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

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Maquassi Hills Local Municipality set out on pages … to …, which comprise the statement of financial position as at 30 June 2023, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements

Basis for disclaimer of opinion

Receivables from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for the receivables from exchange transactions due to the status of accounting records. I was unable to confirm these receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment relating to receivables from exchange transactions of R45 040 961 (2022: R56 604 231) and interest charged on trade and other receivables of R111 109 236 (2022: R73 979 803) included interest income as disclosed in note 25 to the financial statements were necessary.

Receivables from non-exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence for the receivables from non-exchange transactions due to the status of accounting records. I was unable to confirm these receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment relating to receivables from non-exchange transactions of R53 465 449 (2022: R46 430 957) and interest on property rates of R16 436 035 (2022: R11 589 644) as disclosed in note 26 to the financial statements were necessary.

Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for debtors with credit balances transactions included in trade payables had been properly accounted for, due to the status of the accounting records. I was unable to confirm by alternative means. Consequently, I was unable to determine whether any further adjustment relating to debtors with credit balances of

R12 937 497 included in payables from exchange transactions as disclosed in note 6 to the financial statements was necessary.

Cash and cash equivalents

6. The municipality made payments to suppliers that were not correctly accounted for in accordance with GRAP 1, *Presentation of financial statements*. This was due to unreconciled differences identified between the payments recorded in the accounting records and bank statements. Consequently, cash and cash equivalents was overstated by R12 660 069 and amount payables from exchange transactions was overstated by the same.

VAT receivable

7. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for the VAT receivables, due to the status of the accounting records and non-submission of information in support of these amounts. I was unable to confirm the VAT receivables by alternative means. Consequently, I was unable to determine whether any adjustment to the VAT payable of R5 492 130 (2022: R7 292 080) as disclosed in note 12 to the financial statements was necessary.

Service charges

8. I was unable to obtain sufficient appropriate audit evidence for service charges relating to the sale of electricity and water due to the status of accounting records. The sale of water as estimates on water made for an extended period without actual meter readings being taken and were not supported by adequate methodology and policy. Furthermore, I was unable to obtain sufficient appropriate audit evidence that some of the properties included on the valuation roll were billed for all service charges. I was unable to confirm these service charges by alternative means. Consequently, I was unable to determine whether any further adjustment relating to service charges of R170 559 777 (2022: R181 692 146) as disclosed in note 19 to the financial statements was necessary.

Property rates

9. The municipality did not correctly recognise revenue in accordance with GRAP 23, *Revenue from non-exchange transactions* as property rates were calculated using incorrect rates resulting in the overstatement of property rates with R14 157 962 and receivables from non-exchange transactions overstated with the same amount. In addition, I was unable to obtain sufficient appropriate audit evidence that some of the properties included on the valuation roll were billed for property rates. I was unable to confirm these property rates by alternative means. Consequently, I was unable to determine whether any further adjustment relating to property rates of R69 863 403 (2022: R51 401 648) as disclosed in note 26 to the financial statements was necessary. The was also impact on the accumulated surplus

Debt impairment

10. I was unable to obtain sufficient appropriate audit evidence for debt impairment as the inputs to the calculation of allowance for impairment could not be substantiated by supporting audit evidence. I was unable to confirm these debt impairment by alternative means. Consequently,

I was unable to determine whether any adjustment relating to debt impairment transactions of R273 593 384 (2022: R190 130 181) in note 35 to the financial statements

Bulk purchases

11. During 2022, I was unable to obtain sufficient appropriate audit evidence for bulk purchases due to the status of the accounting records. The municipality did not have adequate systems of internal control for the recording of all water transactions and could not reconcile the transactions and events to the financial statements. I was unable to confirm bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to bulk purchases stated at R52 111 593 in note 37 to the financial statements.

General expenses

12. The municipality did not correctly classify expenditure based on the nature of the expenditure as required by GRAP 1, *Presentation of financial statements*, resulting in consumable included under general expense being overstated and contracted services being understated by R8 945 301.

Bad debts written off

13. During 2022, I was unable to obtain sufficient appropriate audit evidence for bad debts written off of R51 370 144 due to the status of the accounting records. I could not confirm this bad debts written off by alternative means.

Contracted services

14. The municipality did not correctly recognise expenditure on an accrual basis as required by GRAP 1, *Presentation of financial statements*. Consequently contracted services as disclosed in note 38 and trade payables included in payables from exchange transactions as disclosed in note 6 to the financial statements was understated by R17 430 347 (2022: R8 930 743)

Prior year adjustments

15. The municipality did not correctly disclose all adjustments made relating to prior period errors in note 45 to the financial statements as required by GRAP 3, *Accounting policies, estimates and errors.* The nature of the correction for financial statement items affected were also not disclosed under prior period error note. I have not included the omitted information in this auditor's report as it was impracticable to do so.

Irregular expenditure

16. The irregular expenditure incurred during the current financial year under audit and the related information on irregular expenditure was not included in the notes to the financial statements, as required by section 125(2)(d) of the Municipal Finance Management Act (MFMA). Expenditure was incurred in contravention of the supply chain management (SCM) requirements, resulting in irregular expenditure. I was unable to determine the full extent of the irregular expenditure that occurred during the financial year as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence for irregular expenditure as the municipality did not have an adequate system of internal control to disclose irregular expenditure and did not keep

proper records. I was unable to confirm irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure of R507 711 495 (2022: R485 950 064) as disclosed in note 51 to the financial statements was necessary.

Net cash flows from operating activities and net cash flows from investing activities

17. 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 R 233 362 152 (2022: R 54 872 171) as presented in the cash flow statement and disclosed in note 39 and net cash flows from investing activities of R 232 407 366 (2022: R 54 872 171) to the financial statements.

Segment reporting

18. The municipality did not prepare segment reporting in accordance with GRAP 18, *Segment reporting*. This is due to municipality not making minimum disclosures for segments requiring the disclosure in the financial statement. As result, segment report disclosed in note 54 to the financial statement is misstated.

Statement of changes in net assets

19. 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

Distribution losses

20. The municipality did not fully disclose material losses for water and electricity reflected in the note 37 to the financial statements, as required by section 125(2)(d)(i) of the MFMA. This is due to municipality not being able to reliably calculate these losses. Consequently, I was unable to determine the full extent of the omission for both current and prior year as it was impracticable to do so.

Unauthorised expenditure

21. 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 the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment to unauthorised expenditure of R1 068 897 537 (2022: R1 044 936 628) as disclosed in note 49 to the financial statements was necessary.

Material uncertainty relating to going concern

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

23. Note 47 to the financial statements indicates that the municipality incurred a net loss of R71 173 686 during the year ended 30 June 2023 and, as of that date, the municipality's current liabilities exceeded its current assets by R434 525 802. The municipality owed Eskom R36 952 135 (2022: R51 215 028) and the water board R284 035 857 (2022: R266 110 904) as at 30 June 2023, which was long overdue. These events or conditions, along with other matters as set forth in note 47, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matter

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

Fruitless and wasteful expenditure

26. As disclosed in note 50 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R7 831 540, due to payments not being made within 30 days resulting in interest being charged on overdue accounts

Responsibilities of the accounting officer for the financial statements

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

26. In preparing the financial statements, the accounting officer is responsible for assessing the Maquassi Hills Local 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

27. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

28. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code), as well as the other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code

Report on the audit of the annual performance report

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

30. I selected the following KPA presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected KPA that measure the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

KPA	Page numbers	Purpose.
Basic services and infrastructure development	XX	The key performance area relates to a core function, it relates to outputs of significant importance and relates to provision of service delivery which is the key mandate of the municipality.

31. I was engaged to evaluate the reported performance information for the selected KPA against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using these criteria provides useful and reliable information and insights to users of the report on the municipality's planning and delivery on its mandate and planned objectives. My objective was to perform procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

32. The material findings on the reported performance information for the selected KPA are as follows:

BSD01 - Length of surfaced road rehabilitated in Hester/Leboya in Kgakala

33. A target of 800m included in the approved Service Delivery & Budget Implementation Plan (SDBIP), However, a target of 600m was reported in the annual performance report

BSD 05 -Length of road and storm water upgraded from gravel to block paving from Piet Retief Street to Maitemogelo comprehensives school in Wolmaranstad

34. A target of 700m included in the approved annual performance plan. However, a target of 400m was reported in the annual performance report.

BSD 12 - Construction of a reservoir in Buisfontein

35. An achievement of 1 was reported against a target of 1. However, the audit evidence showed the actual achievement to be only 0. Consequently, the target was not achieved.

Various indicators

36. 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
BSD 13 - Number of water pipe leakages fixed in all municipal areas	1000	2483
BSD 14 - Number of sewer blockages fixed in all municipal areas	1600	2405
BSD 15 - Number of damaged bulbs on the streetlights replaced in all municipal areas	260	443
BSD 16 - Number of high mast lights bulbs replaced in all municipal areas	17	43
BSD 17 - Number of cable faults identified and fixed in all municipal areas	12	107

Various indicators

37. I could not determine whether the achievements reported against the targets of were correct, as there were no processes to consistently measure and report on achievements against planned indicators. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Indicator	Target	Reported achievement
BSD 18 - Percentage of households with access to basic level of water	52,86%	86%
BSD 19 - Percentage of households with access to basic level of sanitation	60,69%	87%
BSD 20 - Percentage of households with access to basic level of electricity	4,00%	87%

Other matter

38. I draw attention to the matter below.

Achievement of planned targets

39. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

40. The municipality plays a key role in delivering services to South Africans. 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

Targets achieved: 70% *Budget spent: 38%*		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
BSD 02- Length of surfaced road rehabilitated in Tswelelang collapsed section	700 metres surfaced road rehabilitated in Tswelelang collapsed Section by June 2023	425,15m
BSD 03- Length of heavy duty sewer outfall pipe constructed in Lebaleng ext. 6	Construction of 300m of 250mm heavy duty sewer outfall pipe in Lebaleng ext. 6 by June 2023	0
BSD 04 -Length of concrete storm water channel constructed in Tswelelang ext.4 (Chris Hani) Wolmaranstad	280m of concrete storm water channel constructed in ext 10 by June 2023	0
BSD 06 - Construction of Raw Sewage Pumping station and pumping mains in Rulaganyang ext. 2	Construction of 1 raw sewage pumping station mains in Rulaganyang by June 2023	0
BSD 08 -Length of road upgraded from gravel to block paving in Ramotse and Kala Street	200 metres of road upgraded from gravel to block paving in Ramotse and Kala Street by Kgakala by June 2023	0
BSD 10 - Number of refurbishment Wastewater Treatment Plant in Wolmaranstad	1 Wastewater Treatment Plant in Wolmaranstad by June 2023	0

Material misstatements

41. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic services and infrastructure development. Management did not correct all misstatements and I reported material findings in this regard.

Report on compliance with legislation

42. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

43. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

44. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently

detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Financial statements, performance and annual report

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

47. The council failed to adopt an oversight report containing the council's comments on the 2021/22 annual report, as required by section 129(1) of the MFMA.

Revenue management

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

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

50. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Asset management

51. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Expenditure management

52. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1) (d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for disclaimer opinion paragraph. The majority of the disclosed unauthorised expenditure was caused by the overspending of the main division of a vote.

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

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

55. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1) (d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for disclaimer paragraph. The majority of the

disclosed irregular expenditure was caused by non-compliance to supply chain management laws and regulations.

56. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by the municipality not paying suppliers within 30 days, resulting in interest being charged on the overdue accounts.

Consequence management

57. 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.

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

Human resource management

59. 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.

60. The senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Procurement and management

61. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are 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.

62. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are 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.

63. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.

64. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43. Similar non-compliance was also reported in the prior year.

65. Some of the invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.

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

67. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was also reported in the prior year.

Strategic planning and performance management

68. The IDP did not reflect the financial plan as required by sections 26 (h) of the MSA and municipal planning and performance management regulation 2(3)(a)

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

Internal control deficiencies

70. 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 basis for disclaimer of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

71. Leadership failure to adequately monitor the implementation of action plans and continuous lack of consequence management for poor performance resulted in repeat findings that could have been prevented. Leadership failed to exercise oversight as decisive actions to address risks relating to complete and accurate financial and performance reporting and related internal controls were not taken.

72. Management did not monitor and review financial and performance reporting, compliance with laws and regulations and internal controls. Despite the use of consultants to compile the financial statements, these financial statements were of poor quality as they contained numerous errors that could have been prevented had adequate reviews been performed.

73. The audit committee and internal audit unit were functional during the year under review. However, these structures had limited impact in the financial and performance reporting, compliance with laws and regulations as well as the internal control environment. The municipality did not address the deficiencies and implement recommendations identified by the internal audit and audit committee.

74. The Municipal Public Accounts Committee (MPAC) did not fulfil its oversight responsibilities as investigations relating to unauthorised, irregular, fruitless and wasteful expenditure were not conducted.

Material irregularities

75. 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 relating to its financial affairs: Going concern, payables and bulk purchases

76. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of material uncertainty relating to going concern, payables and bulk purchases, 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.

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

78. 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. The Accounting officer planned the following to address the material irregularity:

    - Instituted an investigation on 1 October 2021 into the matter to be conducted by internal audit. The findings of the investigation and the recommendations was planned to be communicated with the office of the auditor-general on 31 December 2021.
    - Prepared an action plan by 18 May 2021 to address the lack of full and proper records.
    - Prepared a financial recovery plan by 31 August 2021
    - To implement the action and financial recovery plans by 30 June 2022.

79. The municipality has an electronic filing system (Orbit system) and is in the process of activating it and acquiring assistance from either Dr KK District Municipality or the relevant service provider to train officials on the usage of this filing system. The municipality is planning to conduct training of the system (Orbit System) in July 2023.

80. The municipality has been placed under discretionary provincial intervention in terms of Section 137 of the MFMA to assist the municipality with the preparation and implementation of financial recovery plan (FRP), which commenced in August 2022 and it is expected to be completed in September 2026. The assessment of the municipality’s financial state was finalised in May 2023. The financial plan has been implemented however the progress has been slow.

81. On the bulk purchases and payables, the municipality has assigned the divisional head of water and sanitation to accompany the officials of Sedibeng Water when they go to take readings. The purpose of the exercise is for the municipality to keep its own record of readings and reconcile it to the monthly invoices of the service provider to confirm their accuracy. The municipality is currently taking water readings with the service provider and have developed a register to record the same and sign it off.

82. However, based on the submissions received from the municipality since the notification of the material irregularity, it has not fully addressed the matters as committed above. This resulted

in investigations relating to the matter of the material irregularity by internal audit not being conducted, an inadequate action plan to address the lack of full and proper records and a financial recovery plan that has not yet been fully implemented. The plans made to address the material irregularity have not yet been adequately addressed.

83. The accounting officer has not taken appropriate action to address this MI. I am determining the most suitable action to take.

Other reports

84. In addition to the investigations relating to material irregularity, 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

85. An investigation by an independent forensic investigator into yellow and white fleets purchased by the municipality was commissioned by the then accounting officer. This investigation commenced in July 2017 and had not been finalised at the reporting date.

86. Two separate independent forensic investigators were appointed during the previous years to investigate irregular, fruitless, and wasteful expenditure incurred in prior years. These investigations had not been finalised at reporting date.

87. An investigation was initiated by Presidential Proclamation during the 2014-15 financial year and was conducted by the Special Investigations Unit (SIU) into allegations on SCM irregularities. The investigation had not been finalised at the reporting date.

88. An investigation by the Hawks into allegations of SCM irregularities was initiated during the 2014-15 financial year by the then accounting officer. This investigation had not been finalised at the reporting date.

Auditor General

Rustenburg

30 December 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The selected legislative requirements for compliance testing

Communication with those charged with governance

1. 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.

2. 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	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 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), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 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), 56(a), 57(2)(a) Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)