

# Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Kgatelopele Local Municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of Kgatelopele Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement, and the statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Kgatelopele Local Municipality as at 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

### Basis for qualified opinion

#### Service charges

3. The municipality did not have adequate systems in place to account for sale of electricity included in service charges in accordance with GRAP 9, *Revenue from exchange transactions*, as sale of electricity was incorrectly calculated. Consequently, sale of electricity included in service charges was overstated by R4 737 276, receivables from exchange transactions was overstated by R5 447 867 and the vat control account was understated by R710 591 respectively. Additionally, there was an impact on the surplus for the period and accumulated surplus.
4. During 2024, I was unable to obtain sufficient appropriate audit evidence for the sale of water and sale of electricity due to non-submission of water and electricity consumption meter readings. I was unable to confirm the transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to sale of water stated at R10 346 729 and sale of electricity stated at R22 544 553 in note 18 to the financial statements. My audit opinion on the financial statements for the period ended 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 sale of water and electricity for the current period.

## Revenue from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence regarding the following items, which had a cumulative effect on revenue from exchange transactions:

- Licences and permits of R523 258 as included in the disclosed balance of R68 329 069
- Rental of facilities and equipment of R347 633 as included in the disclosed balance of R68 329 069.
- Interest received – investment of R201 304 as included in the disclosed balance of R68 329 069.

In addition, revenue from exchange transactions was misstated by R559 784 due to the cumulative effect of individually immaterial uncorrected misstatements in the following item:

- Services charges - water stated at R11 036 413 was overstated by R559 784

## Receivables from exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence that housing rental included in receivables from exchange transactions - consumer debtors had been properly accounted for, as adjustments made were not supported by sufficient and appropriate audit evidence. I was unable to confirm the account balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to housing rental included in receivables from exchange transactions - consumer debtors stated at R-870 354 in note 5 the financial statements.

7. I was unable to obtain sufficient appropriate audit evidence regarding the following items, which had a material cumulative effect on the receivables from exchange transactions:

- Receivables from exchange transactions - consumer debtors water of R17 072 010 as included in the disclosed balance of R36 460 246
- Receivables from exchange transactions - consumer debtors sewerage of R5 181 797 as included in the disclosed balance of R36 460 246
- Receivables from exchange transactions - consumer debtors refuse of R7 304 030 as included in the disclosed balance of R36 460 246

Consequently, I was unable to determine whether any further adjustment was necessary to receivables from exchange transactions.

In addition, receivables from exchange transactions was materially misstated by R643 752 due to the cumulative effect of individually immaterial uncorrected misstatements in the following item:

- Receivables from exchange transactions - consumer debtors water stated at R17 072 010 was overstated by R643 752.



- Receivables from exchange transactions - allowance for impairment stated at R42 438 226 was overstated by R192 763

8. During 2024, I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions and the allowance for impairment that relates to receivables from exchange transactions due to the status of the accounting records and the municipality did not have adequate systems to maintain records for the allowance for impairment. I was unable to confirm the receivables from exchange transactions and the allowance for impairment relating to receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to receivables from exchange transactions stated at R69 318 179 and the allowance for impairment relating to receivables from exchange transactions stated at R42 290 360 in note 5 to the financial statements. My audit opinion on the financial statements for the period ended 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 receivables from exchange transactions for the current period.

#### Other receivables from exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for other receivables from exchange transactions, due to the status of the accounting records. I was unable to confirm the account balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary other receivables from exchange transactions stated at R2 846 277 in note 7 to the financial statements.

#### Receivables from non-exchange transaction

10. I was unable to obtain sufficient appropriate audit evidence that receivables from non-exchange transactions had been properly accounted for, as adjustments made to the financial statements were not supported by sufficient and appropriate audit evidence. I was unable to confirm the account balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to receivables from non-exchange transactions stated at R28 613 431 in note 3 the financial statements.

11. During 2024, I was unable to obtain sufficient appropriate audit evidence for consumer debtors-rates included in receivables from non-exchange transactions and the related allowance for impairment due to the status of the accounting records. I was unable to confirm the consumer debtors-rates and allowance for impairment on consumer debtors-rates included in receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to consumer debtors – rates included in receivables from non-exchange transactions stated at R27 017 502 and the allowance for impairment relating to receivables from non-exchange transactions stated at R10 273 389 in note 3 to the financial statements. My audit opinion on the financial statements for the period ended 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 receivables from non-exchange for the current period.

### Vat receivables

12. I was unable to obtain sufficient appropriate audit evidence for VAT receivable as the municipality did not have adequate systems to maintain records of VAT receivables. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to VAT receivables stated at R9 914 211 (2024: R12 954 718) as disclosed in note 4 to the financial statements.

### Debt impairment

13. The municipality did not account for debt impairment, as required by GRAP 1, *Presentation of financial statements* in the prior year as the movement on the impairment allowance was not correctly accounted for. Consequently, debt impairment was understated by R1 606 222 and consolidation and rezoning fees included in other income is overstated by R1 606 222 respectively.

### Bad debt written off

14. During 2024, the municipality did not have adequate systems in place to account for bad debt written off in accordance with the Standards of GRAP 1, *Presentation of financial statements*. The municipality wrote off bad debts for account holders that could not be traced to the approved indigent register. Consequently, bad debt written off was understated by R2 024 532. Additionally, there was an impact in receivables from exchange and non-exchange transactions disclosed in the financial statements. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the bad debt written off for the current period.

### Inventories

15. I was unable to obtain sufficient appropriate audit evidence that inventories had been properly accounted for, due to the status of the accounting records. I was unable to confirm inventories by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to inventories stated at R5 430 982 in note 2 to the financial statements.

### Payables from exchange transactions

16. I was unable to obtain sufficient appropriate audit evidence for trade payables included in payables from exchange transactions due to the poor status of accounting records. The trade payables schedule did not reconcile to the annual financial statements. I was unable to confirm the account balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade payables included in payables from exchange transactions stated at R68 604 494 in note 12 to the financial statements.
17. I was unable to obtain sufficient appropriate audit evidence for retention included in payables from exchange transactions due to the poor status of accounting records, as the retention schedule did not reconcile to the amount presented in the annual financial statements. I was unable to confirm the account balance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to retention included in payables from exchange transactions stated at R28 319 519 in note 12 to the financial statements.



18. During 2024, I was unable to obtain sufficient appropriate audit evidence regarding trade payables, salary control account and Unallocated deposits, which had a material cumulative effect on the payables from exchange transactions:

- Trade payables of R47 784 297 as included in the disclosed balance of R91 058 419
- Salary control account of R733 637 as included in the disclosed balance of R91 058 419
- Cash-in-Transit of R569 747 as included in the disclosed balance of R91 058 419

I was unable to confirm payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to payables from exchange transactions. My audit opinion on the financial statements for the period ended 2024 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the payables from exchange transactions for the current period.

#### Unauthorised expenditure

19. I was unable to obtain sufficient appropriate audit evidence for the unauthorised expenditure incurred during the current and prior year, due to the poor status of the accounting records. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to unauthorised expenditure stated at R336 758 585 (2024: R336 758 585) in note 51 to the financial statements. In addition, the municipality did not disclose all the unauthorised expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality incurred unauthorised expenditure in contravention of the MFMA requirements resulting in unauthorised expenditure being understated in the current year. I was unable to determine the full extent of the understatement for the current year as it was impracticable to do so.

#### Irregular expenditure

20. I was unable to obtain sufficient appropriate audit evidence for the irregular expenditure relating to the opening balance for the current year that will impact the closing balance of the current year, due to the poor status of the accounting records. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the irregular expenditure stated at R114 748 142 (2024: R113 105 315) in note 46 to the financial statements.

#### Fruitless and wasteful expenditure

21. I was unable to obtain sufficient appropriate audit evidence for the fruitless and wasteful expenditure relating to the opening balance for the current year that will impact the closing balance of the current year, due to the poor status of the accounting records. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to fruitless and wasteful expenditure stated at R11 509 994 (2024: R6 712 450) in note 45 to the financial statement.

## Prior period errors

22. Not all prior period errors were disclosed in note 43 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 and some were incorrectly calculated. There was an impact on the restated amount – correction of error included on the statement of changes in net assets for the opening balance of the current period. In addition, I was unable to obtain sufficient appropriate audit evidence for prior period errors disclosed 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 note 43 to the financial statements.

## Commitments

23. I was unable to obtain sufficient appropriate audit evidence for commitments, as the commitments register provided did not reconcile to the amounts presented in the annual financial statements. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustments relating to commitments stated at R81 293 546 (2024: R80 961 443) as disclosed in note 39 to the financial statements were necessary.

## Property rates - valuations

24. The municipality did not have adequate systems in place to account for and properly disclose the valuation of properties in accordance with GRAP 1, *Presentation of financial statements*, property valuation amounts were not classified in the correct categories. I was unable to determine the full extent of the misstatements of valuations included in note 26 to the financial statements, as it was impracticable to do so.

## Net cash flows from operating activities

25. Net cash flows from operating activities were not correctly prepared and disclosed as required by Standards of GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R70 689 438 (2024: R58 491 950) in the financial statements were necessary.

## Net cash flows from investing activities

26. Cash flows from investing activities were not correctly prepared and disclosed as required by Standards of GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from investing activities. I was not able to determine the full extent of the errors in the cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from investing activities as stated at R65 067 060 (2024: R125 026 616) in the financial statements were necessary.



## Statement of comparison of budget and actual amounts

27. The municipality did not have adequate systems in place to properly account for budgeted amounts disclosed in the statement of comparison of budget and actual amounts in accordance with GRAP 24, *Presentation of budget information in financial statements* as the budgeted amounts included in the statement did not agree to the approved budget of the municipality for the current year and the municipality did not include the reasons for material variances between the budget and actual amounts. I was not able to determine the full extent of the misstatement as it was impracticable to do so.

## Financial instruments

28. Adequate systems were not in place to record the financial risk management and financial instruments in accordance with GRAP 104, *Financial instruments*. Financial risk management and financial instruments were not recorded in the current year and prior year. This resulted in financial risk management and financial instruments not being properly presented. I could not determine the full extent of the misstatement as it was impractical to do so.

## Context for opinion

29. 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.

30. 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.

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

## Emphasis of matters

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

33. I draw attention to note 44 in the financial statements, which deals with the possible effects of the future implications of deterioration in operational results on the municipality's prospects, performance, and cash flows. Management have also described how they plan to deal with these events and circumstances.

34. As disclosed in note 35 to the financial statements, material electricity losses of R10 465 487 (2024: R8 108 449) was incurred, which represents 30% (2024: 28%) of total electricity purchased.

35. As disclosed in note 47 to the financial statements, material water losses of R3 432 642 (2024: R2 373 586) was incurred, which represents 36% (2024: 20%) of total water purchased.

## **Other matter**

36. I draw attention to the matter below. My opinion is not modified in respect of this matter.
37. 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**

38. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the DORA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
39. 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**

40. 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.
41. 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 xx in the annexure to the auditor's report, forms part of my auditor's report.

## **Report on the annual performance report**

42. 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.
43. I selected the following material performance indicators related to KPA 1: Basic Service Delivery: Service Delivery and Infrastructure Development 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.

- KPI 1 - Number of households with access to portable clean drinking water by 30 June 2025.
- KPI 2 - Number of households with access to basic sanitation connection service by 30 June 2025.
- KPI 3 – Number of water samples tested that complied with SANS 241 standard by 30 June 2025.
- KPI 4 – Number of callouts attended within 1 day of call logged – repairs of water and sanitation infrastructure by 30 June 2025.
- KPI 5 – Number of callouts attended within 1 day of call logged - operations and maintenance of electricity Infrastructure by 30 June 2025.
- KPI 6 – Number of households with access to basic electricity by 30 June 2025.
- KPI 7 – Number of households provided with weekly solid waste removal services in Danielskuil and Lime Acres by 30 June 2025.
- KPI 8 - Percentage stage of completion of roads Constructed in Greater Danielskuil by 30 June 2025.
- KPI 9 – Percentage of refurbishment bulk water infrastructure by 30 June 2025.
- KPI 10 – Percentage of Eradication Conservancy Tanks phase 2 by 30 June 2025.

44. 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.

45. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

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

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

#### Various indicators

48. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
KPI 4 – Number of callouts attended within 1 day of call logged - repairs of water and sanitation infrastructure by 30 June 2025	100	100
KPI 5 - Number of callouts attended within 1 day of call logged - operations and maintenance of electricity infrastructure by 30 June 2025	100	100

#### Various indicators

49. The reported measures taken to improve performance against underachieved targets did not agree to the audit evidence. Consequently, the reported measures are not reliable for helping to understand the actions taken by the accounting officer to address performance gaps and to assess the effectiveness of strategies to improve future performance against the targets.

Indicator	Target
KPI 1 - Number of households with access to portable clean drinking water by 30 June 2025	3050



Indicator	Target
KPI 9 – Percentage of refurbishment bulk water infrastructure by 30 June 2025.	100%

## Other matters

50. I draw attention to the matters below.

### Achievement of planned targets

51. 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.

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

### KPA 1: Basic Service Delivery: Service Delivery and Infrastructure Development

Targets achieved: 55%		
Key service delivery indicators not achieved	Planned target	Reported achievement
KPI 1 – Number of households with access to portable clean drinking water by 30 June 2025	3050	2937
KPI 6 – Number of households with access to basic electricity by 30 June 2025	3574	3037
KPI 8 – Percentage stage of completion of roads constructed in Greater Danielskuil by 30 June 2025	100%	97%
KPI 9 – Percentage of refurbishment bulk water infrastructure by 30 June 2025	100%	52%
KPI 10 – Percentage of eradication conservancy Tanks phase 2 by 30 June 2025	100%	99%

### Material misstatements

53. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 1: Basic Service Delivery: Service Delivery and Infrastructure Development. Management did not correct the misstatements, and I reported material findings in this regard.

## **Report on compliance with legislation**

54. 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.
55. 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.
56. 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.
57. 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**

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

### **Consequence management**

59. 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.
60. Irregular expenditure 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**

61. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA. Mone
62. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the



disclosed irregular expenditure was caused by non-compliance with applicable legislation and standards.

63. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties from late payments.

64. 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.

#### **Procurement and contract management**

65. 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 by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

#### **Revenue management**

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

#### **Strategic planning and performance management**

67. Amendments to the IDP were made without consultation with the district municipality, as required by municipal planning and performance management regulation 3(6)(a).

#### **Utilisation of conditional grants**

68. Performance in respect of programmes funded by the Municipal Infrastructure Grant and Water Services Infrastructure Grant 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 24 of 2024).

#### **Other information in the annual report**

69. The accounting officer is responsible for the other information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

70. 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.
71. 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 development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
72. 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

73. 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.
74. The matters reported below are limited to the significant internal control deficiencies that resulted in [the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
75. There was inadequate or no proper review of the financial statements submitted for audit as at 30 June 2025. Material misstatements and material findings were identified in the audit of the annual financial statements and performance information respectively. Material non-compliances were also identified in which some were repeat findings to prior year. This was due to slow implementation of an action plan
76. Management did not review policies to ensure that the municipality has a sound system of internal control to mitigate any emerging misstatements within the annual financial statements, annual performance report and non-compliance with laws and regulations
77. Preparation of regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information was not performed. Management did not ensure proper record keeping was in place.
78. The municipality did not implement controls over daily and monthly processing and reconciling of transactions.



## Other reports

79. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

80. The Directorate for Priority Crime Investigation (Hawks) and Public Protector and are investigating allegations of irregularities relating to supply chain management processes at the municipality. These proceedings were in progress at the date of this report

*Auditor General*

Kimberley

10 December 2025



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## Annexure to the auditor's report

The annexure includes the following:

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

### Auditor general's responsibility for the audit

#### Professional judgement and professional scepticism

As part of an audit in accordance with the 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 indicators of the development priority and on the municipality's compliance with selected requirements in key legislation.

#### Financial statements

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

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



## **Communication with those charged with governance**

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	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 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 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: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)



Legislation	Sections or regulations
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
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)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
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)