

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

Report on the audit of the financial statements

Adverse opinion

1. I have audited the financial statements of the Laingsburg Municipality set out on pages 4 to 117, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as 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 Laingsburg Municipality as at 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practise (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2004 (DORA).

Basis for adverse opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for Infrastructure Assets in accordance with GRAP 17, Property, plant and equipment, due to inadequate information presented in the fixed asset register, poor status of accounting records and lack of evidence that conditional assessment was performed in accordance with GRAP 21, impairment of non-cash generating assets. Consequently, I was unable to determine whether any adjustments were necessary to Property, Plant and Equipment: Infrastructure Assets stated at R246 118 821 (2024: R250 831 720) in note 2, and whether any further adjustments were necessary to accumulated depreciation and impairment loss stated at R213 190 217 (2024: R203 277 666) in note 2, to the financial statements. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus.
4. The municipality did not record all Community assets in contravention with GRAP 17, *Property, plant and equipment*, due to the status of records and lack of reconciliations. Consequently, this had an effect on the completeness of community assets as disclosed in the note 2 to the financial statements.

Vat receivable

5. I was unable to obtain sufficient and appropriate audit evidence for the VAT receivable due to the status of accounting records. I was unable to confirm the VAT receivable by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the VAT receivable of R8 887 747 (2024: R9 182 600) as disclosed in note 20 of the financial statements were necessary.

Receivables from non-exchange transactions

6. I was unable to obtain sufficient and appropriate audit evidence for the fines receivables from non-exchange transactions disclosed in note 11 to the financial statements. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the fines receivables stated at R122 495 214 (2024: R101 676 938) in note 11 to the financial statements.

Trade and Other Payables from Exchange Transactions

7. The municipality did not recognise fines receivables for rights to cash flows which had been settled, as required by GRAP 108, *Statutory receivables* due to the status of accounting records and lack of evidence to allocate settlement receipts against associated receivables. Consequently, unallocated deposits as disclosed in note 18 are overstated by R6 642 342 (2024: R6 558 212) and receivables from non-exchange transactions are overstated by R6 642 342 (2024: R6 558 212).
8. I was unable to obtain sufficient appropriate audit evidence for trade payables included in trade and other payables from exchange transactions due to a lack of proper record keeping and reconciliation of control accounts. I was unable to confirm these trade payables by alternative means. Consequently, I was unable to determine whether any further adjustments to trade payables stated at R4 933 687 in note 18 to the financial statements were necessary.

Revenue from non-exchange transactions

Fines, Penalties and Forfeits

9. I was unable to obtain sufficient and appropriate audit evidence for fines, as it was not recognised in accordance with IGRAP 1- *Applying the probability test on initial recognition of revenue*. I was unable to confirm the revenue from fines by alternative means. Consequently, I was unable to determine whether any adjustments to revenue from fines stated at R28 860 283 (2024: R33 765 412) in note 33 to the financial statements, were necessary.

Government Grants and Subsidies

10. I was unable to obtain sufficient and appropriate audit evidence for revenue from non-exchange transactions relating to the water services infrastructure grant as disclosed in note 22 to the financial statements due to the status of accounting records and lack of adequate evidence in support of revenue from non-exchange transactions. I was unable to confirm a water services infrastructure grant stated at R16 044 000 by alternative means. Consequently, I was unable to determine whether any adjustments were necessary. Additionally, there was a resultant impact on the surplus for the period.

Inventory consumed

11. The municipality did not correctly recognise inventory consumed in accordance with GRAP 12, *Inventories*. The inventory consumed recognised inappropriately excluded abstracted water from Buffelsriver and the associated costs. Consequently, inventory consumed was understated by R2 651 250 (2024: R2 240 071) in note 9 to the financial statements and operational costs are overstated by R2 651 250 (2024: R2 240 071). This also has an impact on the material water losses disclosed in note 50.8 to the financial statements.

Correction of errors

12. The municipality did not disclose all prior period errors in note 45 to the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors*. The nature and the amount of the correction for some financial statement items affected, and the amount of the correction at the beginning of the earliest previous period were not disclosed.
13. In addition, I was unable to obtain sufficient appropriate audit evidence for those prior period errors disclosed in note 45 to the financial statements, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in the financial statements.

Unauthorised expenditure

14. I was unable to obtain sufficient appropriate audit evidence that unauthorised expenditure disclosed in note 49.1 to the financial statements was complete, as the municipality did not have adequate systems to maintain records. I was unable to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the unauthorised expenditure stated at R101 800 500 (2024: R94 882 019) in note 49.1 to the financial statements.

Irregular expenditure

15. I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure disclosed in note 49.3 to the financial statements as sufficient appropriate audit evidence was not provided. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R135 572 039 (2024: R118 382 588) in the financial statements.

Change in accounting estimates

16. The municipality did not disclose the material effects of the changes in accounting estimates of accumulated depreciation and carrying values of property, plant and equipment, in accordance with GRAP 3, *Accounting policies, changes in accounting estimates and errors*. Consequently, effects of changes in accounting estimates amounting to R10 253 263 was not disclosed in the notes to the financial statements.

Financial instruments

17. The municipality did not disclose financial instruments in accordance with GRAP 104, *Financial instruments*. The amounts disclosed in capital risk, credit risk and liquidity risk management did not agree to other information in the financial statements and the underlying supporting schedules. Consequently, various misstatements were identified in financial instruments disclosed in note 51 to the financial statements, the misstatement also occurred in the prior year.

Cash flow statement

18. During 2024 the municipality did not prepare the cash flow statement and associated disclosure notes in note 46 to the financial statements in accordance with GRAP 2, *Cash flow statements*. This was due to multiple errors made in determining cash flows from operating activities, cash flows from investment activities, and cash flows from financing activities. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the cash flow statements for the current period.

Segment reporting

19. Segment information was not disclosed in accordance with GRAP 18, *Segment reporting*. The amounts disclosed did not agree to other information in the financial statements and the underlying supporting schedules. Consequently, segment information was misstated by various amounts in the schedule of segment reporting, the misstatement also occurred in the prior year and remain unresolved.

Revenue exchange from exchange transactions

Aggregated Revenue misstatements

20. During 2024, total revenue was materially misstated by R1 613 406 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Interest Earned - Non-exchange transactions for which reliable balances could not be obtained as stated at R423 163;
- Rental from Fixed assets for which contracts could not be obtained of R87 213 as stated at R1 643 719;
- Interest Earned - Exchange transactions for which reliable balances could not be obtained as stated at R777 982; and
- Licences and Permits (Exchange transactions) for which application forms could not be obtained as stated at R256 397.

21. My opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. I was unable to confirm total revenue by alternative means. Consequently, my opinion on the current period's financial statements is also modified because of the possible effects of this matter on the comparability of the current period's figures.

Material losses - Electricity distribution losses

22. During 2024, I was unable to obtain sufficient appropriate audit evidence for material losses relating to electricity distribution losses due to the status of accounting records. I was unable to confirm the electricity distribution losses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of electricity distribution losses, stated at R1 261 182. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the electricity distribution losses for the current period.

Unspent transfers and subsidies

23. During 2024, I was unable to obtain sufficient appropriate audit evidence for unspent transfers and subsidies due to the status of accounting records. I was unable to confirm the unspent transfers and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure of unspent transfers and subsidies, stated at R1 995 140. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the of unspent transfers and subsidies for the current period.

Contractual commitments for acquisition of property, plant and equipment

24. During 2024, the municipality did not recognise all contractual capital commitments as required by GRAP 17, Property, plant and equipment in the prior year. Consequently, the corresponding figure of contractual capital commitments disclosed in note 2.7 to the financial statements was overstated by R9 342 103. My opinion on the current year financial statements is modified because of the effect of this matter on the comparability of the contractual commitments for the current year.

Context for opinion

25. 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.
26. 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.
27. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Other matters

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

Unaudited supplementary schedules

29. The supplementary information set out on pages 119 to 123 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on it.

Unaudited disclosure notes

30. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose the particulars of non-compliance with the MFMA 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

31. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and 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.
32. 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

33. 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.
34. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 17 to 18 of the annexure to the auditor's report, forms part of my auditor's report.

Report on the annual performance report

35. 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.

36. I selected the following material performance indicators related to Strategic objective 3: Improve the living environment of all people in Laingsburg and Strategic objective 4: Provision of infrastructure to deliver improved services to all residents and businesses 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.

- TL4: Number of formal residential properties connected to the municipal electrical infrastructure network (credit and prepaid electrical metering) (Excluding Eskom areas) and billed for the service as at 30 June 2025.
- TL5: Number of formal residential properties that receive piped water (credit and prepaid water metering) that is connected to the municipal water infrastructure network and billed for the service as at 30 June 2025.
- TL6: Number of formal residential properties connected to the municipal waste water sanitation/sewerage network for sewerage service, irrespective of the number of water closets (toilets) and billed for the service as at 30 June 2025.
- TL7: Number of formal residential properties for which refuse is removed once per week and billed for the service as at 30 June 2025.
- TL8: Provide free 50kWh electricity to indigent households as at 30 June 2025.
- TL9: Provide free 6kl water to indigent households as at 30 June 2025.
- TL10: Provide free basic sanitation to indigent households as at 30 June 2025.
- TL11: Provide free basic refuse removal to indigent households as at 30 June 2025.
- TL23: 95% of the approved project budget spent on the new main pump station in Laingsburg by 30 June 2025. [(Actual expenditure divided by the total approved project budget) x 100].
- TL25: 95% of the approved project budget spent on the new stormwater infrastructure in Matjiesfontein by 30 June 2025. [(Actual expenditure divided by the total approved project budget) x 100].
- TL28: 95% of the approved project budget spent on Drilling and equipping of boreholes in Soutkloof by 30 June 2025. [(Actual expenditure divided by the total approved project budget) x 100].

- TL29: 95% of the approved project budget spent on Water Supply Infrastructure (Bulk Mains) within the Municipal area by 30 June 2025. [(Actual expenditure divided by the total approved project budget) x 100].

37. 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.

38. 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 measures taken to improve performance.

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

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

Various indicators

41. Measures taken to improve performance against under achieved targets were not adequately 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 for assessing the effectiveness of strategies to improve future performance against targets.

Indicator	Target
TL8: Provide free 50kWh electricity to indigent households as at 30 June 2025	391
TL9: Provide free 6kl water to indigent households as at 30 June 2025	527
TL10: Provide free basic sanitation to indigent households as at 30 June 2025	520
TL11: Provide free basic refuse removal to indigent households as at 30 June 2025	536
TL28: 95% of the approved project budget spent on Drilling and equipping of boreholes in Soutkloof by 30 June 2025 [(Actual expenditure divided by the total approved project budget) x 100]	95%
TL29: 95% of the approved project budget spent on Water Supply Infrastructure (Bulk Mains) within the Municipal area by 30 June 2025 [(Actual expenditure divided by the total approved project budget) x 100]	95%

TL23 – 95% of the approved project budget spent on the new main pump station in Laingsburg by 30 June 2025 [(Actual expenditure divided by the total approved project budget) x 100]

42. An achievement of 100% was reported against a target of 95%. However, the audit evidence showed the actual achievement to be only 90%. Consequently, the target was not achieved.

Other matter

43. I draw attention to the matter 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 tables that follow 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.

Strategic objective 3: Improve the living environment of all people in Laingsburg

<i>Targets achieved: 0% (0/4)</i> <i>Budget spent: Undeterminable per objective</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
TL8: Provide free 50kWh electricity to indigent households as at 30 June 2025	391	355
TL9: Provide free 6kl water to indigent households as at 30 June 2025	527	465
TL10: Provide free basic sanitation to indigent households as at 30 June 2025	520	461
TL11: Provide free basic refuse removal to indigent households as at 30 June 2024	536	474

Strategic objective 4: Provision of infrastructure to deliver improved services to all residents and businesses

<i>Targets achieved: 67% (4/6)</i> <i>Budget spent: Undeterminable per objective</i>		
Key [service delivery] indicator not achieved	Planned target	Reported achievement
TL23: 95% of the approved project budget spent on the new main pump station in Laingsburg by 30 June 2025 [(Actual expenditure divided by the total approved project budget) x 100]	95%	90%
TL28: 95% of the approved project budget spent on Drilling and equipping of boreholes in Soutkloof by 30 June 2025 [(Actual expenditure divided by the total approved project budget) x 100]	95%	75%
TL29: 95% of the approved project budget spent on Water Supply Infrastructure (Bulk Mains) within the Municipal area by 30 June 2025 [(Actual expenditure divided by the total approved project budget) x 100]	95%	10%

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 Strategic objective 3: Improve the living environment of all people in Laingsburg and Strategic objective 4: Provision of infrastructure to deliver improved services to all residents and businesses. Management did not correct all of 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:

Annual financial statements, performance reports and annual reports

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.
52. 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/or 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.

Asset management

53. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
54. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Conditional grants management

55. 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 grant Schedule concerned and the applicable grant framework, as required by section 16(1) of the Division of Revenue Act (Act 5 of 2023).
56. Performance in respect of programmes funded by the schedule 5 grants was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 5 of 2023).

Consequence management

- 57. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
- 58. Irregular and Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Expenditure management

- 59. Reasonable steps were taken to ensure that money owed by the municipality not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
- 60. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R135 572 039, as disclosed in note 49.3, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure.
- 61. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R5 108 904, as disclosed in note 49.2 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 on overdue accounts.
- 62. 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 on some votes.

Procurement and Contract management

- 63. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

Governance and Oversight management

- 64. The internal audit unit did not advise the accounting officer and/or did not report to the audit committee on the implementation of the internal audit plan on matters relating to internal controls, as required by section 165(2)(b)(ii) of the MFMA.
- 65. The internal audit unit did not prepare a risk-based audit plan and the internal audit program for the financial year, as required by section 165(2) of the MFMA.
- 66. The internal audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to risk management, as required by section 165(2)(b)(iv) of the MFMA.

67. The internal audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to performance management, as required by section 165(2)(b)(v) of the MFMA.
68. The internal audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to compliance with the MFMA, DoRA, and any other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.
69. The internal audit unit did not submit quarterly reports on the audits of performance measurements of the auditee to the municipal manager and the performance audit committee, as required by regulation 14(1)(c)(ii) on Municipal Planning and Performance Management.
70. The internal audit unit did not audit the results of performance measures, as required by MSA 45(a).
71. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the auditee, its efficiency and effectiveness and its overall level of compliance with the relevant applicable legislation, as required by section 166(2)(b) of the MFMA.
72. The audit committee did not advise the council, mayor and, accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
73. The audit committee did not review the quarterly reports submitted by the internal auditors on the audits of performance measurement as required by regulation 14(4)(a)(i) on Municipal Planning and Performance Management.
74. The audit committee did not submit an audit report on the review of the performance management system to the council, at least twice during a financial year, as required by regulation 14(4)(a)(iii) on Municipal Planning and Performance Management.

Other information in the annual report

75. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
76. 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.
77. 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 objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

78. 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

79. 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.

80. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the adverse 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:

- The Council did not exercise effective oversight over the administration to ensure compliance with MFMA requirements and address issues raised by the Auditor-General. There was no organized monitoring approach for corrective measures, inadequate scrutiny of in-year financial and performance reports, and inadequate enforcement of accountability on unauthorised, irregular, fruitless, and wasteful expenditure. This ineffective oversight resulted in persistent governance failures, inaccurate financial and performance reporting, and systemic non-compliance with legislation, contributing to repeat audit findings.
- Due to instability, the internal oversight structures such as audit committee did not exercise oversight to ensure the committee is provided with credible and timely information to enable independent monitoring of audit action plans and financial controls. The audit committee has not fulfilled its responsibilities resulting to continued lack of monitoring of corrective actions and progress against the audit action plans. Monitoring of audit action plans by internal audit was also ineffective, and internal audit resources were insufficient to identify and address control deficiencies. The absence of effective oversight and structured reporting mechanisms led to repeat findings and failure to address underlying root causes, undermining the municipality's ability to improve audit outcomes.
- Leadership did not implement adequate internal controls to ensure record-keeping and reconciliations for financial and performance reporting. These weaknesses contributed to numerous material misstatements, modified audit opinions, and increased risk of mismanagement and non-compliance with MFMA requirements.
- The vacancy on the role of chief financial officer resulted in lack of disciplined daily controls, reconciling of transactions and establishment of preventative controls to avoid repeat audit findings. Monthly and mid-year financial and performance reports were not always supported by credible documentation and resulted to compromised quality of the financial statements and performance reports.

- Senior managers did not set the tone at the top regarding compliance and awareness of policies and procedures. There was no cascading of compliance culture to all staff, and consequence management for contraventions was not enforced. This created an environment of recurring non-compliance, ineffective implementation of policies, and further contributing to repeat audit findings and governance failures.

Material irregularities

81. 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.

Material irregularities identified during the audit

Proper records not kept

82. The material irregularities identified are as follows:

83. The accounting officer did not take reasonable steps to maintain full and proper records as required by section 62(1)(b) and 122(1)(a) of the MFMA. The lack of full and proper records has caused several material uncorrected misstatements in the annual financial statements.

84. This non-compliance has resulted to an adverse audit opinion for the past three (3) consecutive financial, as the accounting officer could not submit financial statements that fairly present the municipality's state of financial affairs.

85. This is likely to result in substantial harm to the municipality as the financial statements may not be considered credible and the municipality may also not be considered transparent and/ or accountable. The municipal council, its committees, other organs of state such as provincial/ national treasury and the general public cannot rely thereon or exercise necessary oversight had the financial statements been consistently accurate and reliable.

86. I notified the accounting officer of the material irregularity on 31 March 2025 and invited the accounting officer to make a written submission on the actions that will be taken to address the matter. In his response, the accounting officer will:

- Institute the necessary recruitment processes to address internal capacity constraints, including the appointment of chief financial officer, and filling of critical position to improve capacity within the municipality and to improve control environment in financial reporting.
- Implement planned actions to address several uncorrected misstatements, strengthen daily/ monthly recording and reconciling of transactions, and archiving of supporting documents.
- Planned to obtain support from coordinating institutions. Local Government and Provincial treasury to capacitate the municipality further.

87. As at the date of this report, the position of chief financial officer had already been filled.

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

Auditor General

Cape Town

30 November 2025



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. 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

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

Financial statements

3. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

4. 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.
5. 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

1. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	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), Sections: 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	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

Legislation	Sections or regulations
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)