

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of Siyathemba 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, statement of comparison of budget and actual amounts and the reportable segments 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 Siyathemba 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

Property, plant and equipment

3. The municipality did not review the useful lives of Property, Plant and Equipment at each reporting date in accordance with GRAP 17, *Property, plant and equipment*. I identified assets still in use with no carrying amount due to useful lives not being assessed. I was unable to determine the full extent of the understatement of Infrastructure, stated at R438 838 047 (2024: R442 864 936) in note 2 to the financial statements and overstatement of Depreciation and Amortisation – Property, Plant and Equipment, stated at R22 319 901 (2024: R26 560 652) in note 35 to the financial statements. Additionally, there was an impact on the deficit and accumulated surplus for the period.
4. The municipality did not account for property in accordance with GRAP 17, *Property, plant and equipment*. I identified property registered in the municipality's name which were not recorded. I was unable to determine the full extent of the understatement of Land, stated at R7 822 519, and Community Assets, stated at R7 043 353 in note 2 to the financial statements as it was impracticable to do so.
5. The municipality did not review indicators of impairment of Property, Plant and Equipment at each reporting date in accordance with GRAP 17, *Property, plant and equipment* and GRAP 21, *Impairment of Non-cash-generating Assets*. I was unable to determine the full extent of the understatement of impairment charge and overstatement of Infrastructure, stated at

R438 838 047, and Community Assets, stated at R7 043 353 in note 2 to the financial statements as it was impracticable to do so. Additionally, there was an impact on the deficit for the period.

Investment property

6. I was unable to obtain sufficient appropriate audit evidence for Investment Property, as supporting information for the fair value adjustment performed was not provided for audit purposes. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to Investment Property stated at R175 060 622 in note 3 to the financial statements. In addition, the municipality did not account for Investment Property in accordance with GRAP 16, *Investment property*. I identified property registered in the municipality's name which were not recorded for the current and previous year. I was unable to determine the full extent of the understatement of Investment Property stated at R175 060 622 (2024: R153 957 916) in note 3 to the financial statements as it was impracticable to do so.
7. During 2024, the fair value of Investment Property was not determined as required by GRAP 16, *Investment property*. I was unable to determine the impact on the net carrying amount of the Investment Property stated at R153 957 916 in note 3 to the financial statements as it was impractical to do so. There was a resultant impact on the deficit for the period and on the accumulated surplus. 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 Investment Property for the current period.

Payables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for Traffic Control and Unknown Deposits included in payables from exchange transactions due to the status of the accounting records. Supporting information for these payable balances were not provided for audit purposes. In addition, supporting information was not provided for Principal – Agent Arrangements related to Traffic control. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to Traffic Control stated at R10 336 364 (2024: R9 914 214), Unknown Deposits stated at R2 344 137 in note 20 and Principal-Agent Arrangements related to Traffic Control stated at R10 336 364 (2024: R9 914 214) in note 53, to the financial statements.
9. During 2024, I was unable to obtain sufficient appropriate audit evidence for Trade Payables and Salary Control Account included in payables from exchange transactions, due to the status of the accounting records. Supporting information for these payable balances were not provided for audit purposes. I could not confirm the amounts by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to Trade Payables stated at R247 865 492 and Salary Control Account stated at R2 701 255 in note 20 to the financial statements. 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 Trade payables and Salary Control Account for the current period.

10. The municipality did not recognise Payables from Exchange Transactions in accordance with GRAP 1, *Presentation of financial statements*. Retentions related to construction contracts were not recorded in the current and prior year financial statements. I was unable to determine the full extent of the understatement of Retentions payables and Property, Plant and Equipment as it was impracticable to do so.

Trade Receivables from exchange transactions

11. During 2024, the municipality did not recognise Trade Receivables from exchange transactions in accordance with GRAP 104, *Financial instruments*. Interest was not charged on outstanding consumer accounts for the 2024 and prior years in accordance with the tariff policy. I was unable to determine the full extent of the understatement on the corresponding figures of Total Net Receivables from Exchange Transactions, stated at R44 494 171 in note 8 to the financial statements, and Total Interest Earned - Outstanding Debtors, stated at R5 713 535 in note 27 to the financial statements, as it was impracticable to do so. There was a resultant impact on the deficit and accumulated surplus for the period. In addition, I was unable to obtain sufficient appropriate audit evidence for Trade Receivables from exchange transactions due to the status of the accounting records. Consequently, I was unable to determine whether any adjustment was necessary to Trade Receivables from exchange transactions, stated at R44 494 171 in note 8 to the financial statements. 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 Trade Receivables from exchange transactions for the current period.

Service charges

12. The municipality did not recognise Service charges – Electricity and Service charges - Sewerage and Sanitation in accordance with GRAP 9, *Revenue from Exchange Transactions*. Service charges - Electricity and Service charges - Sewerage and Sanitation recorded in the accounting records did not agree to the billing data. Consequently, Service charges - Electricity and Trade Receivables from exchange transactions, Service Receivables – Electricity was understated by R2 729 085 respectively and Service charges - Sewerage and Sanitation and Trade Receivables from exchange transactions, Service Receivables – Sewerage was overstated by R2 373 304 respectively. In addition, several properties were not billed for basic services, and the municipality did not correctly account for all indigent households in the billing system. As a result, I was unable to determine the full extent of the misstatements on Service charges and Revenue forgone disclosed in note 25 to the financial statements, and Trade Receivables from exchange transactions disclosed in note 8 to the financial statements, as it was impracticable to do so. There was a resultant impact on the deficit for the period.

13. I was unable to obtain sufficient appropriate audit evidence for Service charges due to the status of the accounting records. Billing reports for periods after year-end were not provided to confirm if services were billed in the correct period. Consequently, I was unable to determine if any adjustment was necessary to Service charges stated at R51 737 513 in note 25 to the financial statements.

14. I was unable to obtain sufficient appropriate audit evidence for Service charges - pre-paid electricity, included in Service charges - Electricity in the financial statements, due to the status of the accounting records. I was unable to confirm Service charges - pre-paid electricity, by

alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to Service charges - Electricity stated at R21 929 790 (2024: R21 858 775) in note 25 to the financial statements.

Revenue from non-exchange transactions

15. The municipality did not have adequate systems in place to account for Property Rates in accordance with GRAP 23, *Revenue from non-exchange transactions*. I identified properties that were not billed for the year. I was unable to determine the full extent of the understatement on Property Rates stated at R27 490 321 (2024: R32 544 140) in note 22 and Other Receivables from non-exchange transactions: Taxes – Rates stated at R96 055 087 (2024: R78 290 736) in note 9 to the financial statements, as it was impracticable to do so. In addition, Rebates was incorrectly calculated which resulted in an overstatement of Property Rates - Rateable Land and Buildings and Property Rates - Rebates included in note 22 to the financial statements by R3 694 868, respectively. There was a resultant impact on the deficit for the period.
16. I was unable to obtain sufficient appropriate audit evidence for Property Rates due to the status of the accounting records. Billing reports for periods after year-end were not provided to confirm if Property Rates was billed in the correct period. Consequently, I was unable to determine if any adjustment was necessary to Property Rates stated at R27 490 321 in note 22 to the financial statements.
17. During 2024, the municipality did not recognise availability charges in accordance with GRAP 23, *Revenue from non - exchange transactions*. Availability charges were incorrectly classified as part of Revenue from exchange transactions, Service charges. Consequently, I was unable to determine the full extent of the overstatement of Service charges – Electricity and Service charges – Water included in note 25 to the financial statements and understatement of Revenue from non-exchange transactions as it was impracticable to do so. 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 Revenue from exchange transactions, Service charges for the current period.

Repairs and maintenance

18. The municipality did not recognise Repairs and Maintenance in accordance with GRAP 1, *Presentation of financial statements*, as General expenses - Contracted Services were incorrectly recorded as Repairs and Maintenance. This resulted in Repairs and Maintenance being overstated by R2 784 688 and General expenses - Contracted Services in note 36 being understated by R2 450 279. In addition, I was unable to obtain sufficient appropriate audit evidence for Repairs and Maintenance as the municipality was not able to provide supporting documentation due the status of the accounting records. I could not confirm the Repairs and Maintenance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the Repairs and Maintenance stated at R5 797 510 (2024: R5 105 429) in the statement of financial performance.

Bulk Purchases

19. During 2024, I was unable to obtain sufficient appropriate audit evidence for Bulk Purchases for water and electricity, as the municipality did not keep proper records for journals processed. I could not confirm the Bulk Purchases by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figure for Bulk Purchases stated at R36 438 693 in note 34 to the financial statements. There was a resultant impact on the deficit for the period and on the accumulated surplus. 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 Bulk Purchases for the current period.

Employee related costs

20. The municipality did not account for employee related costs in accordance with GRAP 25, *Employee benefits*. I identified Overtime payments that was incorrectly calculated and not approved. Consequently, Overtime payments included in note 29 to the financial statements was overstated by R2 372 913 and Other Receivables from non-exchange transactions was understated by R2 372 913. There was a resultant impact on the deficit for the period.

General Expenses

21. The municipality did not recognise Contracted Services included in General Expenses in accordance with GRAP 1, *Presentation of financial statements*, as IT expenses were incorrectly recorded as Contracted Services and Contracted Services were recorded in the incorrect period. Consequently, Contracted Services included in note 36 to the financial statements was overstated by R5 579 075, IT expenses included in note 36 to the financial statements was understated by R3 549 279 and Trade Payables included in note 20 to the financial statements was overstated by R2 029 796. In addition, I was unable to obtain sufficient appropriate audit evidence for Contracted Services included in General Expenses due the status of the accounting records. I could not confirm the General Expenses by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to Contracted Services stated at R11 481 152 (2024: R7 704 966), in note 36 to the financial statements.

22. I was unable to obtain sufficient appropriate audit evidence for Travel – Local included in General Expenses due the status of the accounting records. I could not confirm the General Expenses by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to Travel – Local stated at R2 130 112 in note 36 to the financial statements. In addition, the municipality did not recognise Travel - Local included in General Expenses in accordance with GRAP 1, *Presentation of financial statements*, as Contracted Services was incorrectly recorded as Travel - Local. Consequently, Travel - Local included in note 36 to the financial statement was overstated by R542 985 and Contracted Services included in note 36 to the financial statements was understated by R542 985. There was a resultant impact on the deficit for the period.

23. The municipality did not recognise Sanitation and Sewerage included in General Expenses in accordance with GRAP 1, *Presentation of financial statements*, as Bulk Purchases were incorrectly recorded as Sanitation and Sewerage. Consequently, Sanitation and Sewerage in

note 36 to the financial statements was overstated by R3 643 912 and Bulk Purchases was understated by R3 643 912. There was a resultant impact on the deficit for the period.

24. During 2024, I was unable to obtain sufficient appropriate audit evidence for General Expenses - Fuel and Oil due to the status of the accounting records. I could not confirm General Expenses - Fuel and Oil by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to General Expenses - Fuel and Oil stated at R3 360 159 in note 36 to the financial statements. 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 General Expenses - Fuel and Oil for the current period.

25. I was unable to obtain sufficient appropriate audit evidence regarding the following items, which had a material cumulative effect on General Expenses:

- General Expenses - Sanitation and Sewerage of R3 643 912 as included in the disclosed balance of R32 712 714
- General Expenses - Fuel and Oil of R1 418 643 as included in the disclosed balance of R32 712 714
- General Expenses - IT expenses of R1 771 975 as included in the disclosed balance of R32 712 714
- General Expenses - Unauthorised Debit orders of R322 418 as included in the disclosed balance of R32 712 714

Consequently, I was unable to determine whether any further adjustment was necessary to General Expenses.

In addition, General Expenses was misstated by R82 009 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- General Expenses - Sanitation and Sewerage stated at R3 643 912 in note 36 to the financial statements was overstated by R48 799
- General Expenses - Contracted Services stated at R11 481 152 in note 36 to the financial statements was overstated by R131 789
- General Expenses - Auditors remuneration stated at R5 375 877 in note 36 to the financial statements was overstated by R797 704
- General Expenses - Act on Local Government stated at R12 280 in note 36 to the financial statements was understated by R737 951
- General Expenses - Advertising stated at R141 152 in note 36 to the financial statements was overstated by R51 374
- General Expenses - Meter Management Fees stated at R1 031 406 in note 36 to the financial statements was overstated by R124 703

- General Expenses - Other Expenses stated at R2 014 400 in note 36 to the financial statements was understated by R334 409

Employee benefits

26. I was unable to obtain sufficient appropriate audit evidence for Post Retirement Benefits included in Employee benefits, due to the incorrect assumptions used. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to Post Retirement Benefits included in Employee benefits stated at R14 785 000 in note 15 to the financial statements.

Material Losses

27. The municipality did not determine Electricity distribution losses included in Material Losses in accordance with section 125(2)(d) of the MFMA. The calculation of Electricity distribution losses was based on incomplete and unreliable information, as the municipality did not maintain accurate records of purchases, system of input units and electricity consumed. Significant variances between electricity purchased, billed consumption and estimated unmetered usage were not investigated or adjusted by management. Consequently, I was unable to determine the full extent of the understatement of Electricity distribution losses in note 44.4 to the financial statements, as it was impracticable to do so.

Irregular expenditure

28. The municipality did not include all Irregular expenditure in the notes to the financial statements, as required by section 125(2)(d)(i) of the MFMA. The municipality incurred expenditure in contravention of the supply chain management requirements, resulting in Irregular expenditure. I was unable to determine the full extent of the understatement in the current and prior year, as it was impracticable to do so.

Capital commitments

29. The municipality did not include all items that meet the definition of Capital commitments in accordance with GRAP 17, *Property, plant and equipment*. The municipality did not record all contractual agreements that constituted Capital commitments. I was unable to determine the full extent of the understatement of Capital commitments for the current and prior year, as it was impracticable to do so.

Cash flow statement

30. Net Cash from Operating Activities was not correctly prepared and disclosed in accordance with GRAP 2, *Cash flow statements*. This was due to multiple errors in determining Net Cash from Operating Activities. I was not able to determine the full extent of the errors in the Net Cash from Operating Activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to Net Cash from Operating Activities as stated at R7 280 164 (2024: R27 445 420) in the financial statements and note 38 to the financial statements were necessary.

Debt Impairment on receivables

31. The Debt Impairment on Receivables was not calculated in accordance with the standards of GRAP 104, *Financial instruments*. The municipality did not assess at the end of the reporting date whether there is objective evidence that the debtors are impaired. I was unable to determine the full extent of the understatement of Debt Impairment on Receivables included in note 32 to the financial statements, as it was impracticable to do so. Consequently, I was unable to determine the full extent of the overstatement of Other Receivables from non-exchange transactions included in note 9, Trade Receivables from exchange transactions included in note 8 and the overstatement on VAT Payable Accrual included in note 20 to the financial statements. Additionally, there was an impact on the deficit and accumulated surplus for the period.
32. Prior year Debt Impairment on Receivables was misstated by R2 578 195 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:
- Prior year Trade Receivables from exchange transactions at R20 512 867 in note 32 to the statement of financial performance was understated by R1 741 610
 - Prior year Other Receivables from non-exchange transactions stated at R12 786 663 in note 32 to the financial statements was understated by R836 586

Context for opinion

33. 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.
34. 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.
35. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

36. I draw attention to the matters below. My opinion is not modified in respect of these matters.
37. As disclosure in note 56 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.
38. As disclosed in note 44.1 to the financial statements, the municipality materially underspent the capital expenditure budget for water management by R8 673 967 and waste water.

management by R7 796 605 on acquisition and repairs and maintenance of property, plant and equipment.

39. With reference to note 54 to the financial statements, the municipality is a defendant in a lawsuit. The ultimate outcome of this matter could not be determined at the time of this report, due to the uncertainty of the litigation.
40. As disclosed in note 37 to the financial statements, the corresponding figures for 30 June 2024 have been restated as a result of errors in the financial statements of the municipality, and for the year ended, 30 June 2025.

Other matters

41. I draw attention to the matters below. My opinion is not modified in respect of these matters.
42. 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.
43. The supplementary information set out on pages xx to xx 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 them.

Responsibilities of the accounting officer for the financial statements

44. 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.
45. 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

46. 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.

47. 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 to xx, forms part of my auditor's report.

Report on the annual performance report

48. 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.

49. I selected the following material performance indicators related to Customer care 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.

- Number of formal properties that receive piped water(credit) that is connected to the municipal water infrastructure network and billed for the services at 30 June 2025
- Number of formal 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
- Number of formal properties connected to the municipal waste water sanitation/ sewerage services, irrespective of the number of water closets(toilets) and billed for the service as at 30 June 2025
- Number of formal properties for which refuse is removed once per week and billed for the service as at 30 June 2025
- Provide free basic water to indigent households as at 30 June 2025
- Provide free basic electricity to indigent households as at 30 June 2025
- Provide free basic sanitation to indigent household as at 30 June 2025
- Provide free basic refuse removal to indigent household as at 30 June 2025
- 75% of electricity maintenance budget spent by 30 June 2025 $\{(Actual\ expenditure\ on\ maintenance\ divided\ by\ the\ total\ approved\ maintenance\ budget)\ x\ 100\}$
- 75% of the Road transport maintenance budget spent by 30 June 2025 $\{(Actual\ expenditure\ on\ maintenance\ divided\ by\ the\ total\ approved\ budget)\ x\ 100\}$
- 75% of the waste water management maintenance budget spent by 30 June 2025 $\{(Actual\ expenditure\ on\ maintenance\ divided\ by\ total\ approved\ budget)\ x\ 100\}$
- 75% of the water management maintenance budget spent by 30 June 2025 $\{(Actual\ expenditure\ on\ maintenance\ divided\ by\ total\ approved\ budget)\ x\ 100\}$

- The percentage of the municipal capital budget actually spent capital projects by 30 June 2025 $\left[\frac{\text{amount actually spent on capital projects}}{\text{amount budgeted for capital projects}} \times 100\right]$

50. 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.

51. 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.

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

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

Various indicators

54. The targets in the annual performance report differed from those committed to in the approved revised planning documents. These changes were made without obtaining the required approval, which undermines transparency and accountability.

| Indicator | Target | Reported achievement | Actual achievement |
|---|--------|----------------------|--------------------|
| Number of formal properties connected to the municipal waste water sanitation/ sewerage services, irrespective of the number of water closets(toilets) and billed for the service as at 30 June 2025 | 4633 | 3600 | 9472 |
| Provide free basic electricity to indigent households as at 30 June 2025 | 1315 | 1036 | 1289 |
| 75% of the Road transport maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by the total approved budget) x 100} | 75% | 0% | 2506% |
| 75% of the water management maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by total approved budget) x 100} | 75% | 55% | 272% |

Various indicators

57. A comparison of the actual performance for the year against the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement

- Number of formal properties that receive piped water(credit) that is connected to the municipal water infrastructure network and billed for the services at 30 June 2025
- Number of formal 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
- Number of formal properties connected to the municipal waste water sanitation/ sewerage services, irrespective of the number of water closets(toilets) and billed for the service as at 30 June 2025
- Number of formal properties for which refuse is removed once per week and billed for the service as at 30 June 2025
- Provide free basic water to indigent households as at 30 June 2025
- Provide free basic electricity to indigent households as at 30 June 2025
- Provide free basic sanitation to indigent household as at 30 June 2025
- Provide free basic refuse removal to indigent household as at 30 June 2025
- 75% of electricity maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by the total approved maintenance budget) x 100 }
- 75% of the Road transport maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by the total approved budget) x 100}

| Approved indicator | Approved target | Reported target |
|--|-----------------|-----------------|
| Provide free basic electricity to indigent households as at 30 June 2025 | 0 | 1315 |
| Number of formal properties that receive piped water(credit) that is connected to the municipal water infrastructure network and billed for the services at 30 June 2025 | 45439 | 4539 |

Various indicators

55. Based on the audit evidence, the actual achievement for six indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the target were lower than reported

| Indicator | Target | Reported achievement | Actual achievement |
|---|--------|----------------------|--------------------|
| Number of formal properties that receive piped water(credit) that is connected to the municipal water infrastructure network and billed for the services at 30 June 2025 | 4539 | 4989 | 4307 |
| 75% of electricity maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by the total approved maintenance budget) x 100 } | 75% | 97% | 20% |
| The percentage of the municipal capital budget actually spent capital projects by 30 June 2025 [(amount actually spent on capital projects/ amount budgeted for capital projects)x 100] | 100% | 100% | 57% |
| Provide free basic water to indigent households as at 30 June 2025 | 1332 | 1528 | 1289 |
| Provide free basic sanitation to indigent household as at 30 June 2025 | 1073 | 1528 | 1289 |
| Provide free basic refuse removal to indigent household as at 30 June 2025 | 1315 | 1528 | 1289 |

Various indicators

56. Based on the audit evidence, the actual achievements for five indicators did not agree to the achievements reported, but the targets were still achieved or the underachievements on the targets were less than reported.

| Indicator | Target | Reported achievement | Actual achievement |
|--|--------|----------------------|--------------------|
| Number of formal 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 | 663 | 1310 | 1897 |

- 75% of the waste water management maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by total approved budget) x 100}
- 75% of the water management maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by total approved budget) x 100}
- The percentage of the municipal capital budget actually spent capital projects by 30 June 2025 [{amount actually spent on capital projects/ amount budgeted for capital projects}x 100]

Various indicators

58. Measures taken to improve performance against underachieved targets 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 for assessing the effectiveness of strategies to improve future performance against targets.

| Indicator | Target | Reported achievement | Actual achievement |
|--|--------|----------------------|--------------------|
| Number of formal properties connected to the municipal waste water sanitation/ sewerage services, irrespective of the number of water closets(toilets) and billed for the service as at 30 June 2025 | 4633 | 3600 | 9472 |
| Provide free basic electricity to indigent households as at 30 June 2025 | 1315 | 1036 | 1289 |
| 75% of the Road transport maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by the total approved budget) x 100} | 75% | 0% | 2506% |
| 75% of the water management maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by total approved budget) x 100} | 75% | 55% | 272% |

Other matters

59. I draw attention to the matters below.

Achievement of planned targets

60. 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.

61. The table that follows provides information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance report.

Customer care

| Targets achieved: 71% | | |
|---|----------------|----------------------|
| Key service delivery indicator not achieved | Planned target | Reported achievement |
| Number of formal properties connected to the municipal waste water sanitation/ sewerage services, irrespective of the number of water closets(toilets) and billed for the service as at 30 June 2025 | 4633 | 3600 |
| Provide free basic electricity to indigent households as at 30 June 2025 | 1315 | 1036 |
| 75% of the Road transport maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by the total approved budget) x 100} | 75% | - |
| 75% of the water management maintenance budget spent by 30 June 2025 {(Actual expenditure on maintenance divided by total approved budget) x 100} | 75% | 55% |

Material misstatements

62. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for customer care. Management did not correct the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

63. 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.

64. 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.

65. 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.

66. 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

67. 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 current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
68. The council failed to adopt an oversight report containing the council's comments on the 2023/24 annual report, as required by section 129(1) of the MFMA.

Asset management

69. 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.
70. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services as required by section 14(2)(a) of the MFMA.

Consequence management

71. 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.
72. Irregular expenditure and fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Revenue management

73. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
74. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Expenditure management

75. 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.
76. 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.
77. 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 qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.

78. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R30 584 563, as disclosed in note 44.2 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 late payment of supplier by the municipality.
79. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R80 767 993, as disclosed in note 44.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by overspending on the municipality's approved budget.

Procurement and contract management

80. 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.
81. Some of the written quotations were accepted from prospective providers who were not on the list of accredited prospective providers and did not meet the listing requirements prescribed by the SCM policy, in contravention of SCM Regulations 17(1)(a) and 17(1)(b). Similar non-compliance was also reported in the prior year.
82. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year.
83. 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).
84. Some of the contracts were awarded to bidders based on points given for legislative requirement that were not stipulated /differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year.
85. Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year.
86. 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.
87. The preference point system was not applied some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
88. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5.

89. 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.
90. 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.

Strategic planning and performance management

91. The SDBIP for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote as required by section 1 of the MFMA.
92. The review of the IDP was not done in accordance with the results of the performance evaluation and to the extent that changing circumstances demanded, as required by section 34(a) and 41(1)(c)(ii) of the MSA.
93. Amendments to the IDP were made without consultation with the district municipality, as required by municipal planning and performance management regulation 3(6)(a).
94. The SDBIP was revised during the year without approval of the council following approval of an adjustments budget, as required by section 54(1)(c) of the MFMA.

Oversight and Governance

95. 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.
96. The internal audit plan did not include the assessment of the auditee's reliability of performance measurement in measuring performance against key performance indicators, as required by regulation 14(1)(b)(iii) on Municipal Planning and Performance Management.
97. The Internal Audit unit did not audit the results of performance measurements, as required by MSA 45(a).
98. 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.

Human resource management

99. Financial interests were not disclosed by the senior managers within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
100. 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.

Other information in the annual report

101. 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 material performance indicators in the scoped-in key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.
102. 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.
103. 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 performance indicators in the scoped-in key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
104. 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

105. 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.
106. 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.
107. Leadership did not exercise adequate oversight responsibility regarding financial and compliance reporting as well as related internal controls. The municipality did not implement sufficient monitoring controls to ensure proper planning, budgeting, implementation and reporting. This affected performance management processes, annual financial reporting and compliance with applicable legislation.
108. Leadership did not take adequate responsibility for establishing and communicating policies and procedures necessary to support the effective execution of internal control objectives, processes and responsibilities, including those relating to consequence management.
109. Leadership did not adequately develop and monitor the implementation of action plans to address internal control deficiencies. Although the municipality prepared an audit action plan

to address internal and external audit findings, management did not implement and monitor the plan timeously. This resulted in repeat findings persisting in the current year.

110. Proper record keeping was not implemented in a timely manner to ensure that complete, relevant and accurate information was readily available to support financial and performance reporting.
111. The municipality did not prepare regular, accurate and complete financial reports supported by reliable information. The annual financial statements submitted for audit contained numerous material misstatements, mainly due to staff not fully understanding the requirements of the applicable financial reporting framework.
112. Management did not adequately review and monitor compliance with applicable legislation. Furthermore, the municipality did not have adequate processes to identify, record and manage irregular expenditure.
113. Appropriate risk management activities were not implemented to ensure that regular risk assessments, including information technology and fraud risks, were conducted and that risk mitigation strategies were developed and monitored. As the municipality did not conduct a
114. risk assessment as required by the MFMA, controls were not developed to prevent, detect and correct material misstatements in financial and performance reporting.

Material irregularities

115. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Money received from consumers not banked

116. All the money that was collected from consumers was not banked. It was identified that although the shortfall on banking was detected by the processes in place, the shortfall was allocated to suspense accounts without further action being taken.
117. This resulted in a non-compliance with section 64(1) read with section 64(2)(d) of the MFMA as the municipality's internal control systems were inadequate in ensuring that, when cash falls short of the expected amount during banking procedures, thorough investigations are conducted to facilitate the potential recovery of funds from implicated officials. The ineffective internal controls resulted in money received not banked amounting to R1 757 443, which, if not recovered, is likely to result in a material financial loss.
118. The accounting officer was notified of the material irregularity on 28 November 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer submitted a written response stating that an investigation will be conducted to determine and recover the financial loss and take appropriate action

if officials are implicated. Evidence was however not subsequently provided to support the actions taken.

119. I notified the accounting officer on 30 November 2024 of the following recommendations, which should have been implemented by 30 June 2025:
- a. Investigate all instance of non-compliance to determine the root cause for the losses and if any official might have committed an act of financial misconduct or an offense in terms of Chapter 15 of the MFMA.
 - b. The financial loss should be quantified and all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
 - c. Reasonable steps should be taken to ensure that the municipality has and maintains a system of internal control in respect of the collection of revenue and to ensure money received is promptly deposited, as required by section 64(1) and 64(2)(d) of the MFMA.
 - d. Disciplinary or, where appropriate, criminal proceeding should commence, without undue delay, against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
 - e. If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.
 - f. If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.
120. The accounting officer was required to provide a progress report on 31 March 2025. On 4 April 2025 the accounting officer submitted the progress report without substantiating documentation on the implementation of recommendations. I duly assessed the progress report and provided feedback on 14 April 2025 to the accounting officer on the shortcomings that had to be addressed in the final response that was due on 30 June 2025.
121. The accounting officer failed to submit a final response and substantiating documentation on the implementation of recommendations by 30 June 2025 despite reminders being issued. Considering the failure of the accounting officer to submit a final response on the implementation of recommendations, I concluded that the accounting officer has failed to implement the recommendations and to address the material irregularity appropriately.
122. I issued a directive to the accounting officer on 27 November 2025 to determine the amount of the financial loss and recover such loss, or make progress with the recovery of the loss, from the responsible person(s) by 27 March 2026. In addition, I notified the accounting officer of the following remedial actions to address the material irregularity, which must be implemented by the same date, with progress reports after two (2) months:

- Investigate all instances of non-compliance to determine the root cause for the losses and if any official might have committed an act of financial misconduct or an offense in terms of Chapter 15 of the MFMA.
- The financial loss must be quantified and all person(s) liable for the losses must be identified and appropriate action must commence to recover the financial loss. The recovery process must not be unduly delayed.
- Reasonable steps must be taken to ensure that the municipality has and maintains a system of internal control in respect of the collection of revenue and to ensure money received is promptly deposited, as required by section 64(1) and 64(2)(d) of the MFMA.
- Disciplinary or, where appropriate, criminal proceeding must commence, without undue delay, against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission this must be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.

123. I will follow up on the implementation of remedial action at the stipulated due date.

Interest not charged on long outstanding debtors

124. The municipality, without a corresponding council resolution granting an exception, failed to charge interest on overdue consumer accounts during the financial year ended 30 June 2023, in contravention of section 64(1) read with section 64(2)(g) of the MFMA. The non-compliance is likely to result in a material financial loss for the municipality if not recovered, as revenue that should have accrued to the municipality was not billed to the consumer accounts in accordance with the approved tariffs.

125. The accounting officer was notified of the material irregularity on 28 November 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter. The following action had been taken to resolve the material irregularity:

- The municipality started charging interest on arrear service debt accounts as from 1 July 2024.
- The accounting officer had performed a preliminary investigation and were in the process of quantifying the interest not previously charged.

126. When a follow-up was made in September 2025 on the planned actions in quantifying the interest for prior years, it was noted that no interest amounts for these years had been billed to customer accounts or recognised in the annual financial statements. It was therefore concluded that appropriate action has not been taken to address the material irregularity.

127. I notified the accounting officer on 29 November 2025 of the following recommendations, which should be implemented by 29 March 2026:

- Quantify the full extent of the interest that should have been charged on consumer debtors in accordance with the credit control and debt collection policy of the municipality.
- Appropriate action should be taken to ensure that interest is levied against all consumer debtors in accordance with the municipality's credit control and debt collection policy as required by section 64(2)(g) of the MFMA. This should include interest that was not previously charged in accordance with the policy.
- Appropriate action should be taken to recover the interest owed by all consumer debtors. The recovery process should not be unduly delayed.
- The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- Disciplinary proceedings should commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

128. I will follow up on the implementation of the recommendations at the stipulated due date.

No services or benefits were received for unauthorised debit order payments

129. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the payment of funds, as required by section 65(2)(a) of the MFMA. Unauthorised debit orders went off from the municipality's bank account. This resulted in payments for which no benefits were received amounting to R322 418 (2024: R625 791; 2023: R2 514 080) as disclosed in note 43.2 to the 2023-24 and 2024-25 financial statements, and which if not recovered, is likely to result in a material financial loss.

130. The accounting officer was notified of the material irregularity on 22 March 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter.

131. The accounting officer submitted a written response stating that the municipality was taking steps to recover the unauthorised debit orders however evidence was not provided for the actions taken. I determined that the accounting officer is not taking appropriation to resolve the MI.

132. I referred the material irregularity to the Special Investigating Unit (SIU) on 9 April 2025 for investigation, as provided for in section 5(1A) of the PAA. A presidential proclamation was gazette on 31 October 2025 for the matter to be investigated. The investigation is in progress.

Other reports

133. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
134. The Directorate for Priority Crime Investigation (Hawks), Public Protector and Special Investigation Unit (SIU) 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

Auditor-General

Kimberley

9 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 performance indicators and on the municipality's compliance with selected requirements in key legislation.

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|--|
| Municipal Finance Management Act 56 of 2003 | 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) |

| Legislation | Sections or regulations |
|---|---|
| MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 | Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), 27(4)(a)(i) |
| MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 | Regulations: 17(2), 36(1)(a) |
| MSA: Municipal Staff Regulations | Regulations: 7(1), 19, 31, 35(1) |
| MSA: Municipal Systems Regulations, 2001 | Regulation: 43 |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 | Section: 34(1) |
| Preferential Procurement Policy Framework Act 5 of 2000 | Sections: 2(1)(a), 2(1)(f) |
| Preferential Procurement Regulations, 2017 | Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2) |
| Preferential Procurement Regulations, 2022 | Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4) |
| 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) |

| Legislation | Sections or regulations |
|---|---|
| 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 |
| 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) |
| 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), |

| Legislation | Sections or regulations |
|---|---|
| | 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 |
| 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) |

| Legislation | Sections or regulations |
|--|---|
| 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) |