

Report of the auditor-general to the Western Cape Provincial Parliament and the council on the Kannaland Municipality.

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of Kannaland Municipality set out on pages 5 to 98, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual 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

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment due to the status of the accounting records. I was unable to confirm that property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R303 421 652 disclosed in note 9 to the financial statements. In addition, I was unable to obtain sufficient appropriate audit evidence for the restated corresponding figures of property, plant and equipment, as the supporting information was not provided. I was unable to confirm the restated corresponding figures by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the property, plant and equipment corresponding figures stated at R316 194 367 in the financial statements.
4. I was unable to obtain sufficient appropriate audit evidence for expenditure incurred for repairs and maintenance to property, plant and equipment disclosed in note 9 to the financial statements, as the municipality did not have adequate systems to maintain records. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the expenditure incurred for repairs and maintenance of property, plant and equipment stated at R16 817 921 (2023: R14 773 410) in note 9 to the financial statements.
5. The municipality did not correctly disclose the cost and accumulated depreciation of property plant and equipment in note 9 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Consequently, the cost of property, plant and equipment is

understated by R75 252 941 (2023: R80 441 723) and the accumulated depreciation is understated by R70 216 458 (2023: R87 704 497) in note 9 to the financial statements.

6. The municipality did not disclose the reconciliation of the carrying amount at the beginning and end of the period for property, plant and equipment in note 9 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Consequently, the disclosure of the reconciliation is understated as follows: opening balance by R308 931 592, additions by R16 650 022, disposals by R1 271 931, impairment by R213 551, depreciation by R16 065 099 and the closing balance by R308 458 135 in note 9 to the financial statements.
7. The municipality did not correctly disclose the reconciliation of the carrying amount at the beginning and end of the period for the comparative figures for property, plant and equipment in note 9 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Consequently, the disclosure of the reconciliation for the comparative figures of the opening balance and disposals are understated by R126 102 694 and R34 174 814 respectively, additions are overstated by R109 345 832, impairment is overstated by R3 450 097, depreciation is overstated by R54 688, and the closing balance is overstated by R7 262 774 in note 9 to the financial statements.
8. The municipality did not disclose the reconciliation of work-in-progress in note 9 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Consequently, the disclosure of the reconciliation of work-in-progress is understated by R4 673 310 (2023: R6 524 445) in note 9 to the financial statements.
9. The municipality did not disclose the following as required by GRAP 17, *Property, Plant and Equipment* in note 9 to the financial statements: The amount of contractual commitments for the acquisition of property, plant and equipment per class of asset, and the amount of compensation from third parties for items of property, plant and equipment that contributed to the gain on disposal of assets of R3 062 828 (2023: R2 985 411).
10. During 2023 the municipality incorrectly recognised items of property, plant and equipment in accordance with GRAP 17, *Property, Plant and Equipment* that do not meet the recognition criteria. Consequently, property, plant and equipment included in note 9 to the financial statements was overstated by R8 038 812. Additionally, there was an impact on the accumulated surplus.
11. The municipality incorrectly recognised items of property, plant and equipment in the comparative figure in accordance with GRAP 17, *Property, plant and equipment* that do not meeting the recognition criteria. Consequently, property, plant and equipment included in note 9 to the financial statements was understated by R3 026 638. Additionally, there was an impact on the accumulated surplus and comparative depreciation.

Receivables from exchange transactions

12. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions gross balance and allowance for impairment due to the status of the accounting records and non-submission of supporting information. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange

transactions gross balance stated at R126 515 215 and related allowance for impairment stated at R113 976 973 in note 4 to the financial statements.

13. The municipality did not disclose the following as required by GRAP 104, *Financial Instruments*:

- The carrying amount of receivables from exchange transactions which the municipality has pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to the pledge.
- Information about the credit quality of the receivables from exchange transactions that are neither past due nor impaired.
- The carrying amount of receivables from exchange transactions that would otherwise be past due or impaired whose terms have been renegotiated.
- An analysis of the age of receivables from exchange transactions that is past due at the end of the reporting period but not impaired.

I have not included the omitted information in this auditor's report as it was impracticable to do so.

14. The municipality did not correctly disclose the ageing of receivables from exchange transactions gross balance and allowance for impairment in note 4 to the financial statements as required by GRAP 104, *Financial Instruments*. Consequently, the ageing of the gross balance is understated and the allowance for impairment understated by R14 116 454 in note 4 to the financial statements due to the cumulative effect of the following individual misstatements:

- Ageing of the water receivables gross balance stated at R49 242 155 was understated by R9 959 066 and allowance for impairment stated at R41 170 173 was understated by R9 959 066.
- Ageing of the sundry receivables gross balance stated at R1 025 062 was overstated by R1 163 073 and allowance for impairment stated at R1 594 327 was overstated by R1 163 073.
- Ageing of electricity receivables gross balance stated at R5 701 797 was overstated by R1 683 621 and allowance for impairment stated at R3 468 751 was overstated by R1 683 621.
- Ageing of sewerage receivables gross balance stated at R26 765 623 was understated by R2 873 291 and allowance for impairment stated at R25 701 577 was understated by R2 873 291.
- Ageing of refuse receivables gross balance stated at R29 664 124 was understated by R4 130 791 and allowance for impairment stated at R27 925 691 is understated by R4 130 791.

15. The municipality incorrectly disclosed the reconciliation of allowance for impairment in note 4 to the financial statements for both the current and comparative figures stated at R105 168 164 (2023: R81 392 993) as the disclosure was duplicated.

16. The municipality did not correctly recognise receivables from exchange transactions in the comparative figures as required by GRAP 104, *Financial Instruments*. Consequently, the comparative receivables from exchange transactions is understated by R3 729 761.

Statutory receivables from non-exchange transactions

17. I was unable to obtain sufficient appropriate audit evidence for statutory receivables from non-exchange transactions – property rates gross balance and allowance for impairment due to the status of the accounting records and non-submission of supporting information. I was unable to confirm the statutory receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to statutory receivables from non-exchange transactions – property rates gross balance stated at R47 564 724 and related allowance for impairment stated at R45 877 928 in note 3 to the financial statements.
18. I was unable to obtain sufficient appropriate audit evidence for statutory receivables from non-exchange transactions – fines gross balance and allowance for impairment due to the status of the accounting records and non-submission of supporting information. I was unable to confirm the statutory receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to statutory receivables from non-exchange transactions – fines gross balance stated at R6 211 818 (2023: R1 329 260) and related allowance for impairment stated at R5 927 414 (2023: R1 144 557) in note 3 to the financial statements.
19. The municipality did not disclose the following as required by GRAP 108, *Statutory Receivables*:
- Description of how the property rates receivable arises, with specific reference to the applicable legislation and/or supporting regulations, description of how the property rates transaction amount is determined and description of the interest levied, including the basis and rate used.
 - Description of the basis used to assess and test whether the statutory receivables are impaired; description of the discount rate applied to the estimated future cash flows and how it was determined; the main events and circumstances that led to the recognition of significant impairment losses and information about the key indicators and assumptions used to assess and calculate the impairment of statutory receivables.
 - An analysis of property rates and fines receivables that are past due at the reporting date and which have been impaired, and an analysis of property rates and fines receivables that are past due that have not been impaired.

I have not included the omitted information in this auditor's report as it was impracticable to do so.

20. The municipality did not correctly disclose the ageing of statutory receivables from non-exchange transactions – property rates gross balance and allowance for impairment in note 3 to the financial statements as required by GRAP 108, *Statutory Receivables*. Consequently, the ageing of the property rates gross balance is understated by R4 053 413 and the allowance for impairment understated by R4 053 413 in note 3 to the financial statements.

21. The municipality did not correctly disclose the ageing of statutory receivables from non-exchange transactions – fines gross balance and allowance for impairment in note 3 to the financial statements as required by GRAP 108, *Statutory Receivables*. Consequently, the ageing of the fines gross balance is understated by R4 246 108 and the allowance for impairment understated by R5 391 762 in note 3 to the financial statements.
22. The municipality did not correctly disclose the ageing of statutory receivables from non-exchange transactions comparative figures for fines gross balance and allowance for impairment in note 3 to the financial statements as required by GRAP 108, *Statutory Receivables*. Consequently, the ageing of the comparative gross balance and allowance for impairment for fines is overstated by R8 587 116 in note 3 to the financial statements.
23. The municipality did not correctly disclose the reconciliation of the provision for impairment in note 3 to the financial statements as required by GRAP 108, *Statutory Receivables*. Consequently, the reconciliation of the provision for impairment is understated by R5 391 762 in note 3 to the financial statements.

Receivables from non-exchange transactions

24. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions due to the status of the accounting records and non-submission of supporting documentation. I was unable to confirm the receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from non-exchange transactions stated at R2 182 196 in note 5 to the financial statements.

VAT receivable

25. During 2023 the municipality did not correctly disclose the VAT receivable as a statutory receivable from non-exchange transactions as required by GRAP 108, *Statutory Receivables*. Consequently, the VAT receivable disclosed in note 6 to the financial statements is overstated and statutory receivables from non-exchange transactions is understated by R2 026 993.

Payables from exchange transactions

26. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to the status of the accounting records and the non-submission of supporting documentation. I was unable to confirm the payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to payables from exchange transactions stated at R89 806 056 (2023: R88 691 289) in note 11 to the financial statements.

VAT payable

27. I was unable to obtain sufficient appropriate audit evidence for the VAT payable due to the status of the accounting records and the non-submission of supporting documentation. I was unable to confirm that VAT payable by alternative means. Consequently, I was unable to determine whether any adjustments relating to the VAT payable stated at R6 243 138 in note 13 to the financial statements, were necessary.

Employee benefit obligation

28. I was unable to obtain sufficient appropriate audit evidence for employee benefit obligations due to the status of the accounting records. I was unable to confirm the employee benefit obligations by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to non-current employee benefit obligations stated at R14 671 000 (2023: R13 212 308) in note 15 to the financial statements.
29. The municipality did not disclose the following as required by GRAP 25, *Employee Benefits*:
- Information that explains the characteristics of the defined benefit plans and risk associated with them, information that describes how the defined benefit plans may affect the amount, timing and uncertainty of the municipality's future cash flows and a description of the regulatory framework in which the plan operates.
 - A description of any other entity's responsibilities for the governance of the plan, a description of the risks to which the plan exposes the entity and a description of any plan amendments, curtailments and settlements.
 - The actuarial assumptions movement has not been split between demographic and financial assumptions.
 - A sensitivity analysis for each significant actuarial assumption, the methods and assumptions used in preparing the sensitivity analysis and changes from the previous reporting period in the methods and assumptions used in preparing the sensitivity analysis, and the reasons for such changes.
 - A description of any funding arrangements and funding policy that affect future contributions.
 - Information about the maturity profile of the defined benefit obligations which includes the weighted average duration of the defined benefit obligation and the maturity analysis of the benefit payments.

I have not included the omitted information in this auditor's report as it was impracticable to do so.

Provisions

30. I was unable to obtain sufficient appropriate audit evidence for provisions due to the status of the accounting records and non-submission of supporting documentation. I was unable to confirm the provisions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to non-current and current provisions stated at R17 222 491 and R16 583 611 respectively in note 17 to the financial statements.
31. The municipality did not disclose the following as required by GRAP 19, *Provisions, Contingent Liabilities and Contingent Assets*:
- A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential and an indication of the uncertainties about the amount or timing of those outflows.
 - The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

32. The municipality did not correctly disclose the narrative information relating to the licencing and rehabilitation costs to restore the sites at the end of their useful lives. Consequently, the disclosure of the narrative information relating to the licencing and rehabilitation costs to restore the sites at the end of their useful lives is understated by R5 276 524 in note 17 to the financial statements.

Revenue from exchange transactions

33. Revenue from exchange transactions were materially misstated by R3 836 989 due to the cumulative effect of individually immaterial uncorrected misstatements in the revenue from exchange transactions:

- Service charges stated at R124 860 943 was overstated by R710 591.
- Interest, dividends, and rent on land earned stated at R10 255 061 was overstated by R86 954.

In addition, I was unable to obtain sufficient appropriate audit evidence to confirm revenue from exchange transactions by alternative means:

- Service charges of R93 795 as included in the amount of R124 860 943.
- Interest, dividends and rent on land earned of R334 607 included in the amount of R10 255 061.
- Rental from fixed assets of R217 428 included in the amount of R669 706.
- Gain on disposal of R3 062 828.

Consequently, I was unable to determine whether any further adjustments were necessary to revenue from exchange transactions.

34. Revenue from exchange transactions were materially misstated by R3 121 262 due to the cumulative effect of individually immaterial uncorrected misstatements in the revenue from exchange transactions comparative figure:

- Revenue from exchange transactions stated at R116 766 287 was overstated by R1 102 543.
- Gain on disposal of assets and liabilities stated at R2 985 411 was overstated by R609 198.

In addition, I was unable to obtain sufficient appropriate audit evidence to confirm revenue from exchange transactions by alternative means:

- Revenue from exchange transactions of R198 140 as included in the amount of R116 766 287.
- Licences and permits of R1 040 255 included in the amount of R171 119.
- Operational revenue of R609 197 included in the amount of R1 211 375.
- Gain on disposal of R2 985 411.

Consequently, I was unable to determine whether any further adjustments were necessary to revenue from exchange transactions.

35. The municipality did not account for other income from exchange transactions in accordance with GRAP 9, *Revenue from exchange transactions*. Consequently, the other income from exchange transactions is overstated and VAT payable is understated by R6 031 622.

Revenue from non-exchange transactions – Transfers and subsidies

36. I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions – transfers and subsidies due to the status of the accounting records and non-submission of supporting documentation. I was unable to confirm the revenue from non-exchange transactions – transfers and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue from non-exchange transactions – transfers and subsidies stated at R90 795 929 in note 31 to the financial statements.
37. The municipality did not correctly disclose the current year receipts in note 31 to the financial statements as it does not agree to the additions during the year disclosed in note 16 to the financial statements. Consequently, the disclosure of the current year receipts in note 31 to the financial statements is understated by R30 999 439.
38. The municipality did not correctly disclose the amount for conditions met – transferred to revenue in note 31 to the financial statements as it does not agree to the income recognised during the year disclosed in note 16 to the financial statements. Consequently, the disclosure of the amount for conditions met – transferred to revenue in note 31 to the financial statements is understated by R28 491 866.
39. The municipality did not correctly disclose the comparative rejected rollovers in note 16 to the financial statements as it does not agree to the comparative rejected rollovers disclosed in note 31 to the financial statements. Consequently, the disclosure of the comparative rejected rollovers in note 16 to the financial statements to the financial statements is overstated by R5 199 296.
40. The municipality did not correctly disclose the comparative amount repaid to National Revenue Fund in note 16 to the financial statements as it does not agree to the comparative amount repaid to National Revenue Fund disclosed in note 31 to the financial statements. Consequently, the disclosure of the amount repaid to National Revenue Fund in note 16 to the financial statements is understated by R5 199 255.
41. The municipality did not correctly disclose the movement during the year in note 35.39 to the financial statements as it does not agree to note 16 to the financial statements. Consequently, the movement during the year disclosed in note 35.39 to the financial statements is understated by R148 217 due to the cumulative effect of the following individual misstatements:
- Balance at the beginning of the year stated at R12 516 606 (2023: R19 488 791) is understated by R1 275 524 (2023: overstated by R35 127).
 - Additions during the year stated at R53 436 250 is understated by R37 788 000.
 - Rejected rollovers stated at R0 (2023: R0) is understated by R2 334 882 (2023: R6 036 620).

- Income recognised during the year stated at R51 658 037 (2023: R52 606 741) is understated by R36 580 425 (2023: overstated by R7 264 904)
42. The municipality did not correctly disclose the revenue recognised in note 35.1 to 35.38 to the financial statements as it does not agree to the revenue recognised that is disclosed in note 31 to the financial statements. Consequently, the disclosure of the revenue recognised in note 35.1 – 35.38 to the financial statements is understated by R31 049 333 (2023: R8 059 721).
 43. The municipality did not disclose the following grants in note 31 to the financial statements, as required by GRAP 23, Revenue from non-exchange transactions: HR communications, Municipal service delivery and capacity building grant, Western Cape financial recovery services, Human settlement, Municipal water resilience grant and the Water resilience grant. Consequently, the disclosure of the current year receipts is understated R30 999 440, and conditions met – transferred to revenue is understated by R28 495 626.
 44. During 2023 the municipality did not account for transfers and subsidies in accordance with GRAP 23, *Revenue from non-exchange transactions*. The amounts recognised did not agree to the supporting schedules and underlying supporting documents. Consequently, the transfers and subsidies included in note 301 to the financial statements is overstated by R5 118 185, the unspent conditional grants and receipts included in note 16 to the financial statements is understated by R5 123 418 and the accumulated surplus is overstated by R5 233.

Revenue from non-exchange transactions – Property taxes

45. During 2023 the valuation date was incorrectly stated as 1 July 2021 instead of 1 July 2022, the general rates disclosed did not agree to the council approved rates for the 2022-23 financial year and total assessment value per category and in total as incorrectly disclosed in note 29 to the financial statements. Consequently, the note is misstated due to these incorrect disclosures and the total assessment rates is understated by R51 175 000.
46. During 2023 not all revenue from non-exchange transactions for property rates were recorded as required by GRAP 23, Revenue from Non-exchange Transactions. Consequently, the revenue and receivables from non-exchange transactions from property rates are understated by R2 245 246.

Employee related costs

47. I was unable to obtain sufficient appropriate audit evidence for employee related costs due to employment contracts, appointment letters and various other supporting documents not being provided. I was unable to confirm the employee related costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee related costs stated at R97 286 000 (2023: R78 942 571) in note 33 to the financial statements.

48. The municipality did not correctly record the employee related costs transactions. Consequently, employee related costs included in note 33 to the financial statements is overstated by R7 985 210 and receivables from non-exchange transactions included in note 5 is understated by R7 985 210.

Expenditure – Impairment losses

49. I was unable to obtain sufficient appropriate audit evidence for impairment losses due to the status of the accounting records and non-submission of supporting documentation. I was unable to confirm the impairment losses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to impairment losses stated at R66 741 124 in note 36 to the financial statements.

Expenditure – Operational costs

50. I was unable to obtain sufficient appropriate audit evidence for expenditure – operational costs due to the status of the accounting records and the non-submission of supporting documentation. I was unable to confirm expenditure – operational costs by alternative means. Consequently, I was unable to determine whether any adjustments relating to expenditure – operational costs, stated at R21 835 473 (2023: R20 917 467) in note 39 to the financial statements, were necessary.

Expenditure

51. Expenditure transactions were materially misstated by R7 712 318 due to the cumulative effect of individually immaterial uncorrected misstatements in expenditure:
- Bulk purchases stated at R60 101 142 is understated by R216 670.
 - Contracted services stated at R35 829 427 is overstated by R443 427.
 - Depreciation and amortisation stated at R16 112 945 is overstated by R90 586.
 - Finance costs stated at R4 185 487 is overstated by R303 352

In addition, I was unable to obtain sufficient appropriate audit evidence to confirm expenditure by alternative means:

- Inventory consumed of R136 880 as included in the amount of R5 318 450.
- Bulk purchases of R2 628 097 included in the amount of R60 101 142.
- Contracted services of R2 426 959 included in the amount of R35 829 427.
- Depreciation and amortisation of R1 899 687 included in the amount of R16 112 945

Consequently, I was unable to determine whether any further adjustments were necessary to expenditure.

52. Expenditure transactions were materially misstated by R5 571 154 due to the cumulative effect of individually immaterial uncorrected misstatements in the expenditure comparative figure:

- Inventory consumed stated at R2 906 729 is understated by R1 720 513.
- Bulk purchases stated at R51 963 634 is overstated by R2 120 243.
- Contracted services stated at R19 895 921 is understated by R753 509.
- Impairment losses stated at R32 125 975 is understated by R1 094 263.
- Depreciation and amortisation stated at R12 076 508 is understated by R356 989.
- Finance costs stated at R7 063 776 is understated by R996 615.
- Remuneration of councillors stated at R3 273 323 is understated by R115 711.

In addition, I was unable to obtain sufficient appropriate audit evidence to confirm expenditure by alternative means:

- Inventory consumed of R165 038 as included in the amount of R2 906 729.
- Impairment losses of R1 651 904 included in the amount of R32 125 975.
- Depreciation and amortisation of R1 880 909 included in the amount of R12 076 508

Consequently, I was unable to determine whether any further adjustments were necessary to expenditure.

Other misstatements

53. We identified additional misstatements with regards to receivables from exchange transactions, receivables from non-exchange transactions, statutory receivables from non-exchange transactions, property, plant and equipment, payables from exchange transactions, VAT payable, provisions, accumulated surplus, transfers and subsidies, operational cost and employee related costs. I have not included the omitted information in this auditor's report as it was impracticable to do so.

Statement of changes in net assets

54. I was unable to obtain sufficient appropriate audit evidence for the other transfers of R13 800 857 and financial assets of R12 107 365 as included in the statement of changes in net assets due to the status of the accounting records. I was unable to confirm the disclosure of these amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the total net assets as stated at R165 028 667 in the statement of changes in net assets.

55. The municipality did not correctly disclose the opening balance at 1 July 2022 in the statement of changes in net assets as it does not agree to the balance previously reported on 1 July 2022 before correction of errors. Consequently, the opening balance at 1 July 2022 in the statement of changes in net assets is understated by R21 093 738.

Cash flow statement

56. I was unable to obtain sufficient appropriate audit evidence on the cash flow statement due to the various misstatements included in the cash flow statement. I was unable to confirm the cash flows by alternative means. I was unable to determine whether any adjustments were necessary to the net cash flows from operating activities stated at R27 410 871 (2023: R3 454 608), net cash flows from investing activities stated at R120 431 000 (2023: R12 526 208) and net cash flows from financing activities stated at R3 685 235.
57. The municipality did not disclose the amount of significant cash and cash equivalent balances held by the municipality that are not available for use by the municipality for the current and prior year as required by GRAP 2, *Cash Flow Statement*. I have not included the omitted information in this auditor's report as it was impracticable to do so.

Statement of comparison of budget and actual amounts

58. The municipality did not appropriately present the statement of comparison of budget and actual amounts as required by GRAP 24, *Presentation of Budget Information in Financial Statements*, as various misstatements were identified that do not provide a fair presentation which will assist users in understanding the material departures from the approved budget. I was unable to determine the full extent of the omitted disclosure as it was impracticable to do so.

Going concern

59. The municipality did not disclose the material uncertainties related to events or conditions that may cast significant doubt upon the municipality's ability to continue as a going concern as required by GRAP 1, *Presentation of Financial Statements*. I have not included the omitted information in the auditor's report as it was impracticable to do so.

Accounting policies

60. The municipality did not appropriately present the accounting policies as required by GRAP 1, *Presentation of Financial Statements*, as various misstatements were identified that do not provide a fair presentation of the accounting policies that are relevant to an understanding of the financial statements. I was unable to determine the full extent of the omitted disclosure as it was impracticable to do so.

Prior year adjustments

61. I was unable to obtain sufficient appropriate audit evidence for the correction of errors disclosed in note 48 due to the status of the accounting records. I was unable to confirm the disclosure of these adjustments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the correction of errors disclosed in note 48 to the financial statements.
62. The municipality did not disclose the nature of the correction of errors in note 48 to the financial statements as required by GRAP 3, *Accounting policies, Changes in accounting estimates and Errors*. I have not included the omitted information in the auditor's report as it was impracticable to do so.

63. The municipality did not correctly disclose the restated amounts in note 48 to the financial statements as it does not agree to the comparative amounts disclosed in the statement of financial position and the statement of financial performance. Consequently, the restated amounts disclosed in note 48 to the financial statements is overstated by R10 414 183 due to the cumulative effect of the following individual misstatements:

- Reserves is understated by R6 986.
- Accumulated surplus / (deficit) is overstated by R3 440 368.
- Fines, penalties and forfeits is overstated by R9 000.
- Interest – Transfer revenue is understated by R24 937.
- Licences and permits are overstated by R1 040 255.
- Gain on disposal of assets and liabilities is understated by R2 985 411.
- Actuarial gains are understated by R295 000.
- Operational costs are overstated by R16 103 658.

64. The municipality did not correctly disclose the restated amounts in note 48 to the financial statements as it does not agree to the comparative amounts disclosed in the cash flow statement. Consequently, the restated amounts disclosed in note 48 to the financial statements is overstated by R2 650 931 due to the cumulative effect of the following individual misstatements:

- Remuneration of councillors is understated by R3 273 324.
- External interest paid is understated by R994 603.
- Suppliers paid is overstated by R40 073 767.
- Other payments are understated by R36 800 443.
- VAT paid is understated by R211 082.
- Proceeds on disposal of intangible assets are understated by R292 280.
- Decrease in borrowings (Loans redeemed) is overstated by R633 869.
- Increase / (decrease) in consumer deposits is overstated by R3 515 027.

Irregular expenditure

65. I was unable to obtain sufficient appropriate audit evidence for the irregular expenditure incurred during the year and the opening balance of irregular expenditure, as disclosed in note 51 to the financial statements, due to the status of the accounting records. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure stated at R144 256 547 in the financial statements.

66. The current year irregular expenditure disclosed in note 51 to the financial statements was incorrectly disclosed. Consequently, the irregular expenditure current year is overstated by R16 732 145.

67. The municipality did not include all the irregular expenditure incurred during the current year in note 51 to the financial statements. Consequently, the irregular expenditure in the current year is understated by R5 014 456 (2023: R10 717 920).

68. The municipality incorrectly disclosed irregular expenditure as deviations from the procurement process in note 51 to the financial statements. Consequently, irregular expenditure current year is understated by R8 890 348 and deviations from the procurement process are overstated by R9 373 782.

Fruitless and wasteful expenditure

69. Fruitless and wasteful expenditure identified were not disclosed in the financial statements. Due to the status of the accounting records, I was unable to determine the full extent of the understatement of fruitless and wasteful expenditure in the financial statements, as it was impracticable to do so.

Unauthorised expenditure

70. I was unable to obtain sufficient appropriate audit evidence for the unauthorised expenditure incurred during the year and the opening balance of unauthorised expenditure, as disclosed in note 50 to the financial statements, due to the status of the accounting records. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to unauthorised expenditure stated at R68 713 280 in the financial statements.

Financial instruments

71. The municipality did not disclose the carrying amounts of each of the categories of financial instruments and a description of how the municipality manages the liquidity risk in note 49 to the financial statements as required by GRAP 104, *Financial Instruments*. I have not included the omitted information in the auditor's report as it was impracticable to do so.
72. The municipality did not correctly disclose the comparative financial liabilities for liquidity risk in note 49 to the financial statements as required by GRAP 104, *Financial Instruments*. Consequently, the comparative financial liabilities for liquidity risk disclosed in note 49 to the financial statements are overstated by R4 616 207.
73. The municipality did not correctly disclose the receivables from exchange transactions for credit risk in note 49 to the financial statements as required by GRAP 104, *Financial Instruments*. Consequently, receivables from exchange transactions for credit risk disclosed in note 49 to the financial statements is overstated by R113 976 976 (2023: R81 336 155).
74. The municipality did not correctly disclose the receivables from non-exchange transactions for credit risk in note 49 to the financial statements as required by GRAP 104, *Financial Instruments*. Consequently, receivables from non-exchange transactions for credit risk disclosed in note 49 to the financial statements is overstated by R47 606 370 (2023: R38 864 361).

Segment information

75. I was unable to obtain sufficient appropriate audit evidence for the comparative segment information disclosed in note 55 due to the status of the accounting records. I was unable to confirm the disclosure of the comparative segment information by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the segment information disclosed in note 55 to the financial statements.
76. The municipality did not disclose the following as required by GRAP 18, *Segment reporting*:
- Factors used to identify the municipality's reportable segments, including the basis of organisation; whether segments have been aggregated and the basis of the aggregation; types of goods and/or services delivered by each segment; the amounts of additions to non-current assets and segment liabilities.
 - Whether segment surplus/deficit, assets or liabilities are measured in accordance with the relevant principles of GRAP in terms of paragraph 25 of GRAP 18.
 - The geographical areas in which the municipality operates that are relevant for decision-making purposes; external revenue from non-exchange transactions and external revenues from exchange transactions attributed to the geographical areas in which the municipality operates; total expenditure attributed to the geographical areas and the non-current assets for the geographical areas.
77. The municipality did not disclose the reconciliation of the total of the reportable segments' revenues to the municipality's revenue in note 55 to the financial statements as required by GRAP 18, *Segment information*. I have not included the omitted information in the auditor's report as it was impracticable to do so.
78. The municipality incorrectly disclosed the municipality's revenue in note 55 to the financial statements as it does not agree to the revenue as per the statement of financial performance. Consequently, revenue disclosed in note 55 to the financial statements is understated by R5 106 362.
79. The municipality did not disclose the reconciliation of the total of the reportable segments' expenditure to the municipality's expenditure in note 55 to the financial statements as required by GRAP 18, *Segment information*. I have not included the omitted information in the auditor's report as it was impracticable to do so.
80. The municipality did not disclose the reconciliation of the total of the reportable segments' assets to the municipality's assets in note 55 to the financial statements as required by GRAP 18, *Segment information*. I have not included the omitted information in the auditor's report as it was impracticable to do so.
81. The municipality incorrectly disclosed the municipality's assets in note 55 to the financial statements as it does not agree to the assets as per the statement of financial position. Consequently, assets disclosed in note 55 to the financial statements is understated by R191 187 057.

Commitments

82. Commitments identified were not disclosed in the financial statements. Due to the status of the accounting records, I was unable to determine the full extent of the understatement of commitments in the financial statements, as it was impracticable to do so.

Accounting by principal and agents

83. The municipality did not disclose a description of any resources that are held on behalf of the principal, but recognised in the agent's own financial statements, and a reconciliation of the carrying amount of the receivables or the payable at the beginning and end of the period showing the revenue that the principal is entitled to, the cash repaid to the principal and the income from agency services as required by GRAP 109, *Accounting by Principals and Agents*. I have not included the omitted information in the auditor's report as it was impracticable to do so.
84. The municipality did not assess the nature of and disclose its arrangements entered into with service providers where they provide services to the public on behalf of the municipality and why the transactions with these service providers are not considered to be those within the scope of GRAP 109, *Accounting by Principals and Agents*. I have not included the omitted information in the auditor's report as it was impracticable to do so.

Additional disclosures in terms of applicable legislation

85. I was unable to obtain sufficient appropriate audit evidence for electricity losses as disclosed in note 40 to the financial statements due to the status of the accounting records. I was unable to confirm the electricity losses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the electricity losses stated at R8 874 785 in note 40 to the financial statements.
86. During 2023 I was unable to obtain sufficient appropriate audit evidence for the disclosure of PAYE and UIF in note 53 to the financial statements as the municipality did not have adequate systems to maintain records. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the balance disclosed for PAYE and UIF stated at R974 133 in note 53 to the financial statements.
87. The municipality did not disclose the following note 53 to the financial statements:
- The particulars of non-compliance with the MFMA and a statement by the accounting officer whether or not the salaries of political office-bearers and councillors of the municipality is within the upper limits of the framework.
 - Any arrears owed by individual councillors to the municipality for rates and services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors.
 - The total amount of taxes (VAT) paid and whether any amounts were outstanding as at the end of the financial year.

88. The municipality incorrectly disclosed the comparative audit fees paid in note 53 to the financial statements. Consequently, the comparative amount disclosed in note 53 to the financial statements for the amount paid – current year is overstated by R5 321 554 and the amount paid – previous years is understated by R5 321 554.
89. The municipality incorrectly disclosed the PAYE, skills development levy and UIF in note 53 to the financial statements. Consequently, the amount disclosed in note 53 to the financial statements for the opening balance is understated by R10 805 021, the amount paid – current year is understated by R12 918 035, the amount paid – previous years is overstated by R12 918 035 (2023: R11 714 552) and the balance unpaid is understated by R11 498 588 (2023: R10 805 021).

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

92. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the standards of Generally Recognised Accounting Practice (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.
93. 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

94. 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 audit opinion on these financial statements
95. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code), as well as the other ethical

requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the annual performance report

96. 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.
97. I selected the following material performance indicators related to *KPA 2 – To provide adequate services and improve our public relations* presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.
- KPI 6: 75% of water samples comply with SANS-241 micro biological indicators $\{(Number\ of\ water\ samples\ that\ comply\ with\ SANS-241\ indicators / Number\ of\ water\ samples\ tested) \times 100\}$
 - NKPI 1: Number of formal residential properties that receive piped water connected to the municipal water infrastructure network annually as at 30 June 2024
 - NKPI 2: Provision of electricity to formal residential account holders connected to the municipal electrical infrastructure network for both credit and prepaid electrical metering. Number of formal residential properties connected to the municipal electrical infrastructure network (excluding Eskom areas) annually as at 30 June 2024
 - NKPI 3: Provision of sanitation/sewerage services to formal residential account holders which are connected to the municipal wastewater/sanitation/sewerage network and billed for services annually as at 30 June 2024
 - NKPI 4: Number of formal residential properties for which refuse is removed at least once per week and billed for the service annually as at 30 June 2024
 - NKPI 5: Provision of electricity to informal residential account holders in the designated informal areas which are connected to the municipal infrastructure network for prepaid electrical metering annually as at 30 June 2024
 - NKPI 6: Number of households with access to free basic services (as per indigent register annually) by 30 June 2024
 - NKPI 7: Provision of free basic electricity to indigent account holders connected to the municipal electrical infrastructure network annually as at 30 June 2024
 - NKPI 8: Provision of free basic sanitation services to indigent account holders which are connected to the municipal wastewater (sanitation/sewerage) network and are billed for sewerage service, irrespective of the number of water closets (toilets) annually as at 30 June 2024

- NKPI 9: Provision of clean piped water to indigent account holders which are connected to the municipal water infrastructure network annually as at 30 June 2024
98. 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.
99. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
 - all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
 - the reported performance information presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.
100. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

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

Various indicators

102. Based on the audit evidence, the actual achievements for three (3) indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially less. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the targets were lower than reported.

Indicator	Target	Reported achievement
NKPI 2: Provision of electricity to formal residential account holders connected to the municipal electrical infrastructure network for both credit and prepaid electrical metering. Number of formal residential properties connected to the municipal electrical infrastructure network (excluding Eskom areas) annually as at 30 June 2024	3 541	3 797
NKPI 3: Provision of sanitation/sewerage services to formal residential account holders which are connected to the municipal wastewater/sanitation/sewerage network and billed for services annually at 30 June 2024	4 350	4 646
NKPI 4: Number of formal residential properties for which refuse is removed at least once per week and billed for the service annually as at 30 June 2024	4 550	4 887

NKPI 5: Provision of electricity to informal residential account holders in the designated informal areas which are connected to the municipal infrastructure network for prepaid electrical metering annually as at 30 June 2024

103. An achievement of 107 was reported against a target of 200. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially more than reported. Consequently, it is likely that the achievement against the target was better than reported.

KPI 6: 75% of water samples comply with SANS-241 micro biological indicators {(Number of water samples that comply with SANS-241 indicators/Number of water samples tested) x 100}

104. An achievement of 51.2% was reported against a target of 75%. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

105. Measures taken to improve performance against the underachieved target of 75% 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.

Other matters

106. I draw attention to the matters below.

Achievement of planned targets

107. 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.

108. 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 6 to 7.

KPA 2: To provide adequate services and improve our public relations

<i>Targets achieved: 75%</i>		
<i>Budget spent: 100%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
KPI 5 – Limit total electricity losses in distribution network to less than 12% accumulated over the financial year until 30 June 2024	Less than 12%	15.28%
KPI 6 – 75% of water samples comply with SANS-241 micro biological indicators {(Number of water samples that comply with SANS-241 indicators/Number of water samples tested) x 100}	75%	51.2%
NKPI 5 – Provision of electricity to informal residential account holders in the designated informal areas which are connected to the municipal electrical infrastructure network for prepaid electrical metering annually as at 30 June 2024	200	107

Material misstatements

109. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 2 – To provide adequate services and improve our public relations. Management did not correct the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

110. 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.
111. 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.
112. 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.
113. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual reports

114. 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.
115. 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.
116. The 2022-23 annual report was not made public after being tabled in the council, as required by section 127(5)(a)(i) of the MFMA.
117. The local community was not invited to submit representations in connection with the 2022-23 annual report, as required by section 127(5)(a)(ii) of the MFMA.
118. The council failed to adopt an oversight report containing the council's comments on the 2022-23 annual report, as required by section 129(1) of the MFMA.
119. The oversight report adopted by the council on the 2022-23 annual report was not made public, as required by section 129(3) of the MFMA.

Asset management

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

Consequence management

121. 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.
122. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
123. 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.

Expenditure management

124. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
125. Payments were made from the municipality's bank accounts without the approval of a properly authorised official, as required by section 11(1) of the MFMA.
126. 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.
127. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors, as required by section 65(2)(b) of the MFMA.
128. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for disclaimer paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with the municipality's supply chain management policy.
129. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified as indicated in the basis for disclaimer paragraph.
130. Reasonable steps were not taken to prevent unauthorised expenditure as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for disclaimer paragraph.

Human resource management

131. Job descriptions were not established for all posts in which appointments were made, as required by section 66(1)(b) of the MSA and regulation 7(1) of Municipal Staff Regulations.
132. The municipal manager did not develop the staff establishment and did not submit it to the municipal council for approval as required by section 66(1)(a) of the MSA.
133. The senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Procurement and contract management

134. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtain the required price quotations, in contravention of SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
135. 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). Similar non-compliance was also reported in the prior year.
136. 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).
137. 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.
138. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A).
139. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
140. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

Revenue management

141. An effective management, accounting and information system which accounts for revenue / debtors was not in place, as required by section 64(2)(e) of the MFMA.
142. An effective system of internal control for debtors / revenue was not in place, as required by section 64(2)(f) of the MFMA.

Strategic planning and performance management

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

Internal control deficiencies

144. 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.
145. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of 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.
146. The municipality has been faced with political instability over the past few years which has resulted in an absence of vision, direction and an effective leadership tone which ultimately contributes to the lack of transparency, accountability and effective consequence management. Leadership of the municipality, including council and their committees, did not adequately exercise their mandated responsibility and oversight over financial and performance reporting, compliance with applicable legislation and related internal control processes. This has also negatively impacted the stability at administrative and operational leadership levels within the municipality further weakening the internal control environment. The culture of accountability needs to be built on clear and open communication and expectations.
147. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is available and accessible to support financial reporting. There continues to be skill shortages within the finance function and lack of accountability to implement and monitor adherence to processes to ensure that the financial statements are supported by valid, accurate and complete supporting information.
148. The design and implementation of controls are inadequate to ensure compliance with laws and regulations, resulting in non-compliance with sections of the MFMA and its regulations as well as the Municipal Systems Act 32 of 2000 and its regulations that has resulted in the continued incurrence of unauthorised, irregular and fruitless and wasteful expenditure. The municipality does not have the capacity and skills necessary to ensure that processes are implemented effectively to facilitate a culture of compliance with prescribed legislation.
149. Processes have not been implemented to ensure regular reporting on performance information as part of management's processes. The review of the documentation supporting the actual achievements reported in the annual performance report was not adequate to ensure that it is valid, accurate and complete and that it supports the actual performance reported.

Material irregularities

150. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities in progress

151. I identified a material irregularity during the audit and notified the accounting officer, as required by material irregularity regulation 3(2), but the process of evaluating the appropriateness of the accounting officer's actions was not yet complete by the date of the auditor's report.

Auditor General

Cape Town
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

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

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	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)