instruments*. Allowance for impairment loss was not taken into account when calculating the VAT payable. I was unable to determine the full extent of the misstatements was necessary to VAT payable, stated at R52 962 719 (2024: R48 526 946) and R 53 019 476 (2024: R 48 566 491) in the consolidated and separate financial statements respectively, as it was impracticable to do so.

Inventory Consumed

7. The municipality did not have adequate systems and processes in place to correctly account for inventory consumed as required by GRAP 1, *Presentation of financial statements.* The amount disclosed in note 41 do not agree with the corresponding amount reported in the statement of financial performance. In addition, I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for inventory consumed. As described in note 42 to the consolidated and separate financial statements, the restatement was made to rectify a prior year misstatement, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the inventory consumed corresponding figure stated at R3 168 898 in the consolidated and separate financial statements.

Receivables from exchange transactions

8. The municipality did not have adequate systems and processes in place to correctly account for the allowance for impairment, as required by GRAP 26, *Impairment of Cash-Generating Assets.* The methodology applied in calculating the impairment was not in accordance with the municipality's approved accounting policy. I was therefore unable to determine the full extent of the misstatements on receivable from exchange transaction , stated at R261 674 561 in the consolidated and separate financial statements, as it was impracticable to do so.

9. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions for agency services due to the status of accounting records. I was unable to confirm these receivables by alternative means. Consequently, I was unable to determine whether any further adjustments to agency services included in receivables from exchange transactions stated at R 6 266 062 in note 4 to the consolidated and separate financial statements were necessary.

Receivables from non-exchange transactions

10. I was unable to obtain sufficient appropriate audit evidence for receivable from non-exchange transactions due to the status of accounting records. I was unable to confirm this receivable from non-exchange transaction by alternative means. Consequently, I was unable to determine whether any further adjustments receivable from non-exchange transaction stated at R60 598 531 (2024: R49 143 350) in note 5 to the consolidated and separate financial statements were necessary.

Revenue from exchange transactions

11. Service charges were not recognised as required by GRAP 9, Revenue from exchange transactions. Properties were identified for which service charges were not billed, customers billed more than once in one period and rebates were applied for customers who do not qualify as indigents. I was unable to determine the full extent of the misstatements of service charges, stated at R155 290 697 in note 19 to the consolidated and separate financial statements, and related trade and other receivables from exchange transactions, stated at R261 674 561 to the consolidated and separate financial statements, as it was impracticable to do so. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus.

12. The municipality did not have adequate systems and processes in place to correctly account for service charges as required by GRAP 9, water management included in revenue from exchange transactions were calculated using incorrect consumptions. This resulted in revenue from exchange transactions being overstated by R15 119 895 and trade and other receivable from exchange understated with the same amount in the consolidated and separate financial statements. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus in the consolidated and separate financial statements

13. During 2024, the municipality did not correctly account for service charges as required by GRAP 9, *Revenue from exchange transactions*. Revenue from electricity, waste management, waste water management and water included in revenue from exchange transactions were calculated using incorrect consumptions and incorrect tariffs. This resulted in revenue from exchange transactions being understated by R44 879 810 and trade and other receivable from exchange understated with the same amount in the consolidated and separate financial statements. My audit opinion on the consolidated and separate financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year consolidated and separate financial statements is also modified because of the possible effect of this matter on the comparability of the service charges for the current period.

Revenue from non-exchange transactions

14. The municipality did not have adequate systems and processes in place to correctly account for property rates as required by GRAP 23, *Revenue from non-exchange transactions*. Property rates were billed for properties that are not in the valuation roll, customers billed more than once in one period and property rates were calculated using incorrect market values in the current and

previous year. This resulted in the revenue from non-exchange transactions for property rates being overstated by R9 530 878 (2024: R8 575 592) and receivable from non-exchange transactions was overstated by the same amount in the consolidated and separate financial statements. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus in the consolidated and separate financial statements

15. The municipality did not have adequate systems and processes in place to correctly account for traffic fines as required by GRAP 23, *Revenue from non-exchange transactions.* Traffic fines were not billed and recorded in the current year. I was unable to determine the full extent of the understatement of traffic fines, stated at R78 782 472 in note 31 of the consolidated and separate financial statements, and related receivables from non- exchange transactions, stated at R82 259 616 in note 5 to the consolidated and separate financial statements, as it was impracticable to do so.

Debt impairment

16. I was unable to obtain sufficient appropriate audit evidence that debt impairment was correctly accounted for due to the status of accounting records. I was unable to confirm this debt impairment by alternative means. Consequently, I was unable to determine whether any adjustment relating to debt impairment of R164 529 440 (2024: R139 553 677) as included in note 37 to the consolidated and separate financial statements was necessary.

Operational costs

17. During 2024, the municipality did not correctly classify operational cost based on the nature of the expenditure as required by GRAP 1, *Presentation of financial statements*, resulting in operational expenditure being overstated and contracted services being understated by R12 493 653. My audit opinion on the consolidated and separate financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year consolidated and separate financial statements is also modified because of the possible effect of this matter on the comparability of the goods and services for the current period.

Contracted services

18. During 2024, the municipality did not have adequate systems and processes in place to correctly account for contracted services as required by GRAP 1, *Presentation of financial statements*. Repairs and maintenance not recorded. This resulted in contracted services being understated by R10 337 578. My audit opinion on consolidated and separate financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the goods and services for the current period.

Commitments

19. The municipality did not have adequate systems and processes in place to correctly account for commitments as required by GRAP 1, *Presentation of financial statements.* Some commitments were not based on the correct contractual amounts. Consequently, the current year commitments are understated by R12 734 797 while the prior year commitments were overstated by R5 551 689 in the consolidated and separate financial statements.

Statement of comparison of budget and actual amounts

20. The municipality did not correctly calculate the statement of comparison of budget and actual amounts in accordance with GRAP 24, *Presentation of budget information in financial statements*. This is due to unexplained differences identified in the statement of comparison of budget and actual amounts presented in the consolidated and separate financial statements for the current year. I was unable to determine the full extent of the errors as it was impracticable to do so.

Cash flow statement

21. The municipality did not correctly prepare and disclose the net cash flows from operating activities and net cash flows from investing activities as required GRAP 2, Cash flow statements. This was due to multiple errors in determining net cash flows from operating activities and net cash flows from investing activities for the current and previous year. I was unable to determine the full extent of the errors as it was impracticable to do so. Consequently, I was unable to determine whether any adjustment was necessary to net cash flows from operating activities of R686 019 (2024: R14 495 917) and R228 764 (2024: R14 422 617) as presented in the cash flow statement and disclosed in note 45 and net cash flows from investing activities of R3 767 691 (2024: R619 452) and R4 012 355 (2024: R619 452) to the consolidated and separate financial statements respectively .

Prior period error

22. Not all prior period errors were disclosed in note 49 to the consolidated and separate financial statements, as required by GRAP 3, *Accounting policies, estimates and errors*. The nature and the amount of the correction for some financial statement items affected, and the amount of the correction at the beginning of the earliest previous period were not disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence for those prior period errors disclosed in note 49 to the consolidated and separate financial statements, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in the consolidated and separate financial statements.

Contingencies

23. I was unable to obtain sufficient appropriate audit evidence that contingent liabilities are correctly accounted for due to the status of accounting records. I was unable to confirm these liabilities by alternative means. Consequently, I was unable to determine whether any adjustment relating to contingent liabilities of R195 039 627 disclosed in note 47 to the consolidated and separate financial statements was necessary.

Irregular expenditure

24. Section 125(2) (d) (i) of the Municipal Finance Management Act 56 of 2003 (MFMA) requires the disclosure of irregular expenditure incurred. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure due to the status of the accounting records. I was unable to confirm these irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to irregular expenditure stated at

R254 626 829 (2024: R251 485 587) and R242 187 514 (2024: R241 542 684) as disclosed in note 54 of the consolidated and separate financial statements respectively.

Unauthorised expenditure

25. Section 125(2) (d) (i) of the MFMA requires the disclosure of unauthorised expenditure incurred. I was unable to obtain sufficient appropriate audit evidence for unauthorised expenditure due to the status of the accounting records. I was unable to confirm these unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to unauthorised expenditure of R387 149 778 (2024: R355 269 514) as included in note 52 was to the consolidated and separate financial statements was necessary.

Fruitless and Wasteful Expenditure

26. Section 125(2) (d) (i) of the MFMA requires the disclosure of fruitless and wasteful expenditure incurred. I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure due to the status of the accounting records. I was unable to confirm these fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to fruitless and wasteful expenditure stated at R6 599 837 (2024: R105 627) and R6 494 210 included in note 53 of the notes to the consolidated and separate financial statements respectively.

Segment information

27. The municipality did not disclose the segment information for the current year, and previous year as required by GRAP 18, *Segment reporting*. I was unable to determine the extent of the omission of segment information to the consolidated and separate financial statements as it was impracticable to do so.

Distribution losses

28. The municipality did not disclose the distribution losses for the current year 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 omission of distribution losses in the consolidated and separate financial statements as it was impracticable to do so.

Service concession

29. The municipality did not disclose the service concession arrangement for the current year, and previous year as required by GRAP 32, *Service concession arrangements*. 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 omission of the service concession arrangement in the consolidated and separate financial statements as it was impracticable to do so.

Financial instruments

30. The municipality did not disclose the municipal relief debt loan as required by GRAP 104, *Financial instruments*.. This is due to municipality not disclosing the following:

- the municipality's eligibility and participation status;
- conditions attached to the debt relief,
- the amounts approved, written off, or deferred, and
- compliance with the programme's terms and reporting requirements.

Statement of net changes in assets

31. The municipality did not correctly calculate statement of changes in net assets in accordance with GRAP 1, *Presentation of financial Statements.* This is due to unexplained differences identified in the statement of changes in net assets presented in the consolidated and separate financial statements. I was unable to determine the full extent of the errors as it was impracticable to do so.

Context for opinion

32. 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.

33. 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.

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

Material uncertainty related to going concern

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

36. I draw attention to note 58 to the consolidated financial statements, which indicate that at 30 June 2025, that the municipality's current liabilities exceed its current assets by R161 649 245. The municipality has disclosed significant amount of contingent Liabilities in the 2024/2025 financial year, should the outcome of the cases not be favourable to the municipality this could result in significant financial losses. As stated in note 58, these events or conditions, along with the other matters as set forth in note 58, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Other matter

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

38. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

39. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the Division of Revenue Act 5 of 2023 (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.

40. In preparing the consolidated and separate 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

41. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

42. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page xx, forms part of my auditor's report.

Report on the audit of the annual performance report

43. 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 material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

44. I selected the following material performance indicators related to key performance area 1: service delivery and infrastructure development presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected those indicators that measures the

municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

45. KPI 1 - Number of households with access to basic water supply

- KPI 2 - Number of households with access to basic sanitation supply
- KPI 3 - Number of households with access to basic electricity supply
- KPI 4 - Number of households with basic solid waste collection
- KPI 5 - Number of illegal dumping sites cleared
- KPI 6 – Number of landfill sites maintained
- KPI 13 - Number of high mast luminaries to be repaired/maintained in (Bloemhof and Christiana)
- KPI 14 - KM of municipal roads maintained
- KPI 15 – KMs of Stormwater drainage maintained
- KPI 16- KMs of municipal roads maintained
- KPI 18- Number of substations upgraded
- KPI 19 – Number of households electrified
- KPI 20 – Number of infills electrified
- KPI 21 - Number of streetlights retrofitted for energy efficiency

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

47. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported on measures taken to improve performance.

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

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

Various indicators

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

Indicator	Target	Reported achievement
Number of households with access to basic water supply	14707	14712
Number of households with access to basic sanitation supply	14031	14048
Number of households with access to basic electricity supply	4524	4518
Number of households with basic solid waste collection	18524	16584

Various indicators

51. 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	Actual achievement

KMs of municipal roads maintained	5km	20.87km	12.5km
Number of illegal dumping sites cleared	30	30	14

Various indicators

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

Indicator	Target	Reported achievement
Number of high mast luminaries to be repaired/maintained in (Bloemhof and Christiana)	75	25
Number of streetlights retrofitted for energy efficiency	598	537

Other matters

53. I draw attention to the matters below.

Achievement of planned targets

54. 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.

55. The table that follows provide information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

Key performance area 1: services delivery and infrastructure development

Targets achieved: 58%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Number of households with access to basic electricity supply	4524 households with access to basic electricity supply by end June 2025	4518 households with access to basic electricity

Targets achieved: 58%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Number of households with basic solid waste collection	18524 households to receive weekly solid waste collection by June 2025	16584 households received weekly solid waste collection
Number of high mast luminaries to be repaired/maintained in (Bloemhof and Christiana)	71 high mast luminaries to be repaired/maintained in (Bloemhof and Christiana) by the end of June 2025	25 high mast laminated repaired/maintained in Bloemhof and Christiana
KMs of stormwater drainage maintained	10 km of stormwater drainage maintained by the end of June 2025	0.1 km of stormwater drainage maintained
Number of substations upgraded	1 substation upgraded by end of June 2025	0 substation upgraded
Number of households electrified	98 households electrified by end June 2025	95 households electrified
Number of streetlights retrofitted for energy efficiency	598 streetlights retrofitted for energy efficiency by end of June 2025	537 streetlights retrofitted for energy efficiency

Material misstatements

56. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for key performance area 1: service delivery and infrastructure development. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

57. 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.

58. 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.

59. 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.

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

Annual financial statements and annual report

61. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a adverse audit opinion.

Strategic planning & performance management

62. The performance management system and related controls were inadequate as the performance management system was not always adhered to and properly managed as required by municipal planning and performance management regulation 7(1).

63. Annual performance objectives and indicators were not established for Lekwa-Teemane Development Agency and included in its multi-year business plan, as required by section 93B (a) of the MSA.

64. The performance of Lekwa-Teemane Development Agency was not monitored and reviewed as part of the annual budget process, as required by section 93B (b) of the MSA.

Expenditure management

65. 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.

66. An adequate management, accounting and information system was not in place which expenditure is not recorded when incurred, as required by section 65(2) (b) of the MFMA.

67. 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 non-compliance from normal procurement process.

68. 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 interest on late payment to suppliers.

69. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1) (d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending on approved budget.

Revenue management

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

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

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

73. Accounts for municipal charges were not billed for 12 months, as required by section 64(2)(c) of the MFMA and estimates were not performed were billings count not be performed.

Consequence management

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

Procurement and contract management

75. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.

76. 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. Similar non-compliance was also reported in the prior year.

Human resource management

77. 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.

Conditional grant

78. 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).

Oversight

79. The audit committee did not submit an audit report on the review of the performance management system to the council, at least twice during a financial year, as required by regulation 14(4)(a)(iii) on Municipal Planning and Performance Management.

Other information in the annual report

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

81. My opinion on the consolidated and separate 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.

82. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate 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.

83. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

84. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

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

86. Leadership failed to adequately monitor the implementation of action plans, and the continued lack of consequence management for poor performance resulted in repeat findings that could have been prevented. Oversight was not effectively exercised, as decisive actions to address risks relating to complete and accurate financial and performance reporting, as well as the related internal controls, were not taken.

87. Management did not adequately monitor and review financial and performance reporting, compliance with laws and regulations, and the effectiveness of internal controls. Despite the use of consultants to compile the financial statements, the submitted statements were of poor quality and contained numerous errors that could have been prevented had proper review processes been implemented.

88. The audit committee and internal audit unit were functional during the year under review. However, these structures had limited impact on financial and performance reporting,

compliance with laws and regulations, and the overall internal control environment. The municipality did not adequately address the deficiencies identified by the internal audit and audit committee, nor did it implement their recommendations.

89. The Municipal Public Accounts Committee (MPAC) did not fulfil its oversight responsibilities. The committee did not conduct the required investigations into unauthorised, irregular, fruitless, and wasteful expenditure, resulting in inadequate accountability and weakened governance processes within the municipality.

Material irregularities

90. 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 – receivables and consumer debtors

91. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of receivables and consumer debtors 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.

92. 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 as disclosed in note 46 to the 2019-20 financial statements. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

93. The accounting officer was notified of the material irregularity on 11 June 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter.

94. The accounting officer could not provide sufficient and appropriate actions taken or planned actions to be taken in response to being notified of the suspected material irregularity. I had recommended that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 30 April 2022.

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

96. 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. The plan should include anticipated timeframes and address the following key areas as a minimum:

- Billing information and reconciliations to support revenue from service charges;
- Consumer debtor reconciliations (including age analysis) of all amounts owed to the municipality;
- Creditors reconciliations of amounts due by the municipality to third parties; and
- Detailed records of water and electricity purchases and sales to quantify the extent and reason for distribution losses.

97. 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 31 July 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; and
- Fund routine maintenance as well as urgent repairs of infrastructure assets.

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

99. I considered the written response and substantiating documentation provided on 6 May 2022, 10 June 2022 and 29 July 2022 respectively on the implementation of the recommendations, and concluded that the recommendations were not adequately implemented at the stipulated time and appropriate actions were not taken to address the material irregularity.

100. 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:

101. I further recommended that the accounting officer 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 have described 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; and
- Fund routine maintenance as well as urgent repairs of infrastructure assets.

102. The AO provided a progress report on 15 February 2024, three (3) months late, and the report was not supported by any substantiating documentation. On 19 February 2024, I provided the municipality with feedback on the progress report, outlining the shortcomings identified in the progress report and aspects that must be addressed in the final response, which was due in

March 2024. The AO submitted a final response on 28 March 2024, supported by limited substantiating evidence. I assessed the submissions and concluded that the AO has not adequately implemented or made satisfactory progress with the implementation of the remedial action. In addition, the response by the AO did not address the remedial action on financial viability, as the AO failed to develop and commence with an action plan to address the financial problems of the municipality. Although the response by the AO was supported by substantiating documentation, it was inadequate to support all actions taken or in process.

103. I invoked section 11(2) of the Material Irregularity Regulations (the MI regulations), requesting intervention from relevant role players in the Accountability Eco System (AES). This action was taken to address the ongoing issues and ensure corrective measures were implemented.

104. On 12 June 2024, I invoked section 11(2) of the Material Irregularity Regulations (the MI regulations), requesting intervention from relevant role players 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 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.

105. 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.

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

107. 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 with the Office of the Premier on 20 October 2025.

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

Other reports

109. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

110. The Directorate for Priority Crime Investigation (the Hawks) conducted an investigation into the 2014-15 allegations of fraud and corruption relating to the construction of Utlwanang community library and the investigation and the report was handed over to the Director of Public Prosecution for final decision on prosecution. The final decision was still outstanding at the reporting date.

111. The Directorate for Priority Crime Investigation is currently investigating allegations of irregular sale and disposal of municipal immovable property during 2019-20. The investigation was still ongoing at date of this report.

112. The South African Police Service is currently investigating an allegations of fraud and corruption relating to monies collected at the traffic department of the municipality during 2020/21. The investigation is still ongoing at date of this report.

Auditor-General

Rustenburg

11 December 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[1]
- The selected legislative requirements for compliance testing

Auditor general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected key performance area and on the municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the 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.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

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.