Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

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

Adverse opinion

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

Basis for adverse opinion

Consumer debtors – waste management

3. The municipality did not correctly recognise consumer debtors – waste management as required by GRAP 1, p*resentation of financial statements*, due to incorrect calculation of the billing and payments made during the year. Consequently, consumer debtors – waste management as disclosed in note 7 and services charges – waste management is overstated by R10 482 452 respectively.

Trade payables

4. The municipality did not correctly recognise payables from exchange transaction as required by GRAP 1, Presentation of Financial Statements, due to status of accounting records, as differences were identified between the amount disclosed as trade payables and invoices provided as supporting evidence. Consequently, trade payables as disclosed in note 14 and expenditure was overstated by R25 642 152. The prior year trade payables as disclosed in note

14 and accumulated surplus was understated by R30 612 168. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.

VAT receivables

5. The municipality did not correctly recognise VAT receivables, as required by GRAP 1, *Presentation of financial statements*, due to the status of accounting records, as differences were identified between the amount disclosed as VAT receivables and the supporting documentation. Consequently, VAT receivables as disclosed in note 8 is understated by R11 783 282. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.

Services charges – water

6. The municipality did not correctly recognise revenue from exchange transactions, as required by GRAP 1, *Presentation of financial statements*, due to status of accounting records, as the municipality did not bill all the accounts for services charges – water. I was unable to confirm the services charges by alternative means. Consequently, I was unable to determine whether any adjustment relating to services charges – water of R56 692 446 as disclosed in note 20 to the financial statements was necessary, as it was impracticable to do so.

Bulk purchases

7. The municipality did not correctly calculate and disclose their distribution losses as required by section 125(2)(d)(i) of the MFMA. Adequate control measures were not in place to accurately determine the extent of these losses. Consequently, I was unable to determine whether any adjustment relating to distribution losses disclosed in note 39 was necessary as it was impracticable to do so.

8. During 2024, the municipality did not correctly recognise water purchases as required by GRAP 1, *Presentation of financial statements*, due to incorrect billing. Consequently, water purchases as disclosed, and trade payables was understated by R8 323 445. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.

Contracted services

9. The municipality did not correctly recognise expenditure, as required by GRAP 1, *Presentation of financial statements*, due to the status of accounting records, as differences were identified between the amount disclosed as consultants and professional services and invoices provided as supporting evidence. Consequently, contracted services as disclosed in note 40 and trade payables was overstated by R16 753 810. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.

10. During 2024, the municipality did not recognise expenditure on an accrual basis, as required by GRAP 1, *Presentation of financial statements.* This is due to invoices recognised when they are paid and not when expenditure occurred. I was unable to determine the full extent of the understatement of contracted services – water tankers – as disclosed in note 40 and trade payables as disclosed in note 14 to the financial statements, as it was impracticable to do so.

11. During 2024, the municipality did not correctly classify expenditure, as required by GRAP 1, *Presentation of financial statements*. Consequently, contracted services – water tankers – as disclosed in note 40 is overstated by R8 588 174 and water purchases is understated by the same amount. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.

Operational costs

12. The municipality did not correctly classify expenditure, as required by GRAP 1, *Presentation of financial statements*. Consequently, indigent relief as disclosed in note 41 is overstated by R8 207 701, consultants and professional services as disclosed in note 40 is understated by R5 413 470 and water purchases is understated by R2 793 961. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.

Net cash flows from operating activities

13. Net cash flows from operating activities was not correctly prepared and disclosed in accordance with GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R296 794 490 (2024: R76 478 408) in the financial statements were necessary.

Net cash flows from financing activities

14. Net cash flows from financing activities was not correctly prepared and disclosed, as required GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from financing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from financing activities as stated at R192 741 184 (2024: R43 283 945) in the financial statements were necessary.

Irregular expenditure

15. The irregular expenditure incurred during the current and prior financial years and the related information on irregular expenditure were not included in the notes to the financial statements, as required by section 125(2)(d) of the 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, irregular expenditure was written off without following the required process.

16. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure disclosed 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 R491 026 091 (2024: R485 879 735) disclosed in note 51 to the financial statements was necessary.

Unauthorised expenditure

17. I was unable to obtain sufficient appropriate audit evidence for unauthorised expenditure due to the status of accounting records. I was unable to confirm unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to unauthorised expenditure of R1 751 317 989 (2024: R1 515 408 346) disclosed in note 49 to the financial statements was necessary.

Prior period adjustments

18. I was unable to obtain sufficient appropriate audit evidence for the adjustments to the prior period adjustments due to the status of accounting records. I was unable to confirm these adjustments by alternative means. Consequently, I was unable to determine whether any adjustment relating to the prior period adjustments disclosed in note 57 to the financial statements was necessary.

Context for opinion

19. 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.

20. 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.

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

Material uncertainty relating to going concern

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

23. I draw attention to note 54 to the financial statements, which indicates the adverse conditions of the net current liability position and creditor's payment period. As stated in note 54, these events or conditions, along with the other matters as set forth in note 54, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

24. The municipality had a deficit during the year under review and that its current liabilities exceed its current assets by R612 795 070. The municipality's current assets to current liability ratio poses a material uncertainty on the municipality's going concern. The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors' accounts.

Emphasis of matter

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

25. As disclosed in note 50 to the financial statements, fruitless and wasteful expenditure of R13 252 850 was incurred in the current year and fruitless and wasteful expenditure of R39 297 334 from prior years has not yet been dealt with in accordance with section 32 of the MFMA.

Other matter

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

27. 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

28. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and 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.

29. 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

30. 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.

31. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located on page XX of the the auditor's report, forms part of my auditor's report.

Report on the annual performance report

32. 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.

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

    - BSD 01: Length of gravel road upgraded to block paving in Umdubu, Isiduli, Kgwale and Legodi streets in Kgakala township
    - BSD 02: Length of gravel road upgraded to block paving in Rulaganyang, Boiteko and Tlhabologa streets in Tswelelang
    - BSD 03: Length of gravel road upgraded to block paving in Stene Road at Wolmaransstad ext. 15
    - BSD 04: Length of gravel roads upgraded to block paving in Tswelelang ext.5
    - BSD 05: Number of mega litres of elevated steel tank for emergency water supply through exploration of boreholes and pumping mains to the existing elevated towers in Wolmaransstad ext.13,17,18 and 19 – portion 1
    - BSD 06: Number of boreholes, pumping mains and storage to be equipped and commissioned at Mme Gaampone in Kgakala ext. 3
    - BSD 07: Number of refurbished raw sewage pumpstations in Lebaleng pumpstation
    - BSD 08: Number of refurbished water pumps in Leeudoringstad water pumpstation
    - BSD 09: Length of water network to undertake for condition assessment
    - BSD 10: Number of installed zonal bulk water meters across the municipality
    - BSD 11: Number of water pipe leakages fixed
    - BSD 12: Number of sewer blockages fixed
    - BSD 13: Number of damaged bulbs on streetlights replaced
    - BSD 14: Number of high mast lightbulbs maintained
    - BSD 15: Number of cable faults identified and fixed
    - BSD 16: Percentage of households with access to basic level of water
    - BSD 17: Percentage of households with access to basic level of sanitation
    - BSD 18: Percentage of households with access to basic level of electricity

34. 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.

35. I performed procedures to test whether:

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

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

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

Various indicators

38. 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 07 – Number of refurbished raw sewage pumpstations in Lebaleng pumpstation	2	2
BSD 08 – Number refurbished water pumps in Leeudoringstad water pumpstation	2	2

BSD 14 – Number of high mast lightbulbs maintained	35	53
BSD 16 – Percentage of households with access to basic level of water	63%	39,8%
BSD 17 – Percentage of households with access to basic level of sanitation	61,2%	89,1%
BSD 18 – Percentage of households with access to basic level of electricity	12,5%	93,9%

BSD 07 – Number of refurbished raw sewage pumpstations in Lebaleng pumpstation

39. The indicator in the annual performance report differed from what was committed to in the approved revised planning documents. The reported indicator was “Number of refurbished raw sewage pumpstations in Lebaleng pumpstation” with a target of two refurbished raw sewages, while the planned indicator was “Number of condition assessment of Lebaleng sewerage network and outfall sewers in Lebaleng”, with a target of one condition assessment. These changes were made without obtaining the required approval, which undermines transparency and accountability.

BSD 09 – Length of water network to undertake for condition assessment

40. The indicator in the annual performance report differed from what was committed to in the approved revised planning documents. The reported indicator was “Length of sewer network to undertake for condition assessment”, while the planned indicator was “Length of water network to undertake for condition assessment”. This change was made without obtaining the required approval, which undermines transparency and accountability.

BSD 16 – Percentage of households with access to basic level of water

41. Measures taken to improve performance against the underachieved target of 63% of households with access to basic level water were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target.

Various indicators

42. I did not audit the indicator and its target detailed below, as they were not approved during planning and included in the initial and revised planning documents. The reported performance information is not consistent with the commitments made during planning and, as a result, it holds little value for the accountability process.

Indicator	Target	Reported achievement
BSD 07 – Number of refurbished raw sewage pumpstations in Lebaleng pumpstation	1 condition assessment	2 refurbished raw sewage pumpstation
BSD 09 – Length of water network to undertake for condition assessment	7 km of water network condition assessment	7 km of sewer network condition assessment

Other matters

43. I draw attention to the matters below.

Achievement of planned targets

44. 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.

45. 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

Targets achieved: 94%

Budget spent: 95,7%

Key service delivery indicator not achieved	Planned target	Reported achievement
BSD16 – Percentage of households with access to basic level of water	52,86%	39,8%

Material misstatements

46. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery and infrastructure. Management did not correct all the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

47. 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.

48. 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.

49. 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.

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

Financial statements, performance and annual report

51. 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 non-current assets, current assets, liabilities, revenue, expenditure 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/or supporting records that could not be provided resulted in the financial statements receiving an adverse audit opinion.

Expenditure management

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

53. 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 qualification paragraph. The majority of the disclosed irregular expenditure was caused by the municipality not following SCM process. Irregular expenditure amounting to R1 399 589 was incurred on supply, delivery and maintenance of 25 chemical toilets to selected informal settlements around Dr Kenneth Kaunda District Municipality (1 to 31 December 2024) at Lebaleng extension 6 and extension 17 in Wolmaransstad.

54. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R13 252 850, as disclosed in note 50 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 charged on long-outstanding debts.

55. 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 qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending of the main division of a vote.

56. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Revenue management

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

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

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

60. Accounts for municipal tax and charges were not prepared on accrual basis, as required by section 64(2)(c) of the MFMA.

Strategic planning and performance

61. The performance management system and related controls were inadequate as they did not describe how the performance planning, monitoring, measurement, review and reporting processes should be conducted and organised, as required by municipal planning and performance management regulation 7(1).

Consequences management

62. 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.

63. Irregular, 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.

64. Some of the losses resulting from irregular expenditure were written off as irrecoverable without being certified by council as irrecoverable, in contravention of section 32(2)(b) of the MFMA and municipal budget and reporting regulation 75(2).

Procurement and contract management

65. 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.

66. 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.

67. The preference point system was not applied on some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). Similar non-compliance was also reported in the prior year.

68. 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 PPPFA and its regulations. Similar non-compliance was also reported in the prior year

69. 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 the PPPFA and regulation 4(4) and 5(4) of Preferential Procurement Regulations, 2022.

70. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board Act 38 of 2000 (CIDB) and CIDB regulations 17 and 25(7A). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for

the proposal for the call of possible developers or investors for the development of Maquassi Hills shopping mall.

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

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

Governance and oversight

73. The Internal Audit unit was not established, as required by section 165(1) of the MFMA. Consequently, none of the key Internal Audit responsibilities outlined in the MFMA, Municipal Planning and Performance Management Regulations, and the MSA were complied with.

Conditional grants

74. I was unable to obtain sufficient appropriate audit evidence that the Municipal Infrastructure Grant was spent for its intended purposes, in accordance with the applicable grant framework, as required by section 16(1) of Dora.

75. I was unable to obtain sufficient appropriate audit evidence that the Water Services Infrastructure Grant was spent for its intended purposes, in accordance with the applicable grant framework, as required by section 16(1) of Dora.

Other information in the annual report

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

77. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

78. 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 area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

79. 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

80. 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.

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

82. Management's post-audit action plan to address material misstatements and limitations was still in progress and remained incomplete by year-end, leading to recurring material findings. Consequently, management did not fully implement the required corrective actions and failed to effectively monitor progress in mitigating the associated risks.

83. The municipality's financial statements were not subjected to sufficient review or effective quality control processes before being submitted to the auditors. This was evident in the numerous misstatements identified during the audit process, including multiple instances where disclosures in the financial statements did not align with the supporting evidence.

84. The municipality's internal control processes for safeguarding supporting evidence related to financial information remain a concern. This weakness results in evidence not being readily available or easily retrievable to support the municipality's transactions. Consequently, significant limitations were imposed on our audit process, hindering the auditors' ability to perform certain procedures necessary to effectively audit account balances, classes of transactions and disclosures.

85. The municipality does not implement effective daily and monthly internal control processes in critical areas, resulting in material misstatements not being prevented, detected or corrected timeously. The absence of regular control measures in daily operations, combined with inadequate supervisory review and enforcement of these controls, represents a significant weakness in the municipality's processes. This fundamental deficiency in the control environment continues to hinder improvements in the audit outcomes.

Material irregularities

86. 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

Poor management of the Wolmaransstad landfill site

87. The Maquassi Hills Local Municipality has failed to comply with section 28(1) of National Environmental Management Act 107 of 1998, read with section 16(1) of the National Environmental Management Waste Act 59 of 2008 and section 19(1) of the National Water Act of 1998. The municipality is operating a landfill site in a manner that does not sufficiently minimise or mitigate the pollution that is caused by disposal of waste, contrary to the requirements of the mentioned legislation.

88. This state of affairs and continued non-compliance with the requirements were noted and confirmed in environmental audits performed by the AGSA, with poor compliance results since the 2021-22 financial year.

89. The accounting officer was notified of the material irregularity on 26 November 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter. I received a response and substantiating documentation from the accounting officer on 24 January 2025 and additional information on timelines on 6 February 2025 and considered the representations made.

90. The accounting officer planned the following to address the material irregularity:

    - A service provider was appointed to assist the municipality with the process of drafting the by-laws for the municipality. In December, the service provider forwarded draft by-laws to senior managers and other managers for inputs.
    - The position of waste management officer will be filled in the next financial year; however, four temporary workers were assigned to the waste management unit from November 2024 to assist with some of the landfill site duties.
    - Human resources has already started with the process of re-advertising, and the new advert will be released to newspapers before the end of January 2025.
    - Gap and needs analyses have been conducted with input from the municipality, and we are awaiting the final report.
    - The municipality has taken steps to ensure compliance with waste management regulations by licensing three landfill sites – Makwassie, Leeudoringstad and Witpoort – for closure.

- The Wolmaransstad landfill site is the only operational site, and there are plans underway to equip it with essential infrastructure, including an office, ablution facilities, a weighbridge, fencing, electricity and water.

- The municipality is in the process of developing a comprehensive training plan to equip officials in the waste management unit with the necessary skills to address existing challenges effectively.

- The first phase of fencing the landfill sites has commenced and the Wolmaransstad landfill site was among those that were partially fenced.

91. Based on the evaluation of the actions planned and taken by the accounting officer, I concluded that appropriate actions are being taken to address the material irregularity.

92. I will follow up on the implementation of the planned actions during my next audit.

Full and proper records not kept relating to its financial affairs: Going concern, payables and bulk purchases

93. 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.

94. 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.

95. 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:

96. They instituted an investigation on 1 October 2021 into the matter to be conducted by internal audit. The findings of the investigation and the recommendations were planned to be communicated with the office of the auditor-general on 31 December 2021. The following was done:

    - Prepared an action plan by 18 May 2021 to address the lack of full and proper record

    - Prepared a financial recovery plan by 31 August 2021

The action and financial recovery plans are to be implemented by 30 June 2022.

97. The municipality has an electronic filing system (Orbit system) for electronic documents and records management. The municipality trained officials on the usage of this filing system on 12 April 2024 and electronic records management is being implemented by the municipality.

98. 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 a financial

recovery plan, which commenced in August 2022, and is expected to be completed in September 2026. The assessment of the municipality's financial state was finalised in May 2023. The financial recovery plan was approved by the municipal council in January 2024 and implementation commenced with progress noted on the implementation by the municipality.

99. A service provider was appointed in December 2022 to conduct data cleansing at the municipality, as part of the municipality's efforts to ensure the accuracy and integrity of the municipality's financial data. Thereafter, a financial system provider was appointed to assist the municipality with addressing and correcting the errors identified during the abovementioned data cleansing process. A data analysis report was presented to the Department of Cooperative Governance and Traditional Affairs during November 2023.

100. 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 has developed a register to record the same and sign it off.

101. The accounting officer plans to continue with the implementation of the financial recovery plan to improve the municipality's financial stability and ensure that controls are monitored relating to the record keeping of bulk purchases, payables and revenue from service charges and related reconciliations.

102. I followed up on the progress of implementation of the actions of the accounting officer in terms of monitoring the record keeping of bulk purchases and confirmed that the municipality continued performing the readings with the official from Magalies and no further discrepancies were noted. Additionally, the creditors reconciliation were performed throughout the year, especially for major creditors in line with planned actions.

103. I considered the representations made and the substantiating documents provided and have concluded that appropriate actions have been taken to address the material irregularity.

Other reports

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

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

106. An investigation by the Directorate for Priority Crime Investigation (known as 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 November 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor’s report

The annexure includes the following:

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

Auditor-general’s responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the International Standards on Auditing, 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 the municipality to cease operating as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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)	Sections 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Division of Revenue Act	Sections 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Municipal Systems Act 32 of 2000 (MSA)	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2),11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)