

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the City of Matlosana Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, the 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, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the City of Matlosana 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 qualified opinion

General expenses

3. I was unable to obtain sufficient appropriate audit evidence for indigent cost included in general expenditure due to the status of the accounting records and adequate records for receipt of goods and services was not maintained. I was unable to confirm the indigent cost by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to indigent cost included in general expenses stated at R57 615 241, in note 36 to the financial statements.

Context for opinion

4. 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.
5. 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.

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

Material uncertainty relating to going concern

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.
8. I draw attention to note 58 to the financial statements, which indicates that a net loss of R996 513 801 was incurred during the year ended 30 June 2024, and as of that date, the total current liabilities exceeded its total current assets by R3 036 672 082. As stated in note 58, these events or conditions, along with other matters set forth in the note, 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

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

Material impairments – consumer debtors

10. As disclosed in note 11 to the financial statements, material allowance for impairment of R 8 691 159 072 (2023: R7 513 286 491) was recognised which represents 94% (2023: 94%) of total consumer debtors.
11. As disclosed in note 32 to the financial statements, impairment of consumers debtors of R1 444 949 121 (2023: R1 381 465 877) as a result of significant impairment of debtors.

Material losses – water and electricity

12. As disclosed in note 33 to the financial statements, the municipality incurred distribution losses on electricity and water in excess of the norms of 43% (2023: 38%) and 59% (2023: 58%) respectively.

Uncertainty relating to the future outcome of exceptional litigation

13. With reference to note 50 to the financial statements, the municipality is the defendant in a number of lawsuits. The municipality is opposing the claims amounting to R620 933 606. The ultimate outcome of the matters could not be determined and no provision for any liability that may result has been made in the financial statements.

Other matters

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

Unaudited disclosure notes

15. 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 on them.

Responsibilities of the accounting officer for the financial statements

16. 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.
17. 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

18. 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.
19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 16, forms part of our auditor's report.

Report on the annual performance report

20. 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 selected development priorities presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
21. I selected the following development priorities presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected development priorities that measures the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Development priority	Page numbers	Purpose
KPA 1: Basic service delivery and infrastructure development	xx	To ensure sustainable services to the community, to improve access and thereby reducing backlogs. This component includes water; sanitation; roads; electricity;

Development priority	Page numbers	Purpose
		waste management; and housing services and free basic services.
KPA 3: Local economic development	xx	Skills development and job creation
KPA 4: Municipal financial viability and management	xx	Focuses on budget development, supply chain management issues, asset management as well as income and expenditure management.

22. I evaluated the reported performance information for the selected programmes 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.

23. I performed procedures to test whether:

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

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

25. I did not identify any material findings on the reported performance information for the selected programmes.

Other matters

26. I draw attention to the matters below.

Achievement of planned targets

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

Basic service delivery and infrastructure

<i>Targets achieved: 29%</i> <i>Budget spent: 70%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of taxi ranks with facilities constructed in Jouberton Ext 19 (Ward 37)	1	0
Number of cells developed for Klerksdorp landfill site (Cell 3) (Phase 1) (Ward 19)	1	0
Number of toilets re-constructed and refurbished in Kanana (Wards 20 & 24)	100	0
Kilometre of outfall sewer line in Jouberton Ext 19 and 23 (Phase 1) (Wards 7, 8 & 37) upgraded	1	0
Number of water line for Jouberton Reservoir to Kanana (Wards 6, 14 and 18) constructed	1	0
Number of water line for Jouberton Reservoir to Kanana (Wards 6, 14 and 18) constructed	1	0
Metres of outfall sewer line in Khuma Proper upgraded	705	0
Number of new Sports Complex in Khuma Ext 9 (Ward 31) (Phase 2) constructed	1	0
Number of Jouberton reservoirs (Ward13) refurbished	1	0
Number of water pump-stations refurbished with electrical and mechanical equipment at the Matlosana area (Wards 1 - 39)	3	0
Kilometre of taxi routes paved, and km of storm-water drainage constructed in Khuma Ext 11 (Phase 9) (Ward 33)	4.4	0
Kilometres roads graded in the CoM municipal area	75	38.7
Kilometres of open storm-water channels cleaned	20	10.4
Kilometres of under ground storm-water pipe cleaned	30	20.865
Kilometre of main / outfall sewers and blockages cleaned in the CoM area	40	14.35

Number of reservoirs in the CoM area cleaned	30	28
Number of taxi ranks with facilities constructed in Jouberton Ext 19 (Ward 37)	1	0

Material misstatements

29. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for service delivery and infrastructure development and local economic development. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

30. 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.
31. 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.
32. 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.
33. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

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

Expenditure management

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

36. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval of funds, as required by section 65(2)(a) of the MFMA.
37. Reasonable steps were not taken to prevent unauthorised expenditure of R1 126 875 482, as disclosed in note 46 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the budget.
38. Reasonable steps were not taken to prevent irregular expenditure of R248 623 592, as disclosed in note 47 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by the municipality not adhering to supply chain regulations.
39. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R104 864 745, 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 interest incurred on amounts owed to Eskom and Midvaal.

Procurement and contract management

40. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1).
41. Some of the contracts were awarded to bidders based on points given for legislative requirement that were not stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.
42. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43.
43. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and/or calculated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations.
44. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2022 Preferential Procurement Regulation 4(4) and 5(4).
45. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract] in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A).
46. Sufficient appropriate audit evidence could not be obtained that some contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulating 5.

Consequence management

47. 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(b) of the MFMA.
48. 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.

Human resource management

49. 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 Municipal Systems Act.

Strategic planning and performance

50. The SDBIP for the year under review did not include monthly revenue projections by source of collection as required by section 1 of the MFMA.
51. The performance management system and related controls were inadequate as it did not describe how the performance monitoring and measurement processes should be conducted and managed, as required by Municipal planning and performance management regulation 7(1).

Other information in the annual report

52. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report. The other information does not include the financial statements, the auditor's report thereon and the selected key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.
53. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
54. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected key performance area presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
55. 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

56. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

- The leadership failed to ensure the implementation of adequate policies and procedures that would support the understanding and execution of internal controls, processes, and responsibilities. This oversight resulted in material findings related to the financial statements, a recurrence of significant issues regarding performance information, and non-compliance with laws and regulations.
- Non-compliance with laws and regulations could have been prevented if proper reviews and monitoring of compliance had been conducted, and if appropriate control measures had been put in place. Additionally, the action plans developed to address prior year audit findings were not adequately implemented or monitored.
- Management lacks a comprehensive risk strategy to address the identified risks in supply chain management. Moreover, the effectiveness of the audit committee and internal audit as assurance providers was undermined by management's failure to adequately address or respond to internal audit's findings and recommendations, as well as by the ongoing non-compliance with laws and regulations.

Material irregularities

57. 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

Pollution of water resource not prevented: Orkney wastewater treatment works

58. The municipality did not take reasonable measures at Orkney Wastewater Treatment works to prevent pollution or degradation of the environmental and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management Act and section 19(1) of the National Water Act. The wastewater treatment works have not been properly functional for more than three years, with overflows causing some serious pollution to the site and surroundings. This is due to vandalism, stolen equipment and dilapidated infrastructure. The non-compliance is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

59. The accounting officer was notified of the MI on the 28 November 2022 and due to change in accounting officer, the MI was re-issued on the 24 January 2023. The Accounting Officer agreed with the MI and provided response to the re-issued notification on the 24 February 2023, and 11 May 2023 with an action plan to respond to the material irregularity. A determination letter on

appropriate action taken was submitted to the accounting officer on the 29 June 2023, based on the written submissions received and assessed. However, based on follow-up visit in October 2023, it was evident that there is no progress made to resuscitate the WWTW and get critical components functional. Further, little to no progress has been made on the overall refurbishment of the WWTW where major issues such as the non-functioning installations at the plant are not being addressed. The lack of progress results in untreated effluent from the WWTW being discharged into the environment.

60. I received a response and substantiating documentation from the accounting officer on 27 October 2023 and 31 January 2024 and considered the representations made. Based on the evaluation of the action taken, I concluded that appropriate actions are not being taken to address the material irregularity.

61. I am in the process of determining the most suitable action to take.

Market dues not collected

62. The municipality has a market where fresh produce are sold on a daily basis and market dues are payable to the municipality at an agreed percentage of the total turnover. All money due to the municipality for the sales at the fresh produce market were not collected, which is in contravention with section 65(2)(f) of the MFMA, which requires that the accounting officer must take all reasonable steps to ensure that the municipality has and maintains a system of internal control in respect of debtors and revenue. This non-compliance resulted in a material financial loss of R43 323 273 to the municipality for the financial years 2017-18, 2018-19, 2019-20 and 2020-21. In the current year, a further loss of R3 149 521 was incurred as disclosed in note 37 to the financial statements.

63. The accounting officer was notified of the material irregularity on 31 March 2021 and invited to make a written submission on the actions taken or to be taken to address the matter. The accounting officer indicated that the following actions have been taken or planned to address the material irregularity:

- An independent service provider was appointed to conduct an investigation to determine the cause of the loss and which officials should be held liable. The investigation was concluded during April 2021.
- The accounting officer subsequently initiated disciplinary steps against all ten implicated officials based on the outcome of the investigation, after which two officials were dismissed, three resigned and three received final written warnings coupled with monthly repayments of shortages. The disciplinary process of the remaining two other officials are still in progress and the municipality indicated that the process will be finalised by 15 December 2022.
- Immediately after the dismissal of the two officials and the resignation of the other three officials mentioned above, the municipality instructed the attorneys to initiate legal action to attach the employees' pension fund against the five officials for the recovery of the losses. At the date of this report, the matter was still ongoing and was expected to be finalised within the next three months.
- Investigation reports relating to the matter were also referred to the Directorate for Priority Crime Investigation (Hawks) for further action and it is ongoing at the date of this report.

64. I received the response and substantiating documentation on 05 October 2023 and considered the representations made.
65. As the accounting officer failed to implement appropriate actions, consequently, I recommended that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 9 August 2024. The recommendations were as follows:
66. The financial loss relating to the extension of credit to the buyers should be quantified and all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
67. Appropriate action should commence to recover the financial loss relating to the lack of reconciliations from officials responsible for the loss.
68. Appropriate action should be taken to develop and commence with the implementation of an action plan to prevent further losses and should as a minimum include the following:
- Provide training to staff members responsible for loading customer's cards and performing market dues reconciliations.
 - All direct deposits must first be confirmed in the bank account before the customer's card is loaded.
 - Daily reconciliations between the till cash and deposits against the actual amounts loaded.
 - Both the cashier and the supervisor must sign-off on the reconciliations.
 - Cash shortages should be recovered from the cashier and the supervisor as specified in the job descriptions.
69. All pending disciplinary proceedings previously instituted against implicated officials should be finalised without undue delay.
70. Where appropriate, further criminal proceeding should be instituted, against any other official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
71. I received a response and substantiating documentation from the accounting officer on the 13 August 2024, however there was information outstanding to complete the assessment of the implementation of the recommendations which was requested on 26 August 2024 and the accounting officer had to submit this information by 29 August 2024. To date I have not received the requested information.
72. I am in the process of making a decision on further actions to be taken.

Municipal accounts not paid within 30 days – Midvaal

73. The accounting officer did not take all reasonable steps to ensure that payments for bulk water purchases were made within 30 days of receiving the relevant invoice or statement, contrary to section 65(2)(e) of the MFMA. This contravention resulted in a material financial loss for the municipality due to interest of R100 598 837 levied on the outstanding balance at 30 June 2021.

During the 2021-22 financial year, the municipality incurred further interest of R53 917 924. The fruitless and wasteful expenditure was disclosed in note 48 of the 2022 financial statements.

74. The accounting officer was notified of the material irregularity on 19 February 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer indicated that the municipality is unable to settle creditors within 30 days due to cash flow concerns, although a payment arrangement was entered into, this is only honoured by the municipality when cash is available to pay.
75. As the accounting officer failed to implement appropriate actions, consequently, I recommended that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 1 March 2023. The recommendations were as follows:
76. Appropriate action should be taken to enhance the existing financial plan and to commence with implementation of the revised financial plan to address the financial problems of the municipality that are preventing it from paying Midvaal within 30 days, as required by MFMA section 65(2)(e). The revised financial plan should include realistic timeframes and milestones to be achieved and include as a minimum strategies to:
- increase revenue
 - increase the collection of revenue
 - efficiently manage the available resources of the municipality to optimise costs
 - reduce water distribution losses
 - Negotiate a reasonable payment arrangement with Midvaal and properly budget for the amounts to be paid.
77. The accounting officer requested an extension for the implementation date of the recommendations as contained in audit report on the 8 March 2023. The due date to implement the recommendations was extended to 30 September 2023.
78. On the 05 October 2023 the accounting officer submitted a progress report and substantiating documents to indicate progress being made with implementation of the recommendations.
79. As most of the actions being implemented by the accounting officer are still in progress, an additional six months extension was granted on 29 November 2023 to allow accounting officer time to fully implement the recommendations.
80. A final response was received on the implementation of the recommendations on 7 August 2024 but the response had shortcomings and was not supported by substantiating documentation. After a follow-up with the AO on 17 August 2024, a supplementary response with substantiating documentation was received which were duly assessed. Based on the outcome of the assessment, it was concluded that the recommendations were not adequately implemented.
81. I am in the process of making a decision on further actions to be taken.

Municipal accounts not paid within 30 days – Eskom

82. The accounting officer did not take all reasonable steps to ensure that payments for bulk electricity purchases were made within 30 days of receiving the relevant invoice or statement,

contrary to section 65(2)(e) of the MFMA. This contravention resulted in a material financial loss for the municipality due to interest of R202 009 476 levied on the outstanding balance 30 June 2021. During the 2021-22 financial year, the municipality incurred further interest of R58 784 952. The fruitless and wasteful expenditure was disclosed in note 48 of the 2022 financial statements.

83. The accounting officer was notified of the material irregularity on 19 February 2021 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer indicated that the municipality is unable to settle creditors within 30 days due to cash flow concerns, although a payment arrangement was entered into, this is only honoured by the municipality when cash is available to pay.
84. As the accounting officer failed to implement appropriate actions, consequently, I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 1 March 2023. The recommendations are as follows:
85. Appropriate action should be taken to enhance the existing financial plan and to commence with implementation of the revised financial plan to address the financial problems of the municipality that are preventing it from paying Eskom within 30 days, as required by section 65(2)(e) of the MFMA. The revised financial plan should include realistic timeframes and milestones to be achieved and include as a minimum strategies to:
- increase revenue
 - increase the collection of revenue
 - efficiently manage the available resources of the municipality to optimise costs
 - reduce electricity distribution losses
 - Negotiate a reasonable payment arrangement with Eskom and properly budget for the amounts to be paid.
86. The accounting officer requested an extension for the implementation date of the recommendations as contained in audit report on the 8 March 2023. The extension request was granted to take effect on the 30 September 2023.
87. On the 05 October 2023 the accounting officer submitted a progress report and substantiating documents to indicate progress being made with implementation of the recommendations.
88. As most of the actions being implemented by the accounting officer are still in progress, an additional six months extension was granted on 29 November 2023 to allow accounting officer time to fully implement the recommendations.
89. A final response was received on the implementation of the recommendations on 7 August 2024 but the response had shortcomings and was not supported by substantiating documentation. After a follow-up with the AO on 17 August 2024, a supplementary response with substantiating documentation was received which were duly assessed. Based on the outcome of the assessment, it was concluded that the recommendations were not adequately implemented.
90. I am in the process of making a decision on further actions to be taken.

Other reports

91. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. 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

92. The South African Police Service are conducting several investigations into the awarding of tenders by the municipality, prompted by the accounting officer during 2020. These investigations were still ongoing at the date of this report.

93. During 2015, a consulting firm was requested by the North West Office of the Premier to conduct an investigation into allegations of financial misconduct at the municipality. The investigation was completed and a report with recommendations issued to the Office of the Premier, but at the date of this report, it has not been tabled in the council. In addition, the accounting officer referred the report to the Directorate for Priority Crime Investigations (Hawks) for further action, which was still on going at the date of this report.

AUDITOR GENERAL

Rustenburg

30 November 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

1. 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 respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the 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 by the accounting officer
 - conclude on the appropriateness of the accounting officer's 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 related to events or conditions that may cast significant doubt on the City of Matlosana Local Municipality's ability 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 the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. 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.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.

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); 27(1) Sections 29(1)(b)(ii); 29(2)(a); 29(2)(c); 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)