



Report of the auditor-general to the North West Provincial Legislature and the council on Kagisano Molopo Local municipality

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the Kagisano Molopo Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the 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 financial position of the Kagisano Molopo Local Municipality as at 30 June 2024, 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 5 of 2023 (DoRA).

Basis for adverse opinion

Debtors with credit balances

3. I was unable to obtain sufficient appropriate audit evidence for debtors with credit balances due to status of the accounting records. I was unable to confirm these debtors with credit balances by alternative means. Consequently, I was unable to determine whether any adjustment relating to debtors with credit balances of R29 758 397 (2023: R30 262 358) disclosed in note 16 to the financial statements was necessary.

Receivables from exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for property rental debtors, included in receivables from exchange transactions, due to the status of the accounting records. I was unable to confirm these property rental debtors by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rental debtors of R22 654 069 (2023: R17 333 457) as disclosed in note 7&11 and related allowance for impairment of R22 573 894 (2023: R17 267 862) as disclosed in note 11 and debt impairment of R5 310 464 (2023: R4 316 225) as disclosed in note 32 to the financial statements.

Receivables from non-exchange transactions

5. The provision for impairment of debtors was not calculated in accordance with the Standards of GRAP 104, *Financial instruments*. Rebates were incorrectly used as amount received from the customers when estimating the future cash flows. Consequently, the provision for impairment included in the receivables from non-exchange transactions is understated by R123 332 500 and accumulated surplus overstated by the same amount in the financial statement.

VAT receivables

6. During 2023, I was unable to obtain sufficient appropriate audit evidence for VAT receivables due to the status of accounting records and municipality not being able to provide details for variances identified. I was unable to determine whether any adjustment to VAT receivables of R12 378 367 was necessary. My audit opinion on the financial statements for the period ended 30 June 2023 was modified accordingly. I was still unable to confirm VAT receivables by alternate means. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Payables from exchange transactions

7. I was unable to obtain sufficient appropriate audit evidence for other payables from exchange transactions and trade payables included in payables from exchange transactions due to the status of the accounting records. I was unable to confirm these other payables from exchange transactions and trade payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to other payables from exchange transactions of R17 143 362 (2023:12 363 902) and trade payables of R48 655 970 as disclosed in note 5 to the financial statements.

Interest received- non- exchange transactions

8. The municipality did not have adequate systems to account for interest on outstanding debtors as required by GRAP 23, *Revenue from non-exchange transaction*. Interest was not recognised on a monthly basis on outstanding customer property rates, as required by debt collection policy in the prior years and the municipality did not correctly make adjustment on the prior year amounts. I was unable to determine the full extent of the understatement of interest received – non exchange transactions, stated at R34 575 742 (2023: R26 263 768) disclosed in note 19 and related receivables from non-exchange transactions disclosed in note 8 & 11 of R96 067 185 (2023:R74 152 211) and debt impairment disclosed in note 32 of R19 984 971 (2023: R4 803 350) to the financial statement as it was impracticable to do so.

Property rates

9. Property rates was not recognised as required by GRAP 9, *Revenue from exchange transactions*. The municipality did not adhere with the rebate requirements as outlined in approved property rate policy, resulting to income foregone being overstated by R8 570 079 and property rates disclosed in note 22 and related receivables from non-exchange transaction in note 8 and 11 understated by R19 984 971. There was a resultant impact on the surplus for the period and the accumulated surplus. In addition, the municipality did not disclose the all the valuation amounts in note 22, this resulted in valuations amount understated by R3 445 000.

Contracted services

10. I was unable to obtain sufficient appropriate audit evidence for security services included in contracted services, due to the status of the accounting records. Consequently, I was unable to determine whether any adjustment to security services of R25 539 939 as disclosed in note 34 to the financial statements was necessary.

General expenses

11. I was unable to obtain sufficient appropriate audit evidence for general expenses, due to the status of the accounting records. Consequently, I was unable to determine whether any adjustments were necessary to general expenses stated at R62 109 170 (2023: R51 266 189) in note 33 to the financial statements was necessary.

Total expenditure

12. Total expenditure was materially misstated by R5 093 876 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items
- Impairment loss stated at R2 563 742 was understated by R641 504
 - Transfer and subsidies stated at R2 548 903 was overstated by R65 173
 - Finance costs stated at R3 181 059 was overstated by R148 001
 - Employee related cost stated at R57 560 781 was overstated by R78 631
 - Repairs and maintenance stated at R2 011 537 was overstated by R836 350
 - Contracted services stated at R59 101 974 was overstated by R2 473 633
13. In addition, I was unable to obtain sufficient appropriate audit evidence and to confirm total expenditure by alternative means
- Remuneration of councillors of R115 950 as included in the disclosed balance of R13 992 568
 - Employee related cost of R752 135 as included in the disclosed balance of R57 560 781
 - Repairs and maintenance of R1 265 507 as included in the disclosed balance of R2 011 537

Consequently, I was unable to determine whether any further adjustment was necessary to total expenditure.

Statement of changes in net assets

14. 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 in identified the statement of changes in net assets presented in the financial statements for the current and previous year. I was unable to determine the full extent of the errors as it was impracticable to do so

Cash flow statement

15. 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 R32 748 624 (2023: R45 706 618) as presented in the cash flow statement and disclosed in note 35 and net cash flows from investing activities of R35 543 472 (2023: R44 496 354) to the financial statements.

Irregular expenditure

16. The municipality did not include all instances of irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments of R5 916 529 in contravention of supply chain management (SCM) requirements, which were not included in the irregular expenditure disclosed. As the municipality did not quantify the full extent of the irregular expenditure, it was impracticable to determine the resultant understatement of irregular expenditure, as per note 49 to the financial statements. In addition, the municipality did not accurately recognised irregular expenditure in accordance with GRAP 1, *Presentation of financial statements*. The municipality accounted for irregular expenditure when they made payment instead of when the expenditure was incurred resulting in irregular expenditure overstated by R9 592 147.

Prior period error

17. Not all prior period errors were disclosed in note 41 and 42 to the 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. In addition, I was unable to obtain sufficient appropriate audit evidence for those prior period errors disclosed in note 41 and 42 to the 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 financial statements.

Unauthorised expenditure

18. Unauthorised expenditure was not recorded in accordance with the DORA 16(1). The municipality did not disclose the unauthorised expenditure for the overspending of the municipal infrastructure grant resulting to unauthorised expenditure understated by R6 368 980 as disclosed in note 47 to the financial statement.

Related parties

19. The municipality did not prepare related parties note in accordance with GRAP 20, *Related party disclosures*. This is due to municipality not disclosing remuneration of councillors in individual basis. As result, related parties included in note 40 to the financial statement is misstated.

Segment reporting

20. The municipality did not prepare segment information in accordance with GRAP 18, *Segment reporting*. This is due to municipality not making minimum disclosures for segments in the financial statement. As result, segment information included in note 52 to the financial statement is misstated.

Statement of comparison of budget and actual amounts

21. The municipality did not prepare the statement of comparison of budget and actual amounts in accordance with GRAP 24, *Presentation of budget information in the financial statements*. This is due to municipality not making minimum disclosures such as disclosing the comparison for the cashflow statements. As result, the information included in the statement of comparison of budget and account actual amounts is misstated.
22. Budget for unspent conditional grants and payables from exchange transactions not correctly classified in accordance with GRAP 24, *Presentation of budget information in the financial statements*. The municipality have incorrectly allocated the budget for payables from exchange transactions to unspent conditional grants resulting to budget on payables from exchange transaction understated by R4 195 000 and unspent conditional grants overstated by the same amount.

Context for opinion

23. 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.
24. 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.
25. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Material uncertainty relating to going concern

26. I draw attention to the matters below. My opinion is not modified in respect of these matters.
27. I draw attention to note 45 to the financial statements, which indicates that a net loss of R20 878 063 was incurred during the year ended 30 June 2024, this events or conditions, along with other matters as set forth in note 45, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Fruitless and wasteful expenditure

29. As disclosed in note 48 to the financial statements, fruitless and wasteful expenditure of R544 633 was incurred in the current year and fruitless and wasteful expenditure of R3 484 766 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.

Material losses

30. As disclosed in notes 7, 8 and 11 to the financial statements, receivables and consumer debtors have been significantly impaired. The allowance for impairment is R93 984 391 (2023: R68 603 388), which represents 49% (2023: 48%) of the total receivables. In addition, as disclosed in note 32 to the financial statements, debt impairment of R25 295 435 (2023: R9 119 575) was incurred as a result of significant impairment of receivables.

Restatement of corresponding figures

31. As disclosed in note 41 and 42 to the financial statement, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipality at, and for the year ended 30 June 2024.

Other matter

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

Unaudited disclosure notes

33. 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

34. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
35. 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

36. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for adverse of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
37. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the annual performance report

38. 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.
39. I selected the following material performance indicators related to Key performance area 2: Basic service delivery and infrastructure report presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.
 - Number of high mast lights constructed at various villages (Botsalano – Ward 2), Bona-Bona (Ward 9), Tseoge, Setabeng and Makabole (Ward 12), Austrey and Moswana (Ward 14) and Ganyesa (Ward 4)

- Number of kilometres of Seitsang – Shupu – access road constructed Sebetwane ward 13)
- Number of fenced cemeteries for all 15 Kagisano-Molopo Wards

40. 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.

41. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance.

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

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

Number of high mast lights constructed at various villages (Botsalano - ward 2), Bona-bona (Ward 9), Tseoge, setabeng and Makabole (ward 12), Austey and Moswana (ward 14) and Ganyesa (Ward 4)

44. The approved planning documents included a commitment to construct 45 high mast lights at various villages (Botsalano - ward 2), Bona-bona (Ward 9), Tseoge, setabeng and Makabole (ward 12), Austey and Moswana (ward 14) and Ganyesa (Ward 4) by 30 June 2024. However, an achievement of achieved was reported in the annual performance report. This discrepancy

highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

45. An achievement of achieved was reported against a target of 45 high mast lights constructed at various villages (Botsalano - ward 2), Bona-bona (Ward 9), Tseoge, setabeng and Makabole (ward 12), Austey and Moswana (ward 14) and Ganyesa (Ward 4) by 30 June 2024. However, the audit evidence showed the actual achievement to be only 0 highmast lights were completed. Consequently, the target was not achieved, the underachievement on the target was lower than reported.

Number of kilometres of Seitsang Shupu - access road constructed (Sebetwane ward 13)

46. The target in the annual performance report differed from what was committed to in the approved initial and revised planning documents. The reported target was 3,4 KM access road constructed, while the planned target was 3,2 KM access road constructed. This change was made without obtaining the required approval, which undermines transparency and accountability
47. An achievement of achieved Seitsang-Shupu-Sebetwane 3,4 KM access road constructed was reported against a target of Seitsang - Shupu - Sebetwane 3,4 KM access road constructed by June 2024. However, the audit evidence showed the actual achievement to be only 0km access road not constructed in the current year. Consequently, the target was not achieved, the underachievement on the target was lower than reported.

Number of fenced cemeteries for all 15 Kagisano Molopo Wards

48. The approved planning documents included a commitment to fence 15 cemeteries for all 15 kagisano Molopo wards by 30 June 2024. However, an achievement of not achieved was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability
49. An achievement of not achieved was reported against target of 15 fenced cemeteries for all 15 kagisano Molopo. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially more than reported. Consequently, it is likely that the achievement against the target was better than reported.

Other matter

50. I draw attention to the matter below.

Achievement of planned targets

51. 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.
52. The tables that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The

measures taken to improve performance are included in the annual performance report on pages [xx to xx].

Key performance area 2: Basic service delivery and infrastructure development

<p><i>Targets achieved: 73%</i></p> <p><i>Budget spent: 86%</i></p>		
Key indicator not achieved	Planned target	Reported achievement
Number of portfolio committee meetings coordinated	4 portfolio committee meetings coordinated by 30 June 2024	Not achieved 2 portfolio committee meetings coordinated
Number of electricity project management meetings attended	4 electricity project management meetings attended by 30 June 2024	Not achieved 3 electricity project management meetings attended by 30 June 2024
Number of Rural Sanitation Program Meetings Attended	4 Rural Sanitation Program Meetings Attended by 30 June 2024	Not Achieved 3 Rural Sanitation Program Meetings Attended
Number of fenced cemeteries for all 15 Kagisano-Molopo Wards	15 Fenced cemeteries for all 15 Kagisano-Molopo Wards by 30 June 2024	Not Achieved

Report on compliance with legislation

53. 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.
54. 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.
55. 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.
56. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Financial statements, performance and annual report

57. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.
58. The annual financial statements were not submitted to the Auditor-General for auditing, within two months after the end of the financial year, as required by section 126(1)(a) of the MFMA.

Procurement and contract management

59. Sufficient appropriate audit evidence could not be obtained that goods and services within the prescribed transaction value for competitive bids were procured by inviting competitive bids and that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by SCM Regulations 19(a). Similar non-compliance was also reported in the prior year.
60. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2). This non-compliance was identified in the procurement processes for the construction of 50 high mast lights constructed at various villages (Botsalano-ward 2), Bona-Bona (ward-9), Tseoge Setabeng and Makabole (ward 12), Austrey and Moswana (ward 14) and Ganyesa (ward-4).
61. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders based on points given for legislative requirement that were stipulated in the original invitation for bidding, as required by SCM regulations 21(b) and 28(1)(a(i) and Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year.
62. Sufficient appropriate audit evidence could not be obtained that contracts were awarded through a competitive bidding process that were adjudicated by the bid adjudication committee as required by SCM Regulations 29(1) (a) and (b) and Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year.
63. Sufficient appropriate audit evidence could not be obtained that the accounting officer ratified the decision of bid adjudication committee of awarding contracts to bidders other than those recommended by the bid evaluation committee as required by SCM Regulation 29(5)(b).
64. 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 non-compliance was also reported in the prior year.
65. Sufficient appropriate audit evidence could not be obtained that contract were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43.

66. The preference point system was not applied some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
67. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations.
68. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5. Similar limitation was also reported in the prior year.
69. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. Similar limitation was also reported in the prior year.
70. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was also reported in the prior year.

Consequence management

71. 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.
72. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
73. 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.

Revenue management

74. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
75. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Human resource management

76. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations
77. I was unable to obtain sufficient appropriate audit evidence that candidates appointed as senior managers submitted proof of previous employment prior to signing employment contracts, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 4(4)(b).

78. Financial interests were not disclosed by the senior managers within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.

Strategic planning and performance management

79. The performance management system and related controls were inadequate as they did not enable useful and reliable performance measurement and reporting as required by municipal planning and performance management regulation 7(1).

Expenditure management

80. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
81. 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 bid committees not correctly constituted. Irregular expenditure amounting to R1 402 529.41 was incurred on professional engineering service, design, monitoring and supervision of solar high mast lights in various villages.
82. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R414 853 293, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of the total amount appropriated for planning and development vote in the approved budget for the financial year.
83. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 029 409, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by penalties and interest charged on overdue accounts.

Conditional grants

84. 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 5 of 2023).

Other information in the annual report

85. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
86. My opinion on the financial statements, the report on the findings on the reported performance information and the report on compliance with legislation do not cover the other information

included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

87. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
88. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

89. 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.
90. 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.
91. Leadership did not adequately exercise oversight responsibility regarding the financial and performance reporting as well as compliance with legislation. Leadership's continuous inability to appoint a head of compliance unit and senior managers remained unchanged from prior year, leading to instability within the municipality's administration and a lack of effective guidance over the municipality's supply chain management process that is based on a culture of ethical business practice and good governance.
92. Management did not monitor and review the financial, performance reporting and compliance with laws and regulations as well as internal controls. In addition, the financial statements were not always supported by accurate and complete accounting records as management did not properly capture and reconcile accounting and performance records throughout the year.
93. The internal audit and audit committee did not adequately review the financial statements and annual performance report as material misstatements were identified in the submitted financial statements annual performance report.

Other reports

94. 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

95. An investigation which commenced in 2019 relating to allegations of financial misconduct, fraud or improper conduct in the supply chain management is being conducted by the Office of the Public Protector. The investigation was still on going at the date of this report.

Auditor General

Rustenburg

28 February 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	Section 1 (a), (b) & (d) of the definition: irregular expenditure Section 1 Definition of SDBIP Sections 11(1); 13(2); 14(1); 14(2)(a); 14(2)(b); 15 Sections 24(2)(c)(iv); 29(1); 29(2)(b); 32(2) Sections 32(2)(a); 32(2)(a)(i); 32(2)(a)(ii); 32(2)(b) Sections 32(6)(a); 32(7); 53(1)(c)(ii); 54(1)(c) Sections 62(1)(d); 62(1)(f)(i); 62(1)(f)(ii); 62(1)(f)(iii) Sections 63(2)(a); 63(2)(c); 64(2)(b); 64(2)(c); 64(2)(e) Sections 64(2)(f); 64(2)(g); 65(2)(a); 65(2)(b); 65(2)(e) Sections 72(1)(a)(ii); 95(a); 112(l)(iii); 112(1)(j) Sections 116(2)(b); 116(2)(c)(ii); 117; 122(1); 122(2) Sections 126(1)(a); 126(1)(b); 127(2); 127(5)(a)(i) Sections 127(5)(a)(ii); 129(1); 129(3); 133(1)(a) Sections 133(1)(c)(i); 133(1)(c)(ii); 170; 171(4)(a); 171(4)(b)
LG: MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1); 71(2); 72
LG: MFMA: Municipal investment regulations, 2005	Regulations 3(1)(a); 3(3); 6; 7; 12(2); 12(3)
LG: MFMA: Municipal regulations on financial misconduct procedures and criminal proceedings, 2014	Regulations 5(4); 6(8)(a); 6(8)(b); 10(1)
LG: MFMA: Municipal supply chain management (SCM) regulations, 2017	Regulations 5; 12(1)(b); 12(1)(c); 12(3); 13(b); 13(c); 13(c)(i) Regulations 16(a); 17(1)(a); 17(1)(b); 17(1)(c); 19(a) Regulations 21(b); 22(1)(b)(i); 22(2); 27(2)(a); 27(2)(e) Regulations 28(1)(a)(i); 28(1)(a)(ii); 29(1) (a) and (b) Regulations 29(5)(a)(ii); 29(5)(b)(ii); 32; 36(1) Regulations 38(1) (c); 38(1)(d)(ii); 38(1)(e); 38(1)(g)(i) Regulations 38(1)(g)(ii); 38(1)(g)(iii) Regulations 43; 44; 46(2)(e); 46(2)(f)
Municipal Systems Act 32 of 2000 (MSA)	Sections 25(1); 26(a); 26(c); 26(i); 26(h); Sections 29(1)(b)(ii); 29(3)(b); 34(a); 34(b); Sections 38(a); 41(1)(a); 41(1)(b); 41(1)(c)(ii); 42; 43(2) Sections 56(a); 57(2)(a); 57(4B); 57(6)(a) Sections 66(1)(a); 66(1)(b); 67(1)(d); 74(1) Sections 93B(a); 93B(b); 93C(a)(iv); 93C(a)(v); 96(b)
LG: MSA: Municipal planning and performance management regulations, 2001	Regulations 2(1)(e); 2(3)(a); 3(3); 3(4)(b); 3(5)(a); 7(1); 8 Regulations 9(1)(a); 10(a); 12(1); 15(1)(a)(i); 15(1)(a)(ii)
LG: MSA: Municipal performance regulations for municipal managers and managers directly accountable to municipal managers, 2006	Regulations 2(3)(a); 4(4)(b); 8(1); 8(2); 8(3)

Legislation	Sections or regulations
LG: MSA: Regulations on appointment and conditions of employment of senior managers, 2014	Regulations 17(2); 36(1)(a)
LG: MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2); 5(3); 5(6); 8(4)
Annual Division of Revenue Act (DoRA)	Sections 11(6)(b); 12(5); 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1)
CIDB regulations	Regulations 17; 25(7A)
Municipal Property Rates Act 6 of 2004 (MPRA)	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)	Sections 2(1)(a); 2(1)(f)
Preferential Procurement regulations (PPR), 2017	Regulations 5(1); 5(3); 5(6); 5(7) Regulations 6(1); 6(2); 6(3); 6(5); 6(6); 6(8) Regulations 7(1); 7(2); 7(3); 7(5); 7(6); 7(8) Regulations 8(2); 8(5); 9(1); 10(1); 10(2); 11(1)
Preferential Procurement regulations (PPR), 2022	Regulations 3(1) Regulations 4(1); 4(2); 4(3); 4(4) Regulations 5(1); 5(2); 5(3); 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)