



AUDITOR-GENERAL
SOUTH AFRICA

MANAGEMENT REPORT

Thabazimbi Local Municipality

2023-24

Date: 30 November 2024

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INTRODUCTION

1. The purpose of this management report is to communicate the outcomes of the audit for the financial year ended 30 June 2024, as well as the insights and significant matters that require the attention of the accounting officer. The report should be read with the engagement letter, which sets out our responsibilities as well as the standards and processes we apply in performing our audits.
2. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report has been signed.
3. We communicated our audit findings and recommendations for improvement to management and obtained their responses throughout the audit. This report is a comprehensive summary of what we shared with management. In **annexure D**, we provide a summary of detailed findings communicated to management.
4. The management report is structured as follows:
 - In **section 1** we share the overall audit outcomes and the status of material irregularities. We also summarise the material irregularities in **annexure F**.
 - In **section 2** we provide the most significant matters from the audit and their impact, which we detail further in the annexures. Where appropriate, we also include the following:
 - Significant deficiencies in internal control that caused the findings we report. Significant deficiencies occur when internal controls do not exist; are not appropriately designed or implemented; or are not operating as intended to prevent – or to promptly detect and correct – material misstatements, non-compliance or non-performance. In **annexure C** we expand on the state of internal control.
 - Key recommendations and the responses received from management on implementing the recommendations.
 - In **section 3** we include observations on the overall internal control environment and the role of the accountability ecosystem. Key recommendations and responses from management are also included.
 - In **section 4** we provide our view of the root causes of deficiencies in the overall internal control environment and provide recommendations for the municipality to address the root causes.
 - We end the report with a **conclusion**.
5. We trust the insights and recommendations in this report will be of value in your pursuit towards building and leading a municipality that is accountable and transparent, has institutional integrity, and performs at a level that has a positive impact on the lives of South Africans.

SECTION 1: AUDIT OUTCOMES AND MATERIAL IRREGULARITIES

OVERALL AUDIT OUTCOMES

6. The overall audit outcome of the municipality is a disclaimer of opinion. This is a regression from the previous year's audit outcome.

Audit results per outcome area

Outcome area	Movement	2023-24	2022-23	2021-22
Financial statements	▼			
Annual performance report				
• KPA 2 – Basic Services and Infrastructure Development	▶			
Compliance with legislation				
• Annual Financial Statements and Annual Report	▶			
• Revenue Management	▶			
• Expenditure Management	▶			
• Consequence Management	▶			
• Assets Management	▶			
• Human Resource Management	▼			
• Utilisation of Conditional Grants	▼			
• Procurement and Contract Management	▶			
• Strategic Planning and performance management	▶			

	Unqualified / No material findings		Qualified		Adverse		Disclaimer		Material findings		Not audited
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▲	Improvement	▼	Regression	▶	Unchanged
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7. The overall audit outcome on the financial statements of the municipality regressed from a qualified opinion to a disclaimer with findings. On the audit of annual performance report, limitations findings were raised.
8. The financial statements submitted for audit contained numerous material misstatements and limitations which led to overall audit outcome. This was due to significant internal control weaknesses; inadequate policies and procedures on financial management; a lack of proper record-keeping, as evidenced by limitation of scope findings; instability in key management positions of the Mayor, municipal manager (accounting officer) and chief finance officer positions which are positions that play a fundamental role in

decision making on financial management, performance management as well as compliance management.

9. The municipality has been engaged in multiple court battles relating to the key positions which resulted in a lack of accountability and implementation of consequence management by management, which had a negative impact on the overall financial status and audit outcome of the municipality.
10. The high vacancy rate in key management positions is attributed to the overall audit outcome as the majority of key management positions are occupied by acting employees which impacts accountability and adequate consequence management.
11. Compliance management remains a concern. We noted a recurrence of the compliance findings reported in the prior years. Additional non-compliance was identified in the current year. The increase in non-compliance findings can be attributed to the inadequate review and monitoring of compliance with applicable laws and regulations as well as the non-implementation of the audit action plan.
12. Lack of oversight committees within the municipality resulted in instances of financial misconduct and unauthorised, irregular, fruitless and wasteful expenditure not being investigated, resulting in material findings on non-compliance.
13. The quality reviews of the annual financial statements and annual performance report remain a concern as some of the misstatements identified were due to insufficient reviews performed. The issues are due to the control environment which is not fully functional.
14. We provide further insight into the audit outcomes, the root causes of weaknesses and our recommendations in the rest of this report.
15. **Annexure E** lists matters that will affect future financial statements, annual performance reports and compliance with legislation.

MATERIAL IRREGULARITIES

16. Since the implementation of the material irregularity process, we have identified three material irregularities (MIs) at the municipality.

Status of material irregularities

Year of notification	Total	Resolved	Appropriate actions	Following up actions taken	AGSA further actions	Notification response not yet due	Assessing response
2023-24	3	0	0	3	0	0	0

17. Three environmental harm related MIs were identified, and notifications were issued to the accounting officer on 5 March 2024 and re-issued to the acting accounting officer on 27 June 2024. The acting accounting officer responded to the MI notification, however the response provided was not sufficient for the auditors to confirm if there is action taken to prevent the harm from continuing. The following MIs were issued:

- Environmental harm caused by the Donkerpoort landfill site
- Environmental harm caused by the Rooiberg landfill site
- Environmental harm caused by the Thabazimbi wastewater treatment works

18. We conducted a site visit on 22 October 2024 to determine the status of the landfill sites (Donkerpoort and Rooiberg) and the wastewater treatment works and confirmed that the condition is still the same from when we performed a visit during October 2023. The municipality did not prevent the harm from continuing and the public is still suffering from the pollution caused by the landfill sites and the wastewater treatment works. The delays in addressing the mentioned irregularities were due to financial difficulties of the municipality as well as a lack of accountability due to the unstable political environment.
19. The three MIs are currently with the Material irregularity unit of the AGSA for further reviews and possible referral to a public body for investigation.
20. We recommend that the accounting officer take the necessary steps to stop the harm and pollution from continuing as this may have serious implications for the citizens living near the sites as well as for the recyclers.

SECTION 2: SIGNIFICANT MATTERS

FINANCIAL STATEMENTS

Audit results

21. The financial statements were submitted to us for auditing on 31 August 2024.
22. We identified material misstatements in the financial statements submitted for auditing. The material misstatements constitute non-compliance with Municipal Finance Management Act 56 of 2003 (MFMA). The non-compliance will be reported as a material finding in the auditor's report.

Material misstatements not corrected

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
Revenue from exchange transactions					
Sec 62(1)(b) MFMA GRAP 9	Limitation	R160 693 206	Differences noted between the amount disclosed in the financial statements and the underlying schedules (Service charges)		
Sec 62(1)(b) MFMA GRAP 9	Overstatement	R6 976 676	Aggregate misstatements identified on revenue from exchange transactions (Other operational revenue, interest income and licences and permits)		
Revenue from non-exchange transactions					
Sec 62(1)(b) MFMA GRAP 23	Overstatement	R9 151 445	Differences noted between the property rates billed and recalculated billing, due to incorrect properties market values used (Property rates)		
Sec 62(1)(b) MFMA GRAP 23	Understatement	R77 782 712	Property rates revenue not complete.		
Sec 62(1)(b) MFMA GRAP 23	Understatement	R43 337 984	Eskom debt relief not disclosed and accounted for in the financial statements.		
Sec 62(1)(b) MFMA GRAP 23	Understatement	R18 292 820	Service in kind relating to Roads Agency Limpopo (RAL) not accounted for as revenue		
Trade and other receivables from exchange transactions					
Sec 62(1)(b) MFMA GRAP 109	Limitation	R82 075 149	Differences noted between the amount disclosed in the financial statements and the underlying supporting schedules.		

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
Sec 62(1)(b) MFMA GRAP 109	Understatement	R12 333 261	Prepaid electricity sales by the vending entity not paid over to the municipality not accounted for as receivables.		
Trade and other receivables from non- exchange transactions					
Sec 62(1)(b) MFMA GRAP 109	Limitation	R32 460 982	Differences between the amounts disclosed in the financial statements and the underlying supporting schedules for property rates.		
Property, plant and equipment					
Sec 62(1)(b) MFMA GRAP 17	Understatement	Unknown	Movable assets were not recorded in the asset register due to inadequate systems to account for all movable assets.		
Sec 62(1)(b) MFMA GRAP 21	Overstatement	Unknown	The municipality did assess slow moving/ halted work in progress projects for impairment.		
Sec 62(1)(b) MFMA GRAP 3	Limitation	Unknown	The municipality reassessed the useful lives of the PPE items, however the effect of the change in estimates was not disclosed in the financial statements.		
Trade and other payables from exchange transaction					
Sec 62(1)(b) MFMA GRAP 109	Limitation	R6 133 733	Supporting documentation for advance payments payables not submitted.		
Sec 62(1)(b) MFMA GRAP 109	Limitation	R542 401 249	Differences noted between the amount disclosed in the financial statements and the underlying supporting schedules (Trade payables)		
Sec 62(1)(b) MFMA GRAP 109	Overstatement	R7 854 101	Aggregate misstatements identified on trade and other payables from exchange transactions (Retention, leave accrual)		
Cash and Cash equivalents					
Sec 62(1)(b) MFMA GRAP 109	Limitation	R8 905 936	Reconciling items for cash and cash not submitted for audit.		
Input VAT Accrual					
Sec 62(1)(b) MFMA GRAP 1	Limitation	R227 658 475	Differences between the amount disclosed in the financial statements and the underlying supporting schedules.		
Inventories					

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
Sec 62(1)(b) MFMA GRAP 12	Limitation	R11 877 466	Differences between the amount disclosed in the financial statements and the underlying supporting schedules.		
Expenditure – Operational costs					
Sec 62(1)(b) MFMA GRAP 1	Limitation	R25 134 202	Differences between the amount disclosed in the financial statements and the underlying supporting schedules.		
Expenditure – Bulk purchases					
Sec 62(1)(b) MFMA GRAP 1	Limitation	R15 282 483	Information relating to bulk purchases not submitted for audit.		
Expenditure – Finance costs					
Sec 62(1)(b) MFMA GRAP 1	Limitation	R7 117 428	Information relating to finance costs not submitted for audit		
Expenditure – Inventory Consumed					
Sec 62(1)(b) MFMA GRAP 1	Overstatement	R16 302 646	Differences between the amount disclosed in the financial statement and recalculated amount.		
Expenditure - Contracted services					
Sec 62(1)(b) MFMA GRAP 1	Limitation	R47 278 899	Information relating to contracted services not submitted for audit		
Expenditure					
Sec 62(1)(b) MFMA GRAP 1	Understatement	R25 410 035	Expenditure transactions not accounted for.		
Expenditure – Commission					
Sec 62(1)(b) MFMA GRAP 1	Overstatement	R11 328 916	Information not submitted for prior period adjustment processed.		
Contingent Liabilities					
Sec 62(1)(b) MFMA GRAP 19	Limitation	R49 840 940	Differences between the amount disclosed in the financial statements and the underlying supporting schedules.		

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
Unauthorised expenditure					
Sec 62(1)(b) MFMA GRAP 1	Limitation	R688 026 794	Differences between the amount disclosed in the financial statements and the underlying supporting schedules.		
Irregular expenditure					
Sec 62(1)(b) MFMA GRAP 1	Limitation	R455 997 247	Differences between the amount disclosed in the financial statements and the underlying supporting schedules.		
Sec 62(1)(b) MFMA GRAP 1	Understatement	R20 657 631	Irregular expenditure not recorded		
Material losses					
Sec 62(1)(b) MFMA GRAP 1	Limitation	Limitation	Unable to test the inputs of material losses due to limitations identified		
Capital commitments					
Sec 62(1)(b) MFMA GRAP 1	Understatement	R14 102346	Misstatement of commitments due to differences in recalculations.		
Sec 62(1)(b) MFMA GRAP 1	Limitation	R39 615 963	Unable to recalculate the commitments amount due to information not submitted		
Statement of cash flows					
Sec 62(1)(b) MFMA GRAP 2	Limitation	R49 380 887	Differences identified on the cash flow from operating activities - Limitation		
Sec 62(1)(b) MFMA GRAP 2	Limitation	(R42 664 174)	Differences identified on the cash flow from investing activities - Limitation		
Sec 62(1)(b) MFMA GRAP 2	Limitation	Unknown	Reconciliation of cash generated from operation not disclosed.		
Segment reporting					
Sec 62(1)(b) MFMA GRAP 18	Misstatements	Unknown	Segment reporting not disclosed in the financial statements in line with GRAP 18.		

Accounting standard / legislation	Nature	Value	Description	Prior-year misstatements	
				2022-23	2021-22
Principal agents arrangements.					
Sec 62(1)(b) MFMA GRAP 109	Misstatements	Unknown	Principal agent arrangements not disclosed in the financial statements in line with GRAP 109.		
Risk management disclosure					
Sec 62(1)(b) MFMA GRAP 104	Misstatements	Various amounts	Differences and omissions in the risk management disclosure note.		
Statement of comparison of budget to actual					
Sec 62(1)(b) MFMA GRAP 24	Misstatements	Narrations	Differences between the variances disclosed and recalculated variances. Reasons for significant variances not provided and consistent with budget and actual figures.		
Related parties					
Sec 62(1)(b) MFMA GRAP 20	Misstatements	Unknown	Transactions with related parties not disclosed in the financial statements.		
Going Concern					
Sec 62(1)(b) MFMA GRAP 01	Misstatement	Unknown	Going concern not properly disclosed		
Events after reporting period					
Sec 62(1)(b) MFMA GRAP 14	Misstatement	Unknown	Non-disclosure of events after reporting period relating to electricity tariffs and municipality being under administration.		

	Uncorrected		Corrected		No prior-year misstatement
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23. Due to the pervasiveness of the limitations experienced in obtaining sufficient and appropriate audit evidence, we will not express an opinion on the financial statements. The auditor's report will include a disclaimer of opinion.
24. The financial statements submitted for audit contained numerous material misstatements and limitations that led to overall audit outcome. This was because of significant internal control weaknesses; inadequate policies and procedures on financial management; a lack of proper record-keeping, as evidenced by limitation of scope findings. The misstatements were not corrected resulting in a disclaimer audit outcome.
25. **Impact:** The above material misstatement resulted in a disclaimer audit outcome for the municipality. Material disagreements and limitations which were identified were subsequently not corrected. The

municipality did not ensure that information requested for audit is timeously submitted and processes and controls are in place to retrieve and submit the requested information which negatively impacted the overall audit outcome.

Internal control and recommendations

26. We identified significant internal control deficiencies in financial recordkeeping and the financial statement preparation and related business processes, which caused the misstatements or could cause misstatements in future.

Significant internal control deficiencies – financial records and financial statements

Deficiency	Prior years reported	
	2022-23	2021-22
The accounting officer did not ensure that adequate internal controls are implemented to prevent non-compliance with applicable legislations	√	√
The accounting officer did not ensure that basic accounting principles of daily and monthly accounting and reconciling of transactions are adequately implemented and monitored by management.	√	√
The accounting officer did not adequately implement the record management policy and related procedures to ensure that all documentation is properly controlled and submitted timeously.	√	√
The accounting officer did not ensure that regular reviews of financial reports/ performance information is performed to ensure that the financial information and performance information is accurate and complete.	√	√
The accounting officer did not ensure that internal controls for monitoring compliance with laws and regulations were effective as they did not detect and prevent instances of non-compliance with applicable laws and regulations.	√	√
The accounting officer did not ensure that section 56 and 57 manager's performance reviews are conducted.	√	√
The accounting officer did not develop and monitor the implementation of action plans to address deficiencies in internal control.	√	√
The accounting officer did not ensure that monies collected on behalf of the municipality are paid over to the municipal account.		

27. It is concerning that the municipality did not implement the prior year recommendations as instances of non-compliance, material misstatements and non-submission of information were also identified in the current year.
28. We made recommendations to improve the financial records and the financial statements preparation process to senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – financial records and financial statements

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should ensure that adequate internal controls are implemented to prevent non-compliance with applicable legislations</p> <p>Response: Management agrees with the recommendation. .</p>	2021-22	In process – behind schedule
<p>Recommendation: The accounting officer should adequately implement the record management policy and related procedures to ensure that all documentation is properly controlled and submitted timeously</p> <p>Response: Management agrees with the recommendation.</p>	2021-22	In process – behind schedule
<p>Recommendation: The accounting officer/management should ensure that regular reviews of financial reports/ performance information is performed to ensure that the financial information and performance information is accurate and complete.</p> <p>Response: Management agrees with the recommendation.</p>	2021-22	In process – behind schedule
<p>Recommendation: The accounting officer should ensure that section 56 and 57 manager's performance reviews are conducted.</p> <p>Response: Management agrees with the recommendation.</p>	2021-22	Not started

29. It is concerning that the municipality have not implemented the prior year recommendations as instances of non-compliance, material misstatements and non-submission of information were also identified in the current year. The non-submission of information and identified instances of non-compliance led to a regression in the overall audit outcome for the municipality.

Information to be included in auditor's report

30. We may communicate matters relating to the audit, the auditor's responsibilities and the auditor's report in the auditor's report that are important for users of the financial statements to know about. The following matters will be included as 'other matters' in the auditor's report:

- Unaudited supplementary schedules MFMA additional disclosures.

31. We will include an 'emphasis of matter' paragraph in the auditor's report to draw the attention of users of the financial statements to the following matters which we deem to be fundamental to their understanding of the financial statements:

- Restatement of corresponding figures.

FINANCIAL MANAGEMENT AND PERFORMANCE

Going concern

32. Our audit included an evaluation of the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether any material uncertainties exist about the municipality's ability to continue as a going concern.

33. We identified events and conditions that cast significant doubt on the municipality's ability to continue as a going concern, which are not disclosed in the financial statements. As detailed in the section on financial statements, the auditor's report will reflect a disclaimer of opinion.

Going concern – events or conditions

Event or condition	Prior years reported	
	2022-23	2021-22
The municipality is in a current liability position.	√	√
Key management positions are currently vacant	√	√
Key financial ratios are adverse (Debtors impairment as a percentage of account receivables, creditors payment period, debtors' collection period)	√	√
The municipality is struggling to pay creditors on due dates	√	√
Pending legal or regulatory proceedings against the municipality that may, if successful, result in claims that the municipality is unlikely to be able to honour.	√	√

34. The municipality has been on a net current liability position for the past three years due to financial challenges and is unable to pay creditors when they fall due. This had an impact on the municipality's ability to provide service delivery as planned due to lack of funds. Although steps were taken to enter into payments arrangements with other creditors, such arrangements were not honoured by the municipality resulting in interest being incurred.

35. **Impact:** There is a material uncertainty related to going concern, which impacts negatively to the provision of service delivery by the municipality. In addition the municipality is financially distressed and was put under administration and amongst others was failure by the municipality to honour its debts and payments agreements which impacted the provision of service delivery. In the recent media article there is a significant risk that the municipality might to receive the equitable share due to the municipality not honouring their payment agreements.

36. We will include a 'material uncertainty related to going concern' paragraph in the auditor's report to draw the attention of users of the financial statements to the note included in the financial statements on the going concern material uncertainties.

Budget management

37. We tested compliance with the legislative requirements for budget management and performed tests to identify budget overspending or budgets not spent for their intended purpose. We identified findings to highlight in this area of financial management.

Budget spending

Nature	Description	Rand value		
		2023-24	2022-23	2021-22
Budget not spent for intended purpose	Conditional grants not utilised for intended purposes	R19 021 688	R939 419	R7 874 994
Budget overspent	Unauthorised expenditure incurred in the current year.	R59 985 129	R73 904 496	R26 324 049

Findings on budget management

Finding	Prior years reported	
	2022-23	2021-22
A statement on the state of the municipality's budget was not submitted by the accounting officer at the end of each month as required by section 71(1) of the MFMA.		

38. The overspending on the budget is due to lack of adequate budgeting by the municipality which resulted in funds not being utilised for intended purposes.
39. **Impact:** Non-compliance with section 71(1) of the MFMA The municipality is not utilising the allocated conditional grants for its intended purposes which negatively affects the provision of service delivery.
40. The unauthorised expenditure incurred constitutes non-compliance with MFMA. The non-compliance will be reported as a material finding in the auditor's report.
41. We also tested compliance with the legislative requirements for the preparation and approval of the budget for the next (new) financial year. We did not identify findings on these budget processes.

Financial assessment and compliance

42. Our audit included a high-level assessment of the financial position and key financial ratios of the municipality based on its financial results to assess its going concern (as detailed earlier), and also to highlight those issues that may require corrective action to maintain financial stability. The financial ratios used for assessment include those that the users of the financial statements would typically apply to assess financial performance and the National Treasury also apply when assessing whether a municipality is in financial distress. The assessment is intended to complement, rather than substitute, the municipality's own financial assessment.
43. The disclaimer of opinion on the financial statements meant the information was not reliable enough for us to analyse and comment on the municipality's financial position. As a result, we cannot provide a financial assessment.
44. We identified non-compliance with legislation and other requirements applicable to the municipality on financial management. The findings on material non-compliance with legislation will be reported in the auditor's report.

Financial management – non-compliance

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
A tariff policy was not adopted for the levying of fees for providing of municipal services, as required by section 74(1) of the Municipal Systems Act 32 of 2000 (MSA) and section 62(1)(f)(i) of the MFMA.	Yes		
A credit control and debt collection policy was not adopted, as required by section 96(b) of the MSA and section 62(1)(f)(iii) of the MFMA.	Yes		
A policy on the levying of rates on rateable property within the municipality was not adopted, as required by section 3(1) of the Municipal Property Rates Act and section 62(1)(f)(ii) of the MFMA.	Yes		

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
An effective system of internal control for debtors / revenue was not in place, as required by section 64(2)(f) of the MFMA.	Yes	√	
An investment policy was not adopted by the council, as required by section 13(2) of the MFMA and municipal investment regulation 3(1)(a).	Yes		
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.			

45. The municipality have not implemented the prior year recommendations as instances of non-compliance identified in the prior year re-occurred in the current financial year.

Losses

46. It is crucial for the municipality to implement the necessary disciplines to ensure that value is derived from money spent and that assets and resources are safeguarded. We identified findings to highlight in this area of financial management. The findings on material non-compliance with legislation will be reported in the auditor's report.

Disclosures on losses

Nature	Description	Rand value		
		2023-24	2022-23	2021-22
Fruitless and wasteful expenditure	The municipality incurred fruitless and wasteful expenditure due to interest and penalties incurred for non-payment and late payment of suppliers.	R6 089 657	R14 326 275	R10 415 786
Water losses	Leakage on service connections up to the point of customer meter	R13 227 536	R25 693 629	R23 415 145

Findings on losses

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
Fruitless and wasteful expenditure incurred due to late payment of suppliers.	Yes	√	√

47. The municipality is experiencing financial difficulties which results in suppliers not being paid on time and interest on outstanding debts being levied.

48. **Impact:** This results in financial loss to the municipality and impact negatively to the provision of service delivery, and lack of consequence management relating to instances of fruitless and wasteful expenditure.

49. The fruitless and wasteful expenditure incurred constitutes non-compliance with MFMA. The findings on material non-compliance with legislation will be reported in the auditor's report.

Grant management

50. The municipality received grants totalling R80 644 433 to fund its programmes and projects in the current year. We audited compliance with the Division of Revenue Act 5 of 2023 (DoRA) and the use of the Municipal Infrastructure Grant (MIG) and Municipal Water Infrastructure Grant (WSIG).
51. We identified findings to highlight in this area of financial management. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on Municipal Infrastructure Grant

	Prior years reported	
	2022-23	2021-22
Grant underspending		
Budget: R36 512 000	√	√
Underspending: R23 447 335 (64%)		
Material non-compliance		
The MIG was not spent for its intended purposes in accordance with the grant schedule concerned and/or the applicable grant framework, as required by section 16/(1) of the DoRA.		

52. The MIG was not utilised for its intended purposes due to the financial difficulties experienced by the municipality which will impact the next financial year's equitable share allocation of the municipality.
53. **Impact:** Municipal infrastructure projects are stopped due to funds meant for these projects being spent for other purposes. This results in non-achievement of targets and has a negative impact on the provision of services to the public.

Internal control and recommendations

54. We identified significant internal control deficiencies, which caused the weaknesses in financial management and performance as reported.

Significant internal control deficiencies – financial management

Deficiency	Prior years reported	
	2022-23	2021-22
The accounting officer did ensure that compliance with applicable legislation is adequately and properly reviewed and monitored.	√	
The accounting officer did not ensure that funds from the grants are utilised for its intended purposes.		

55. We made recommendations to improve financial management processes to senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations follows.

Key recommendations and responses – financial management

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should ensure that compliance with applicable legislations is adequately and properly reviewed and monitored.</p> <p>Response: Management agrees</p>	2021-22	In process – behind schedule
<p>Recommendation: The accounting officer should ensure that funds from the grants are utilised for its intended purposes.</p> <p>Response: Management agrees</p>	2023-24	Not started

56. We note with concern that our recommendations from the prior year relating to the non-compliance with applicable laws and regulations by the municipality, were not implemented as material non-compliance findings were also identified in the current year.

PERFORMANCE PLANNING, MANAGEMENT AND REPORTING

Overall performance planning and management

57. We tested whether the municipality's performance planning and management processes, integrated development plan (IDP) and service delivery and budget implementation plan (SDBIP) complied with the key requirements from legislation and the [names of relevant frameworks and requirements e.g. revised framework for strategic and annual performance plans.

58. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on performance planning and management

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
The performance management system and related controls were not maintained and were inadequate as it did not describe how the performance planning, monitoring, measurement, review and reporting processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).	Yes	√	√

59. The annual performance report submitted for audit did not have actual achievements as such were unable to audit the annual report.

60. **Impact:** This resulted in material limitation findings on the annual performance report. This has resulted in the annual report not being audited due to actual performance not disclosed and lack of transparency and accountability in relation to the provision of service delivery.

Audit of annual performance report

61. The SDBIP and annual performance report were submitted to us for auditing on 22 August 2024 and 31 August 2024, respectively.
62. As detailed in the engagement letter, we undertook a findings engagement on specific development priority selected for auditing. We will report only the material findings in the auditor's report and not the audit conclusion as included in **section 1**.
63. We selected the following development priority for auditing:
 - KPA 2 – Basic services and infrastructure development
64. The development priority addresses the municipality's key service to the citizens that have an impact in their livelihoods. It addresses key services such as, the provision of water, electricity, roads infrastructure amongst other which directly impacts the livelihoods of the citizens of Thabazimbi.
65. We were engaged to evaluate the reported performance information for the selected material performance indicators relating to KPA 2: Basic service delivery and infrastructure against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using these criteria provides useful and reliable information and insights to users of the report on the municipality's planning and delivery on its mandate and planned objectives. My objective was to perform procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
66. We were unable to audit the submitted annual performance report as the report submitted did not include the actual achievements of the municipality.

Audit results

67. We did not identify findings on the completeness of the indicators used for planning and reporting on performance.
68. We identified material findings on the overall presentation of performance information in the annual performance report. The actual targets achieved were not included in the annual performance report. In addition, the targets in the planning document were not consistent with the targets in the annual performance report and some targets were not well defined and measurable which affects the presentation and disclosure of the annual performance report.
69. We identified material misstatements in the reported performance information in the annual performance report submitted for auditing. Some of these misstatements are repeat from previous years.

Material misstatements not corrected

Description	Prior-year misstatements	
	2022-23	2021-22
Number of illegal dumps removed by set date		
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual achievement was reported.		
Number of kilometers of bus route constructed in Skierlik by set date		

Description	Prior-year misstatements	
	2022-23	2021-22
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual achievement was reported		
Number of km of internal streets paved in Rooiberg by set date		
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual achievement was reported		
Percentage of transfer station constructed in Northam by set date		
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual achievement was reported. In addition, the indicator could not be measurable due to the manner in which it was defined.		
Number of VIP toilets in Rooiberg,Skierlik,Meriting Phase 1 constructed by set date		
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual achievement was reported. In addition, the indicator could not be measurable due to the manner in which it was defined.		
Number of water network upgraded in Regorogile		
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual achievement was reported		
Number of water networks upgraded in Northam by set date		
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual achievement was reported		
Upgrade bulk water pipeline between Thabazimbi pump station and Thabazimbi Y- piece		
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual achievement was reported		
Number of households to be electrified in Meriting by set date		
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual achievement was reported.		
Percentage of 120 MVA substation constructed in Smashblock by set date		
We were unable to confirm the reliability, accuracy and completeness of the reported actual achievement in the annual performance report as no actual		

Description	Prior-year misstatements	
	2022-23	2021-22
achievement was reported. In addition, the indicator could not be measurable due to the manner in which it was defined.		

 Uncorrected	 Corrected	 No prior-year misstatement	 Indicator not audited/included in annual performance report
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70. 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.

Reported indicator.	Approved target	Reported target.
Number of kilometers of bus route constructed in Skierlik by set date	2,2 KM of Skierlik bus route to be paved by 30 June 2024	1.78 KM of Skierlik bus route to be paved by 30 Jun 2024
Number of km of internal streets paved in Rooiberg by set date	1 km subbase layer completed by 30 June 2024	1.5 km of internal streets to be paved in Rooiberg by 30 June 2024
Percentage of transfer station constructed in Northam by set date	40 % of transfer station in Northam by 30 June 2024	100 % of transfer station in Northam to be constructed by 30 June 2024
Number of VIP toilets in Rooiberg, Skierlik, Meriting Phase 1 constructed by set date	541 VIP toilets to be constructed by 30 June 2024	273 VIP toilets to be constructed by 30 June 2024
Percentage of 120 MVA substation constructed in Smashblock by set date	60% of 120 MVA substation constructed in Smashblock by 30 June 2024	80 % of 120 MVA substation constructed in Smashblock by 30 June 2024

71. Various indicators and their targets were not clearly defined during the planning process. Consequently, the indicators and their targets are not useful for measuring and reporting on progress against the municipality's planned objectives.

Indicator	Target	Detail
Percentage of transfer station constructed in Northam by set date	40 % of transfer station in Northam by 30 June 2024	The indicator is not clear and have ambiguous definition, it is not outlined or described as to what constitute the percentage therefore it becomes difficult to measure the level of performance, thus not measurable.
Number of VIP toilets in Rooiberg, Skierlik, Meriting Phase 1 constructed by set date	541 VIP toilets to be constructed by 30 June 2024	Indicator is not clear and have ambiguous definition, and the target planned was to build VIP toilets in Rooiberg, Skierlik, & Meriting however the number of toilets built per area is not specified.

Percentage of 120 MVA substation constructed in Smashblock by set date	60% of 120 MVA substation constructed in Smashblock by 30 June 2024	Indicator is not clear and have ambiguous definition, it is not outlined or described as to what constitute the percentage therefore it becomes difficult to measure the level of performance, thus not measurable.
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72. Adequate processes had not been established to consistently measure and reliably report on various indicators. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets.

73. Indicator	74. Target	75. Detail
76. Percentage of transfer station constructed in Northam by set date	77. 40 % of transfer station in Northam by 30 June 2024 78.	79. The indicator is not clear and have ambiguous definition, it is not outlined or described as to what constitute the percentage therefore it becomes difficult to measure the level of performance, thus not measurable.
80. Number of VIP toilets in Rooiberg,Skierlik.Meriting Phase 1 constructed by set date	81. 541 VIP toilets to be constructed by 30 June 2024 82.	83. Indicator is not clear and have ambiguous definition, and the target planned was to build VIP toilets in Rooiberg, Skierlik, & Meriting however the number of toilets built per area is not specified.
84. Percentage of 120 MVA substation constructed in Smashblock by set date 85.	86. 60% of 120 MVA substation constructed in Smashblock by 30 June 2024	87. Indicator is not clear and have ambiguous definition, it is not outlined or described as to what constitute the percentage therefore it becomes difficult to measure the level of performance, thus not measurable.

88. The material misstatements that were not corrected will be reported in the auditor's report as material findings.

89. The above resulted in the material findings identified from the audit of annual performance report.

90. **Impact:** The above material limitations render the reported performance information unreliable and useful, therefore impacting on service delivery outcome.

Information to be included in auditor's report

91. We may communicate matters about the audit, the auditor's responsibilities and the auditor's report in the auditor's report that are important for users of the annual performance report to know about. We will include information on the corrections to the material misstatements in the submitted annual performance report in the 'other matters' section in the auditor's report.

Internal control and recommendations

92. We identified significant internal control deficiencies, which caused the weaknesses in the performance planning, management and reporting processes as reported.

Significant internal control deficiencies – performance planning, management and reporting

Deficiency	Prior years reported	
	2022-23	2021-22
The municipality did not ensure that performance information is reported in line with the performance reporting framework.	√	√
The accounting officer did not exercise oversight responsibility regarding performance reporting and compliance as well as related internal controls.	√	√
The municipality did not ensure that there is proper recording keeping and all the achievements are reported in the annual performance report.	√	√

93. We made recommendations to improve the performance planning, management and reporting process to the senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – performance planning, management and reporting

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management should ensure that the reported achievements are consistent to the targets set in the SDBIP.</p> <p>Response: Management agrees</p>	2021-22	In process – behind schedule
<p>Recommendation: The accounting officer should prepare regular, accurate and complete financial and performance reports that are Supported and evidenced by reliable information.</p> <p>Response: Management agrees</p>	2021-22	In process – behind schedule

94. It is concerning that the municipality have not implemented the previous year recommendations as material limitations were also identified in the current year which resulted in a disclaimer outcome.

PLANNED TARGETS NOT ACHIEVED

95. As disclosed in the annual performance report, not all the planned targets were achieved for the development priority we selected for auditing.

96. We will draw the attention of oversight to the non-achievement of key indicators by including the table that follows in the 'other matters' section in the auditor's report, with reference to the pages in the annual performance report where the reasons for the non-achievement are included.

Targets for key indicators not achieved

Targets achieved: Not disclosed Budget spent: 36%		
Key indicators not achieved	Planned target	Reported achievement
Number of illegal dumps removed by set date	40 Illegal dumps removed by 30 June 2024	Achieved(Unable to test the achievement due to limitation)
Number of kilometers of bus route constructed in Skierlik by set date	2,2 KM of Skierlik bus route to be paved by 30 June 2024	Not achieved
Number of km of internal streets paved in Rooiberg by set date	1 km subbase layer completed by 30 June 2024	Not achieved
Percentage of transfer station constructed in Northam by set date	40 % of transfer station in Northam by 30 June 2024	Not achieved
Number of VIP toilets in Rooiberg,Skierlik.Meriting Phase 1 constructed by set date	541 VIP toilets to be constructed by 30 June 2024	Not achieved
Number of water network upgraded in Regorogile	1 KM of water Network to be upgraded in Regorogile by 30 June 2024	Not achieved
Number of water networks upgraded in Northam by set date	1 km of water network in Northam to be upgraded by 30 June 2024	Not achieved
Upgrade bulk water pipeline between Thabazimbi pump station and Thabazimbi Y- piece	3km of bulk water pipeline between Thabazimbi and Y pierce to be upgrade by 30 June 2024	Not achieved
Number of households to be electrified in Meriting by set date	100 households in Meriting to be electrified by 30 June 2024	Not achieved
Percentage of 120 MVA substation constructed in Smashblock by set date	60% of 120 MVA substation constructed in Smashblock by 30 June 2024	Not achieved

97. We were unable to confirm whether the planned targets were achieved in the annual performance report due to the actual performance not being disclosed/reported against the planned targets.

OTHER INFORMATION IN ANNUAL REPORT

98. We did not audit the information in the annual report except for the financial statements and the development priority in the annual performance report selected for auditing.

99. However, the auditing standards require us to read the unaudited information and consider whether it is materially inconsistent with the information we audited or the knowledge we obtained during the audit, or otherwise appears to be materially misstated.

100. The annual report was not received in time for us to perform this procedure. We will report this in the auditor's report and indicate that any material misstatements identified when we receive it that are not corrected might result in us retracting the auditor's report and reissuing an amended report.

INFRASTRUCTURE PROJECTS

101. We selected key infrastructure project for assessment over their project life cycle. We tested whether the project are planned, implemented, managed and commissioned efficiently, effectively and economically.

102. We identified significant findings on key projects.

103. **Impact:** The findings impact the provision of service delivery to the public and achievement of planned targets.

Upgrading of bulk water pipeline between Thabazimbi pump station Y-piece

104. The municipality appointed a consultant for the design and construction to upgrade the bulk water pipeline between Thabazimbi pump station Y – Piece. The contract value amounted to R39 615 963, to date R8 192 257 was spent on the project. The construction activities came to a halt in July 2024. The project contractor left site due non-payment of his invoices by municipality.

Findings on key projects

Finding	Prior years reported	
	2022-23	2021-22
Project halted causing delays (No ongoing work on site)		

105. We conducted a site visit to the bulk water pipeline project on 25 October 2024 and noted that the construction of the project was halted as there was no construction work being done on site. The construction was halted in July 2024 as the service provider's invoice for June 2024 was not paid due to the financial difficulties of the municipality.



106. **Impact:** The above impacts the provision of water service to the public and non-achievement of planned targets. The delay in the project also put the public at risk as motorists and animals are also utilising the road which the construction is halted and can cause harm to the public

Internal control and recommendations

107. We identified significant internal control deficiencies, which caused the weaknesses in the management and delivery of projects as reported.

Significant internal control deficiencies – project management and delivery

Internal control deficiency	Prior years reported	
	2022-23	2021-22
Inadequate project management and ineffective enforcement of contractual provision caused project delays.		

108. We made recommendations to improve the project management and delivery process to senior management. Some of these recommendations were also made in prior years.

Key recommendations and responses – project management and delivery

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should ensure that contractors are paid on time to avoid project delays.</p> <p>Response: Response not received.</p>	2023-24	Not started
<p>Recommendation: The accounting officer should ensure that halted projects are assessed for impairment and possible financial loss.</p>	2023-24	

Recommendation and management response	Year originally recommended	Status of implementation
Response: Response not received.		Not started

DELIVERY OF KEY MUNICIPAL SERVICES

109. The audit included an assessment on the delivery of water and sanitation services which included aspects of wastewater management.

110. We identified significant findings on the delivery of some of the municipal services.

111. **Impact:** The above impacts the provision of service delivery relating to water to the residents of Thabazimbi. Thabazimbi is one of the areas which water service provision is an issue to the residence and the projects relating to the provision of water to the public are halted which negatively impacts the residence.

Water

112. The objective of our audit was to determine whether the municipality:

- planned and delivered the basic water services that it is responsible for.
- is addressing the backlog in providing access to functioning water services.
- is spending grant funding received for water infrastructure as intended.
- has planned and budgeted for routine water infrastructure maintenance.

Findings on water

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
Water services were not provided by the municipality as required in its capacity as water service authority (WSA) and no water service provider (WSPs) was appointed to provide the services on behalf of the WSA during the period under review.	No	√	√
The municipality did not complete a Water service development plan (WSDP) as part of the integrated development plan of the municipality as required in terms of paragraphs 12 to 16 of the Water Services Act, Act No 108 of 1997 and paragraph 5.2.1 of the Strategic framework for Water Services.	No	√	√
No report on the implementation of the WSDP for the two financial years before the financial year under review	No	√	√
No water infrastructure maintenance plan was established for the year under review.	No	√	√
Inadequate budget provisions for operating and capital expenditure necessary to achieve the targets in the WSDP and the water maintenance plan	No	√	√

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
No conditional assessment of water infrastructure were performed to inform the water infrastructure maintenance plan for the year under review.	No	√	√
There are insufficient qualified engineers/technical staff to conduct the condition assessments and meet project needs in relation to water infrastructure due to 44% of vacancies in the water unit.	No	√	√
No environmental policy or documented processes was established for the identification and monitoring of environmental risks relating to water provision.	No	√	√
The quality of water was not assessed and monitored during the period under review.	No	√	√
The WSA did not prepare an action plan as required by the Blue Drop Report	No	√	√

113. **Impact:** The above results in insufficient provision of water services to the residence of the municipality

Recommendations

114. We made recommendations to improve the delivery processes to the senior management. Some of these recommendations were also made in prior years.

Key recommendations and responses – water

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should implement controls to ensure compliance with Water services act paragraph 12 to 18</p> <p>Response: Management response not yet received.</p>	2021-22	Not started
<p>Recommendation: The accounting officer should regularly review the water maintenance plan.</p> <p>Response: Management response not yet received</p>	2021-22	Not started

115. It is concerning that the municipality have not implemented the prior year audit recommendations relating to water service due to similar findings identified in the current year. This also impacts negatively on the provision of water services to the residence of Thabazimbi local municipality.

Sanitation

116. The objective of our audit was to determine whether the municipality:

- planned and delivered the basic sanitation services that it is responsible for.
- is addressing the backlog in providing access to functioning sanitation services.

- is spending grant funding received for sanitation infrastructure as intended.

Findings on sanitation

Finding	Material non-compliance	Prior years reported	
		2022-23	2021-22
The backlog in the provision of sanitation services was not determined.	No	√	√
The municipality did not complete a Water service development plan (WSDP) as part of the integrated development plan of the municipality as required in terms of paragraphs 12 to 16 of the Water Services Act, Act No 108 of 1997 and paragraph 5.2.1 of the Strategic framework for Water Services	No	√	√
No report on the implementation of the WSDP for the two financial years before the financial year under review	No	√	√
No water infrastructure maintenance plan was established for the year under review.	No	√	√
Inadequate budget provisions for operating and capital expenditure necessary to achieve the targets in the WSDP and the water maintenance plan	No	√	√
There is under-expenditure resulting from unutilised budget due to e.g lack of planning on maintenance or monitoring of the budget etc.	No	√	√
No conditional assessment of water infrastructure were performed to inform the water infrastructure maintenance plan for the year under review.	No	√	√
There are insufficient qualified engineers/technical staff to conduct the condition assessments and meet project needs in relation to water infrastructure due to 43%number of vacancies in the water division department.	No	√	√

117. **Impact:** The above results in insufficient provision of sanitation services to the residence of the municipality.

Recommendations

118. We made recommendations to improve the delivery processes to the senior management. Some of these recommendations were also made in prior years.

Key recommendations and responses – sanitation

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should implement controls to ensure compliance with Water services act paragraph 12 to 18</p> <p>Response: Management response not yet received.</p>	2021-22	Not started
<p>Recommendation: The accounting officer should regularly review the water maintenance plan.</p> <p>Response: Management response not yet received</p>	2021-22	Not started

119. It is concerning that the municipality have not implemented the prior year audit recommendations relating to sanitation service due to similar findings identified in the current year. This also impacts negatively on the provision of sanitation services to the residence of Thabazimbi local municipality.

120. Prior-year recommendations have not been implemented. The community earmarked for water and sanitation services face a risk of lack of service delivery which has a negative impact on their livelihood.

HUMAN RESOURCE MANAGEMENT

121. We audited compliance with legislation on human resource management and assessed the processes in place to ensure adequate and sufficiently skilled resources are in place.

122. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on human resource management

Finding	Material non-compliance	Prior years reported	
		2022-23	2022-21
The acting municipal manager was appointed without submitting certified copies of academic and professional qualifications and proof of previous employment, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 4(4)(b).	Yes		
I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the municipal manager within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.	Yes		
Senior managers were appointed without submitting certified copies of academic and professional qualifications prior to signing employment contracts, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 4(4)(b).	Yes		
I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the senior managers within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.	Yes		
The accounting officer did not develop the staff establishment and did not submit it to the municipal council for approval as required by section 66(1)(a) of the MSA	Yes		
I was unable to obtain sufficient appropriate audit evidence that appropriate systems and procedures to monitor, measure and evaluate performance of staff were developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.	Yes		
I was unable to obtain sufficient appropriate audit evidence that municipal manager and/ or senior managers signed performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA	Yes		

123. The municipality has a high vacancy rate in key management positions and the majority of these positions are filled by employees in an acting capacity. The above material non-compliance findings will be reported in the auditor's report.

124. We made recommendations to improve the human resource management to senior management.

Key recommendations and responses – municipal services

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The municipal council should ensure that for appointments of senior managers and municipal manager, the qualifications provided are all certified, that the interest are declared and sign a performance agreement within 60 days from appointment.</p> <p>Response: Management agrees</p>	2023-24	Not started
<p>Recommendation: The municipal council should ensure that there is a policy in place for the performance evaluation of senior managers and municipal managers</p> <p>Response: Management agrees.</p>	2023-24	Not started

125. The above results in material non-compliance and will be reported in the audit report, the municipality is urged to ensure that compliance with applicable laws and regulations is prioritised in order to improve the overall audit outcome.

USE OF CONSULTANTS

126. The municipality spent R9 644 593 on consultants to support the current year financial management and reporting processes – an increase from the R2 714 000 in the previous year.

127. Our audit included an assessment of the effective use of consultants and compliance with local government requirements for the appointment and management of consultants.

128. We identified findings on the use of consultants.

Findings on use of consultants

Finding	Prior years reported	
	2022- 23	2021 -22
The accounting officer did not perform a gap analysis prior to the appointment of consultants to confirm that the municipality does not have the requisite skills and resources required from consultants.	√	√
The accounting officer did not have measures in place to ensure transfer of skills by consultants to the municipal staff.	√	√
The accounting officer did not develop a consultancy reduction plan to reduce the reliance on consultants.	√	√
The accounting officer did not ensure that measures are in place to monitor and evaluate the performance of the consultants.	√	√

Finding	Prior years reported	
	2022- 23	2021-22
The accounting officer does not have terms of reference that outlines the objective for transfer of skills, including the nature, scope, and goals of the training and measures to monitor that skills are transferred.	√	√

129.**Impact:** This results in overreliance on consultants by the municipality with no consultancy reduction plan in pace and transfer of skills.

130.Recurring material misstatements were noted on the work done by consultants. The accounting officer should put measures in place to monitor and review the work done by consultants.

131.We made recommendations to improve the use of consultants to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – use of consultants

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should put in place adequate controls to develop and monitor a consultant reduction plan to reduce the reliance on consultants</p> <p>Response: Not yet received</p>	2022-23	Limited progress

132.The prior year recommendations on use of consultants have not been implemented as misstatement were also identified in the current year relating to the work performed by the consultants.

CO-ORDINATING MINISTRIES AND THEIR IMPACT ON LOCAL GOVERNMENT.

133.The co-ordinating ministries within the province should maintain a role of oversight, co-ordination and guidance to the local government sector and its service delivery activities. The main role-players within the province are Provincial Treasury; the department of co-operative governance, human settlements and traditional affairs (CoGHSTA); and the Member of executive Council (MEC)for local government.

134.We considered the influence, support, capacitation and interventions of these co-orientating departments as part of our audit. We also considered the role of the accounting officer, mayor and the council, including the municipal public accounts committee (MPAC), internal audit and the audit and risk committee to better understand the discharge of their mandate and the effectiveness of their role.

135.Our insights are as follows:

Financial management and support

136.The provincial treasury provided support relating to financial management, however the municipality failed to apply proper systems to ensure that there is proper financial management and sound governance. As reported in this report, the municipality did not spend in accordance with its budget as some of the monies planned and allocated for infrastructure (MIG) were spent on other operations.

Capacitation and professionalisation

137. We were unable to confirm if the provincial treasury provided support in the appointment of the acting chief financial officer and acting municipal manager. In the current year, these two positions were at some point filled by acting candidates due to the suspensions and/or discharge of the municipal manager and chief financial officer and no proof was provided to confirm whether the treasury was involved in the appointment of the acting chief financial officer and municipal manager. Furthermore, no proof of treasury providing training to the chief financial officer, municipal manager and senior managers to capacitate them was submitted for audit purposes and therefore we could not confirm if the necessary training was provided or not. This may have had a negative impact on the overall performance of the municipality in terms of service delivery, sound governance and proper financial management.

Mandatory provincial interventions

138. The municipality has been facing financial difficulties and is unable to meet its obligations or financial commitments as they became due. The provincial treasury ensured that the financial recovery plan is in place, an administrator was appointed in terms of section 139 of the MFMA and is implementing strategies to resolve crisis being faced by the municipality. The premier placed under the municipality under administration and appointed an administrator to oversee the operations of the municipality, including governance and financial management.

Municipal council and oversight mechanisms

Council

139. The municipal council was dysfunctional due to political instability caused by infighting between the council's members which resulted in the municipality having two separate councils during the year. This may have caused poor overall performance by the municipality as services were not fully provided to the communities or beneficiaries. e.g. provision of water to the people of Thabazimbi.

Municipal Accounts Committee (MPAC)

140. The MPAC did not hold any meetings during the current financial year and therefore the committee did not monitor and exercised oversight on disciplinary action instituted in terms of the MFMA, did not review and evaluate annual reports and made recommendations to the council.

141. No appropriate recommendations made to council to address shortcomings in oversight reports and matters relating to UIFW. The committee did not ensure that there is proper consequence management for wrongdoing and mismanagement.

142. The committee also did not ensure that the MIs issued to the accounting officers were addressed by making appropriate recommendations to the council and accounting officer.

Training offered to councillors

143. No proof of any training attended by the council members was provided for audit purposes and therefore we could not confirm if training relating to code of conduct, consequence management framework, updated legislations and professionalisation framework was offered to the councillors.

Disciplinary boards

144. No disciplinary board was established to investigate allegations and financial misconduct in the municipality. This could have resulted in poor performance within the municipality as one will do as they wish without any consequences.

Consequence management

145. No consequence management was implemented within the municipality. The material irregularities raised are not yet resolved and irregular, fruitless and wasteful and unauthorised expenditure were not investigated resulting in a material non-compliance.

Coalitions

146. The municipality had a coalition, as no party had a majority during the last elections. This resulted in political instability within the municipality which further caused poor performance and non-delivery of services.

Mayor

147. We could not confirm if the mayor ensured that the annual performance agreements are linked to the measurable performance objectives and to the service delivery and to the budget implementation plan. No evidence was provided that the performance agreements are signed and in place. Additionally, this resulted in poor overall performance of the municipality.

Internal audit and audit committee

148. Not all planned internal audits were executed, however for the audits performed, findings and recommendations were provided to the municipal officials to resolve the matters. It should be noted that not all recommendations provided by internal audit were implemented which resulted in modification of the audit opinion (Disclaimer opinion). The audit committee was in place until 30 June 2024 but did not review the annual financial statements and annual performance report submitted for audit which may have been the cause of the material limitations and disagreement findings noted in these two documents.

INFORMATION SECURITY MANAGEMENT

149. Our audit included an assessment of the effectiveness of information technology (IT) security controls that should prevent unauthorised access to key information systems and safeguard the municipality against business interruptions.

150. We did not identify significant deficiencies in the IT security controls. Where we identified possible improvements, we reported these to management.

PROCUREMENT AND CONTRACT MANAGEMENT

151. Section 217(1) of the Constitution envisages supply chain management systems that are fair, equitable, transparent, competitive and cost effective to achieve optimal value for public money spent and ensure equitable opportunities for suppliers to participate in government business. Meticulous contract management and rigorous payment control mechanisms should be in place to ensure that payments are made only upon the supplier's timely delivery, agreed-upon pricing is adhered to and specified quality standards are complied with.

152. We continued to focus on procurement and contract management processes, recognising that public procurement is the area at greatest risk of fraud, financial loss and irregular practices. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

153. Next, we summarise the areas in procurement and contract management processes where we identified findings – these are the areas at greatest risk of fraud and financial loss. Details on the findings are included in **annexure B**.

Findings on procurement and contract management

Area	Findings		
	2023-24	2022-22	2021-22
Audit limitations			
Deviations			
Conflict of interest			
Non-compliance: competitive bidding process			
Non-compliance: quotation process			
Contract management			

	Material non-compliance with legislation	Findings	No findings
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154. **Impact:** The non-compliance identified were due to non-compliance with the procurement processes and non-submission of information for audit. Some of the findings on procurement and contract management indicate suspected fraud. Our observations are included in the section on fraud risk.

IRREGULAR EXPENDITURE

155. Non-compliance with legislation resulted in irregular expenditure of R22 658 903. The irregular expenditure incurred constitutes non-compliance with section 217 of the Constitution of the Republic of South Africa, construction industry development board regulation 17 and section 62.1 (b) of the MFMA. The non-compliance will be reported as a material finding in the auditor's report. The previous year's transgression, that could have been prevented, re-occurred, and resulted in a significant increase in irregular expenditure in the current year.

156. The irregular expenditure incurred was not complete as disclosed in the financial statements. As detailed in the section on financial statements, the material misstatement in the financial statements will be reported in the auditor's report.

CONSEQUENCE MANAGEMENT

157. Legislation stipulates that matters such as incurring unauthorised, irregular, and fruitless and wasteful expenditure; the possible abuse of the supply chain management system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of these investigations. Our audit included an assessment of the municipality's management of consequences.

158. In the table that follows, we provide analysis of how long incidents of unauthorised, fruitless, and wasteful expenditure reported in previous years take to clear, e.g. transfer to receivables for recovery, condonation and removal.

Status of incidents of prior years unauthorised, fruitless, and wasteful expenditure (UIFWE)

Type	Incidents reported	Incidents cleared	Incidents not cleared	Average time to clear incidents	Average age of incidents not yet cleared	Reason
Irregular expenditure	131	0	131	N/A - none were cleared	3 Years	During the current financial year, the MPAC did not meet to investigate cases of UIFW.
Fruitless and wasteful expenditure	8	0	8	N/A - none were cleared	3 years	During the current financial year, the MPAC did not meet to investigate cases of UIFW
Unauthorised expenditure	1	0	1	N/A none were cleared	3 Years	During the current financial year, the MPAC did not meet to investigate cases of UIFW

159. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on consequence management

Finding	Material non-compliance	Value/instances	Prior years reported	
			2022-23	2021-22
Category – e.g. Measures to manage consequences / Investigations / Unauthorised, irregular, and fruitless and wasteful expenditure / Allegations of financial misconduct				
Irregular expenditure, incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA and municipal budget and reporting regulations 75(1).	Yes	R433 338 344	√	√
Unauthorised 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 and municipal budget and reporting regulations 75(1).	Yes	R628 041 665	√	√
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 and municipal budget and reporting regulations 75(1).	Yes	R157 778 292	√	√

160. Political and leadership instability in the municipality resulted in a lack of oversight making it difficult to implement audit recommendations and consequence management. During prior-year audits, we reported findings on transgressions by officials or other role-players for management to investigate.

161. During the current year's audit, we performed follow-up tests to determine whether management dealt with these matters. None of the reported transgressions were investigated and resolved.

Prior-year transgressions

Prior-year finding	Instances reported	Instances investigated	Instances resolved through investigation	Prior years reported	
				2022-23	2021-22
Category – e.g. Improper conduct in supply chain management process by suppliers / Improper conduct in supply chain management process by officials/roleplayers / Financial misconduct / Other contraventions of legislation or fraud allegations					
Suppliers submitted false declaration of interests	1	0	0	√	√
Other improper conduct in SCM by suppliers.	2	0	0	√	√

162. Instances reported in the prior year were not investigated and resolved.

163. **Impact:** This results in a lack of consequence management which is the cornerstone of the establishing an effective leadership based on a culture of honesty, ethical practices, good governance, and protect and enhance the interests of the municipality in an ethical environment.

164. The municipal MPAC did not meet at all during the financial year to deal with consequence management. In addition, the instability at accounting officer level also prevented proper oversight over consequence management. We identified significant internal control deficiencies, which caused the weaknesses in consequence management as reported.

Significant internal control deficiencies – consequence management

Deficiency	Prior years reported	
	2022-23	2021-22
Lack of oversight responsibility due to instances of UIFWE not investigated.	√	√

165. We made recommendations to improve the consequence management process to the positions in senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – consequence management

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The municipality should investigate all instances of unauthorised, irregular, fruitless and wasteful expenditure as required by MFMA</p> <p>Response: Management agrees with the recommendation.</p>	2021-22	Not started

166. Prior year recommendations have not been implemented and the municipal MPAC did not meet during the year to deal with the issues under consequence management. The accounting officer should exercise appropriate actions to ensure that identified deficiencies in internal control are addressed by management on a timely basis. There were multiple acting persons in the office of the accounting officer

which contributed to the lack of recommendations to the oversight committee over consequence management.

FRAUD RISK

167. Our auditing standards define fraud as an intentional act by one or more individuals who are employees, management, those charged with governance or third parties, and that involves the use of deception to obtain an unjust or illegal advantage.

168. We are required to evaluate whether the information obtained during our audit indicates whether there are any fraud risk factors present at the municipality and consider its impact on the audit. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or that provide an opportunity to commit fraud (e.g. inadequate controls to prevent or detect fraud). We identified fraud risk factors. All of these risk factors were also present in prior years.

Fraud risk factors

Event or condition	Prior years reported	
	2022-23	2021-22
ISSIA 1240 Presumed risk of fraud in procurement resulting in irregular expenditure arising from: <ul style="list-style-type: none"> Non-compliance with SCM legislation Collusion, fronting and cover quoting 	√	√
ISA 240 – Presumed risk of fraud resulting from completeness and occurrence of municipal revenue	√	√
ISA 240 – Inappropriate and/or unauthorised journal transactions processed in the preparation of financial statements.	√	√
Home Grown the vendor for municipal prepaid electricity, has never paid the amount for electricity sales to the municipality since the inception of the contract in November 2023. It is estimated that an amount of R28 million was collected from the sale of electricity.		

169.. We identified such matters and communicated it to the accounting officer for urgent attention.

Suspected fraud or indicators

Observation	Prior years reported	
	2022-23	2021-22
Revenue from prepaid electricity sales collected by the vending entity not paid over to the municipality.		
Expenditure incurred above the contract amount of R15 000 000 for MJB security and project.		
Expenditure incurred without following procurement processes and no support contract (SLA) in place for security service by Mabotwane amounting to R1 401 620		

170. **Impact:** The above results in financial loss as money was collected on behalf of the municipality and not paid over to the municipality.

171. We identified significant deficiencies in internal controls to prevent and detect fraud and corruption

Significant internal control deficiencies – fraud prevention and detection

Deficiency	Prior years reported	
	2022-23	2021-22
The accounting officer did not exercise oversight to ensure that revenue collected on behalf of the municipality is paid over to the municipality		

172. We made recommendations to address the fraud risk matters we communicated to the positions in senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – fraud risk

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should exercise oversight to ensure that revenue collected on behalf of the municipality is paid over to the municipality</p> <p>Response: Management agrees with the recommendation.</p>	2023-24	Not started

SECTION 3: CONTROL ENVIRONMENT

OVERALL CONTROL ENVIRONMENT

173. The significant internal control deficiencies as reported in **section 2** were caused by weaknesses in the overall control environment, for which the accounting officer and senior management are responsible.

174. The following are the main weaknesses that need urgent attention to improve the overall control environment:

Significant internal control deficiencies – overall control environment

Deficiency	Prior years reported	
	2022-23	2021-22
The accounting officer did not ensure that adequate internal controls are implemented to prevent non-compliance with applicable legislations	√	√
The accounting officer did not adequately implement the record management policy and related procedures to ensure that all documentation is properly controlled and submitted timeously.	√	√
The accounting officer did not ensure that regular reviews of financial reports/ performance information is performed to ensure that the financial information and performance information is accurate and complete.	√	√
The accounting officer did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	√	√
The accounting officer did not establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities	√	√
The accounting officer did not ensure that monies collected on behalf of the municipality are paid into the municipality's bank account.		

175. It is concerning that the municipality have not implemented the prior year recommendations as instances of non-compliance, material misstatements and non-submission of information were also identified in the current year. In **annexure C** we provide a more detailed view of the overall state of internal control.

ACCOUNTABILITY ECOSYSTEM

176. The accountability ecosystem is the collection of role-players that have a part to play in enabling and institutionalising a culture of performance, transparency, accountability, and integrity at the municipality. These role-players include the officials, senior management and accounting officer, supported by the internal audit unit and the audit committee.

177. We observed strengths and weaknesses in the contributions to the ecosystem by leadership, management and the governance structures of the municipality. We share our observations with the intention to contribute to strengthening the overall control environment, performance and accountability.

Accounting officer and senior management

178. The accounting officer did not ensure compliance with the relevant legislation as material misstatements and limitations were identified in the financial statements.
179. The accounting officer did not ensure that steps were taken to ensure that deficiencies in internal control on performance information identified by auditors were addressed.
180. The municipality developed a plan to address internal and external audit findings, however the accounting officer did not monitor adherence and effective implementation of the action plan as similar misstatement to the prior year were identified in the current year.
181. The financial statements and annual performance report submitted for audit contained numerous material limitations resulting in a disclaimer opinion.
182. The accounting officer did not ensure that monies collected on behalf of the municipality are paid over to municipal account.

Audit committee

183. Our assessment of the assurance provided by the audit committee is based on the fact that the audit committee was fully constituted during the financial year under review and fulfilled their duties by reviewing the effectiveness of the internal control system, reviewing the adequacy, reliability and accuracy of the financial information provided to users of such information, compliance with legal and regulatory provisions.
184. The audit committee have not met in the 3rd and 4th quarter to discuss the reports of the municipality as required by the audit committee charter.
185. The term of the audit committee came to an end on 30 June 2024 which resulted in the financial statements submitted for audit not being reviewed. This resulted in numerous material misstatements being identified on the submitted financial statements

Internal audit unit

186. The internal audit unit of the municipality was not adequately capacitated, as a result the planned audits as per the internal audit plan were not all performed.
187. The accounting officer did not act on a timely basis on the internal audit unit's recommendations and reports, thus negatively affecting its effectiveness as an assurance provider to the governance of the municipality.
188. The auditing standards allow us to use the work of internal audit units for external audit purposes and for direct assistance. We have used internal audit work as follows: For risk assessment on financial audit, performance audit as well as compliance audit.
189. We call on all our stakeholders that play a pivotal role in the accountability ecosystem to stimulate and promote a culture of accountability that will improve the municipality's audit outcome

RECOMMENDATIONS AND RESPONSES

190. We made recommendations to improve the overall control environment to the positions in senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – control environment

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should ensure that adequate internal controls are implemented to prevent non-compliance with applicable legislations</p> <p>Response: Management agrees with the recommendation</p>	2021-22	In process – behind schedule
<p>Recommendation: The accounting officer should ensure that the municipality adequately implement the record management policy and related procedures to ensure that all documentation is properly controlled and submitted timeously</p> <p>Response: Management agrees</p>	2021-22	In process – behind schedule
<p>Recommendation: The accounting officer should ensure that regular reviews of financial reports/ performance information is performed to ensure that the financial information and performance information is accurate and complete.</p> <p>Response: Management agrees with the recommendation</p>	2021-22	In process – behind schedule

191. It is concerning that the municipality did not implement the prior year recommendations as instances of non-compliance, material misstatements and non-submission of information were also identified in the current year.

SECTION 4: OVERALL RECOMMENDATIONS

192. We provided recommendations to senior management to rectify the weaknesses identified in financial management, performance management, compliance with legislation and service delivery. Management implemented 0% of the recommendations. The prior year recommendations were not implemented due to lack of oversight in the municipality and political instability which resulted in instability in senior management position and lack implementation of the audit action plan.

193. Our recommendation for the accounting officer is to focus on addressing the underlying root causes of these weaknesses, which stem from deficiencies in the overall control environment and failures in the accountability ecosystem.

194. In our view the main root causes that need attention are as follows:

- Inadequate controls for the recording and reporting of information.
- Lack of adequate review of financial information prior to submission for audit.
- Reliance on consultants in the asset management area without adequate monitoring and review of their work.
- Lack of consequence management
- Instability in key management positions due to the instability in political environment within the municipality
- Interpretations of the supply chain management prescripts.

195. Addressing these root causes requires a focused and systematic approach. We have found that an action plan that is focused on addressing root causes, with SMART targets and disciplined monitoring and implementation, is fundamental to success and resolving the material misstatements.

196. The following are our main recommendations to address the identified root causes. The preliminary recommendations will be further discussed and agreed after the audit cycle. We have shared some of these before and ask for urgent action to ensure their implementation.

Overall recommendations

	Recommendation	Year originally recommended	Status of implementation
1.	Implement consequence management for the non-compliance with legislation and accountability failures to enable improved performance and service delivery.	2021-22	Limited progress
2.	Enhancement of record keeping with consequences for unaccountability.	2021-22	Not started
3.	Maintain a robust financial management culture, which includes ensuring effective revenue collection, prudent spending, daily reconciliations and reviews of transactions and balances as well as record keeping.	2021-22	Limited progress
4.	Ensure timely appointments are made on key senior management positions	2022-23	Limited progress
5.	Ensure that there is stability in key positions.	2023-24	Not started

	Recommendation	Year originally recommended	Status of implementation
6.	Develop and monitor the implementation of action plans to address internal control deficiencies.	2021-22	Limited progress
7.	Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored	2023-24	Not started
8.	Ensure compliance with laws and regulations	2021-22	Limited progress
9.	Ensure sound governance and proper financial management is maintained at all times.	2021-22	Limited progress
10.	Ensure that all monies collected on behalf of the municipality are paid over to the municipality.	2023-24	Limited progress

197. The municipality's internal control environment is not functioning at full capacity due to the identified significant deficiencies, non-compliance and material misstatements and limitations noted.

CONCLUSION

198. Our staff remain committed to assist in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to account for public resources in a transparent manner.

199. A culture of performance, accountability, transparency, and integrity should be a shared vision. We urge all role-players in the accountability ecosystem to fulfil their designated roles and play their part effectively and without fear or favour to ensure accountability for government spending and improvement in the lives of all South Africans.

Yours sincerely



Klaas Mhlongo

Senior manager

30 November 2024

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ANNEXURE A: FINANCIAL ASSESSMENT

The disclaimer of opinion on the financial statements meant the information was not reliable enough for us to analyse and comment on the municipality's financial position. As a result, we cannot provide a financial assessment.

ANNEXURE B: PROCUREMENT AND CONTRACT MANAGEMENT

1. We included a summary of our findings and their impact in the section on procurement and contract management. This annexure provides the detailed findings.

Audit limitations

2. Not all information we required to perform our audit of procurement processes, contract management and payments was provided.

Information not provided for auditing

Item selected for auditing	Information not provided	Value	Reason provided by management	Material non-compliance
ACCOMMODATION FOR MFMP TRAINEES TO ATTEND MFMP IN CENTURION - ANEW HOTEL CENTURION	Quotations and payment voucher documents	R38 250	No reasons provided	Yes
REPAIR OF SEWER PUMPS - TRASCON TRADING AND PROJECTS	Quotations and payment voucher documents	R197 460	No reasons provided	Yes
MERCEDES-BENZ SERVICE (MAYOR'S CAR) - MERCEDES-BENZ LIMITED CENTURION	Quotations and payment voucher documents	R30 727	No reasons provided	Yes
Flights for 4 people - LEHELLO TRADING	Quotations and payment voucher documents	R73 370	No reasons provided	Yes
CONFERENCE VENUE - THABAZIMBI COUNTRY LODGE	Quotations and payment voucher documents	R23 100	No reasons provided	Yes
RIOT REAM - RM AND J HOLDINGS	Quotations and payment voucher documents	R200 000	No reasons provided	Yes
Mr MF KAMOI; Ms E NDHLOVU; Mr RL MOGOROSI AND Mrs LK MONAWA-LESOTHO at the Public Administration : National Diploma - KGOLO INSTITUTE	Quotations and payment voucher documents	R345 000	No reasons provided	Yes
COR/01/2023-24: Appointment of Panel of Service Provider(s) for Supply and Delivery of Personal Protective Equipment (PPE) for a period of Three years -	Bids and evaluation documents not provided	Based on demand	No reasons provided	Yes

Item selected for auditing	Information not provided	Value	Reason provided by management	Material non-compliance
Madijo Trading Mahoda				
COMM/04/2022-23: Appointment for service provider to provide security services for a period of three years - MJB Security and Projects	Bids and evaluation documents not provided	R15 000 000	No reasons provided	Yes
Appointment of Temporary Specialised Safety and Security Services - Mabotwane Security Services	Bids and evaluation documents not provided	R 1401620	No reasons provided	Yes
Skierlik paving of bus route for 2km	Project monitoring progress reports	R16739812.49	No reasons provided	Yes
Northam upgrading of water reticulation (Ward 7,8)	Project monitoring progress reports	R8958105.09	No reasons provided	Yes
Construction of VIP toilet in Rooiberg, Skierlik and Meriting	Project monitoring progress reports	R8161709.85	No reasons provided	Yes
COR/01/2023-24: Appointment of Panel of Service Provider(s) for Supply and Delivery of Personal Protective Equipment (PPE) for a period of Three years - Madijo Trading Mahoda	Project monitoring progress reports	Based on demand	No reasons provided	Yes

3. **Impact:** The above results in non-compliance with procurement and contract management.

Deviations

4. Supply chain management legislation and policy prescribe the processes that apply for procuring specific goods and services as well as their threshold values, including competitive bidding, obtaining quotations or participating in transversal contracts. It also defines the requirements for deviating from the prescribed processes. We identified deviations where the stipulated requirements for such deviations were not complied with.

Findings on deviations from prescribed procurement processes

Contract/quotation	Value and date of award	Finding	Material non-compliance
Deltagen - replacing broken generator	Value: R324 185 Date: January 2024	Declaration of interest (MBD4) not submitted, SCM reg 13c	Yes

Contract/quotation	Value and date of award	Finding	Material non-compliance
Platinum publishers - advertising on local the local news paper	Value: R120 114 Date: Feb 2024	Deviation not reported to council, SCM Rg 36(2)	Yes
Old West Engineering - refuse truck repair	Value: R81 645 Date: May 2024	Declaration of interest (MBD4) not submitted, SCM reg 13c	Yes
CSS HUB - water truck to deliver water at Regorogile	Value: R158 780 Date: April 2024	Declaration of interest (MBD4) not submitted, SCM reg 13c	Yes

5. **Impact:** The above results in non-compliance with procurement and contract management.

Competitive bidding and quotation processes

6. Supply chain management legislation and policy prescribe the manner in which bidding and quotation processes should be performed to enable fair, competitive and equitable procurement. We identified non-compliance with the requirements for both processes.

Findings on competitive bidding process

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
TECH/02/2023-24: Appointment of service provider for paving of Internal Streets (Rooiberg) - Tarcron Projects (Pty) Ltd	R32 849 307	3	Yes		
COR/01/2023-24: Appointment of Panel of Service Provider(s) for Supply and Delivery of Personal Protective Equipment (PPE) for a period of Three years - Madijo Trading Mahoda	Based on demand	1	Yes		
BTO/19/2022-2023: The multi-utility online vending system including third party vending, TID and revenue enhancement for period of three (3) years - HomeGrown business Integration (Pty) Ltd	R11 444 267	5	Yes		
COMM/04/2022-23: Appointment for service provider to provide security services for a period of three years - MJB Security and Projects	R15 000 000	3	Yes		
Appointment of Temporary Specialised Safety and Security Services - Mabotwane Security Services	R1 401 620	2	Yes		
JBFE - updating and maintenance of the grap and MSCOA compliant asset registre	R12 000 000	1	Yes		

Findings on quotation process

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
ACCOMMODATION FOR MFMP TRAINEES TO ATTEND MFMP IN CENTURION - ANEW HOTEL CENTURION	R38 250	1	Yes		
REPAIR OF SEWER PUMPS - TRASCON TRADING AND PROJECTS	R197 460	1	Yes		
MERCEDES-BENZ SERVICE (MAYOR'S CAR) - MERCEDES-BENZ LIMITED CENTURION	R30 727	1	Yes		
Flights for 4 people - LEHELLO TRADING	R73 370	1	Yes		
CONFERENCE VENUE - THABAZIMBI COUNTRY LODGE	R23 100	1	Yes		
RIOT REAM - RM AND J HOLDINGS	R200 000	1	Yes		
Mr MF KAMOI; Ms E NDHLOVU; Mr RL MOGOROSI AND Mrs LK MONAWA-LESOTHO at the Public Administration : National Diploma - KGOLO INSTITUTE	R345 000	1	Yes		

7. **Impact:** The above results in non-compliance with procurement and contract management.

Contract management

8. Supply chain management legislation and policy prescribe the manner in which contracts should be managed to ensure that payments are only made for goods and services that have been received and that have been delivered at the right quality. We identified non-compliance with these requirements.

Findings on contract management

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
Construction of Smashblock 132/22KV 20 MVA Substation - NSK Electrical JV F-Tech Services	R 57271400.5	1	Yes		
Upgrading of bulk water pipeline between Thabazimbi pumpstation Y-Piece - Iceburg Trading 751 CC	R 43713285.26	4	Yes		
COMM/04/2022-23: Appointment for service provider to provide security services for a period of three years - MJB Security and Projects	R 15000000	5	Yes		
BTO/19/2022-2023: The multi-utility online vending system including third party vending, TID and revenue enhancement for period of three (3) years - HomeGrown business Integration (Pty) Ltd	Rate based	4	Yes		
Skierlik paving of bus route for 2km	R16739812.49	1	Yes		

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
Northam upgrading of water reticulation (Ward 7,8)	R 8958105.09	1	Yes		
Construction of VIP toilet in Rooiberg, Skierlik and Meriting	R 8161709.85	1	Yes		
COR/01/2023-24: Appointment of Panel of Service Provider(s) for Supply and Delivery of Personal Protective Equipment (PPE) for a period of Three years - Madijo Trading Mahoda	Based on demand	1	Yes		

9. **Impact:** The above results in non-compliance with procurement and contract management.

Conflict of interest – MFMA

10. We assessed the interests of officials and councillors and other persons in service of the state in the suppliers to the municipality. The supply chain management regulations prohibit awards to suppliers where there could be conflict of interest. We identified such interests.

Interests identified

Type of interest	Value of awards made	Instances	Prior years reported	
			2022-23	2021-22
Awards made to individuals in the service of the state	R5 451 127	13	√	√

11. We identified further non-compliance in the procurement process for the identified awards.

Non-compliance with legislation

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM Regulation 38(1).	R5 451 127	13	Yes	√	√

12. We also assessed the interests of close family members of officials and councillors in the suppliers to the municipality. Procurement legislation does not prohibit awards to such suppliers, but we performed testing to ensure that conflicts of interest did not result in contracts being unfairly awarded or in unfavourable price quotations being accepted, and to share the information with management as potential risks. We identified such interests.

Interests identified

Type of interest	Value of awards made	Instances	Prior years reported	
			2022-23	2021-22
Suppliers in spouses, partners and associates of persons in service of the auditee	R16 800	1		

13. We identified non-compliance related to these interests.

Non-compliance with legislation

Finding	Value	Instances	Material non-compliance	Prior years reported	
				2022-23	2021-22
Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e).	R16 800	1	Yes	√	√

14. **Impact:** Non-compliance with SCM regulations

Internal control and recommendations

15. We identified significant internal control deficiencies, which caused the weaknesses in the procurement and contract management processes as reported.

Significant internal control deficiencies – procurement and contract management

Deficiency	Prior years reported	
	2022-23	2021-22
The accounting officer did not ensure that adequate internal controls are implemented to prevent non-compliance with applicable legislations	√	√

16. We made recommendations to improve the procurement and contract management process to the positions in senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – procurement and contract management

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The accounting officer should ensure that adequate internal controls are implemented to prevent non-compliance with applicable legislations</p> <p>Response: Management agrees with the recommendation.</p>	2021-22	In process – behind

17. It is concerning that the municipality is not implementing the recommendations as similar instances of non-compliance were identified in the current and previous financial year.

ANNEXURE C: ASSESSMENT OF INTERNAL CONTROL




- This annexure provides our assessment of the main internal controls in the areas of **leadership, financial and performance management** and **governance** that should enable credible financial statements and performance reports and compliance with legislation.
- The assessments are rated as follows:

	The required preventative or detective controls were in place.
	Progress was made in implementing preventative or detective controls, but improvement is still required, or actions taken were not sustainable.
	Internal controls were not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.

- Movement from the previous year is shown as follows:

	Improvement		Regression		Unchanged
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Internal control assessment

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
Leadership						
Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protect and enhance the interests of the entity						
Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls						
Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored						
Establish and communicate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities						
Develop and monitor the implementation of action plans to address internal control deficiencies						

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance						
Financial and performance management	▼		▼		▼	
Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting						
Implement controls over daily and monthly processing and reconciling of transactions						
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information						
Review and monitor compliance with applicable legislation						
Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information relating to user access management, programme change control and service continuity						
Governance	▼		▼		▼	
Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored						
Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively						
Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation						

ANNEXURE D: SUMMARY OF DETAILED AUDIT FINDINGS

1. We communicated 56 findings to management during the audit, and [number] findings in the previous year.
2. This annexure summarises the findings that were communicated. The detailed findings are available on request.
3. The findings are rated as follows:

	Matters that will be reported in the auditor's report and should be addressed urgently
	Matters that should be addressed to prevent material misstatements in the financial statements or material findings on the annual performance report and compliance with legislation in future; also includes matters that significantly affected auditee performance
	Matters that do not have a direct impact on the audit outcome or a significant impact on auditee performance, but were communicated to assist with improving processes and mitigating risks

Summary of audit findings

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	AFS Review							
1	Limitation of Scope(Information not submitted for audit)		√	√	√	√	√	2
2	AFS Review findings		√	√	√	√		2
3	Limitation of Scope(Information not submitted for audit)		√	√	√	√		2
4	Limitation of Scope(Information not submitted for audit)		√	√	√	√		2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
5	AFS - Difference between AFS and the underlying records		√					1
6	Limitation of Scope(Information not submitted for audit)		√			√		2
9	Limitation of Scope(Information not submitted for audit)		√			√		2
26	Prior year material misstatements on Expenditure, Revenue and contingent liabilities not corrected.		√					1
	Revenue							
7	Differences between the AFS and the underlying records		√			√		0
10	Revenue collected by the vending entity for electricity sales not paid over to the municipal account		√		√			0
22	Interest Income – Difference between AFS amount and amount per bank confirmations		√					0
25	Property rates – Difference between billing recalculated amount		√					0
31	Government grants and subsidies - Cut-off		√					0
50	Service in kind relating to RAL not accounted for		√					0
54	Property rates not complete		√					0
	VAT							
35	We identified instances where the VAT due was not paid by the 25th of the following month after tax period.				√			0
	Property Plant and Equipment							

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
42	Difference Between GL/AFS and AFS	Yellow	√					0
42	During physical verification of both movable and immovable assets we could not verify the following assets.	Yellow	√					0
42	During physical verification of both movable and immovable assets we noted we picked assets from the floor the assets could not be traced to the asset register.	Red	√					1
42	Work in progress (WIP) PPE - Halted projects not disclosed	Red	√					0
42	PPE - Presentation and disclosure requirements of GRAP 3 not met	Red	√					0
45	Provision for landfill site – Licence expired	Blue			√			0
46	PPE – Assets not utilised	Yellow	√					0
	Expenditure							
19	Payment made by ex-employee	Yellow	√		√			0
19	Expenditure incurred above the contract value	Red			√			0
19	Expenditure incurred with no contract	Red			√			0
19	Payment to suppliers not made within 30 days	Red			√			0
32	Inventory consumed – Differences between disclosed and recalculated amount	Red	√					0
36	Expenditure not complete	Red	√					0
36	Payment to suppliers not made within 30 days	Red			√			2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
37	Payments approved by ex- employees				√			0
38	Eskom debt incorrectly accounted for		√					0
43	HR terminations and acting allowance				√			0
47	HR Management deviations noted				√			0
Trade and other payables from exchange transactions								
20	Differences between the financial statements, General Ledger and Trial balance and the underlying schedules		√					0
24	Advance payments – Difference between AFS and underlying records		√					0
28	Trade and other payables - Completeness		√					0
29	Trade and other payables – Retention differences and limitations		√					0
34	Leave accrual - Differences for selected sample when comparing the leave days balance as per leave accrual register against recalculated leave day's balance		√					0
Procurement and contract Management								
8	Supplier who did not score the highest preferential points won the quote.				√	√		0
8	Municipality's website is not functioning.				√	√		0
8	Supplier awarded without following the procurement process and no approved deviation				√	√		0
33	Written price quotations were not obtained from at least three different prospective suppliers				√			0

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
33	Award/quotation was not approved by the delegated officials				√			0
33	Supplier awarded the bids without completion/incomplete declaration of interest				√			0
33	Goods and services not procured through competitive bid				√			0
33	Accounting officer not notified before awarding bid to bidder not recommended by Bid Evaluation committee (BEC)				√			0
33	Winning bidder tax matters not in order				√			0
33	Preferential point not correctly calculated				√			0
33	Contract extension/modification not approved				√			0
33	Member in both the BEC and BAC				√			0
33	Winning bidder did not comply with bid specification				√			0
33	Procurement was not economical				√			0
33	Bid document not complete				√			0
52	Non compliances				√			2
Disclosures								
15	Water distribution loss - Differences in relation to the reported water distribution loss reported in rands on note 38.1 of the financial statement		√					0
16	Statement of changes in Net Assets - Differences		√					0

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
16	Prior period errors narration of R11 332 390		√					0
17	Senior management remuneration not disclosed in the notes for the financial statement		√					0
18	Financial Instruments and Risk Management - we identified the differences between the disclosure note and the financial statements amounts Trade and other creditors disclosed of R429 286 184 (2023: R176 878 214) is inclusive of the retention amount which was separately disclosed in the financial instruments note amounting to R 17 488 640 (2023: 14 346 939) which results in the amount being disclosed twice		√					0
21	Capital commitments variance between commitment register and auditor's recalculation							0
30	Statement of comparison of budget to actual – Differences in variances, reasons provided not consistent and no reasons provided for material variances.		√					0
39	Use of consultants				√			2
40	Events after reporting period not disclosed – Electricity tariffs		√					0
44	Lease Commitments differences		√					0
48	Water distribution loss - differences in relation to the reported comparative figures for water distribution loss reported in rands on note 38.1 of the financial statement.		√					0
49	Subsequent events not disclosed – Municipality being under administration		√					0
51	Substantial harm due to audit outcome				√			0
56	Going concern not properly disclosed		√					0
	Internal control deficiencies							
11	Financial Statements not reviewed by the audit committee					√		0

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
11	The budget tariffs not approved by council Assets written off not approved by council					√		0
11	Council and other committee member not declaring interest					√		0
11	Fraud prevention strategy and risk management strategy not approved					√		0
11	Risk committee and MPAC not meeting for the required minimum times					√		0
11	Lack of review over daily and monthly reports					√		0
11	Out-dated staff establishment					√		0
Performance Management								
12	Performance management monitoring and reporting: 2022/23 Annual report did not include Annual Performance Report prepared.			√				2
12	Performance management monitoring and reporting: Not all service providers performance were evaluated			√		√		2
12	Performance management monitoring and reporting: the annual performance report did not contain measures taken to improve performance			√				2

ANNEXURE E: UPCOMING CHANGES

1. This Annexure lists upcoming changes and events that will potentially affect the preparation of financial statements and annual performance report and compliance with legislation.
2. The municipality should ensure that systems and controls are in place to implement upcoming changes in the accounting standards that could have an impact on future audit outcomes.
3. The Municipality has boreholes which distribute water for consumption to residents as a free basic service. The Municipality does not incur any costs to acquire the natural resource (water) but incurs costs in to bring the water inventory to its present condition and location. The municipality has not developed processes to measure and record the amount of costs that are incurred to bring the inventory to a condition ready for use. The municipality does not have processes to measure quantities of water that are extracted and consumed/ distributed, as well.
4. As a result of the absence of processes, the cost of borehole water inventory held, consumed and/ or distributed were not accounted for as required by GRAP 12 - Inventories. This has been the practise not only in the current year- but in prior years as well. We recommend that the municipality develops and implements processes that will ensure alignment with the GRAP standards.

Upcoming changes

Description	Audit outcome area	Effective date
GRAP 1 on Presentation of Financial Statements (amended 2022)	Financial statements	To be determined
GRAP 104 on Financial instruments (amended) *	Financial statements	01-Apr-25
Improvements to Standards of GRAP (2023)	Financial statements	To be determined

ANNEXURE F: MATERIAL IRREGULARITIES

This annexure lists the material irregularities (MIs) that will be included in the auditor's report.

Notified	Type	MI description	Status description	
			Actions taken	Actions planned / in progress
Not resolved				
27 June 2024	Substantial Harm	<p>Environmental harm caused by the Donkerpoort Landfill site</p> <p>Irregularity: Every person (including a municipality) who causes or may cause significant pollution or degradation to the environment must take reasonable steps to prevent such pollution or degradation from occurring, continuing, or recurring, or if such harm cannot be avoided or stopped to minimise and rectify the pollution or degrading of the environment.</p> <p>Impact: Substantial harm to the public</p>	No actions taken	No progress made to address the material irregularities
Not resolved				
27 June 2024	Substantial Harm	<p>Environmental harm caused by the Rooiberg Landfill site</p> <p>Irregularity: Every person (including a municipality) who causes or may cause significant pollution or degradation to the environment must take reasonable steps to prevent such pollution or degradation from occurring, continuing, or recurring, or if such harm cannot be avoided or stopped to minimise and rectify the pollution or degrading of the environment.</p>	No actions taken	No progress made to address the material irregularities

Notified	Type	MI description	Status description	
			Actions taken	Actions planned / in progress
		Impact: Substantial harm to the public		
Not resolved				
27 June 2024	Substantial Harm	<p>Environmental harm caused by the Thabazimbi Water Treatment Works (WWTW)</p> <p>Irregularity: Every person (including a municipality) who causes or may cause significant pollution or degradation to the environment must take reasonable steps to prevent such pollution or degradation from occurring, continuing, or recurring, or if such harm cannot be avoided or stopped to minimise and rectify the pollution or degrading of the environment.</p> <p>Impact: Substantial harm to the public</p>	No actions taken	No progress made to address the material irregularities
Further AGSA actions				
27 June 2024	Substantial Harm	<p>Environmental harm caused by the Donkerpoort Landfill site</p> <p>Environmental harm caused by the Rooiberg Landfill site</p> <p>Environmental harm caused by the Thabazimbi Water Treatment Works (WWTW)</p> <p>Irregularity: Every person (including a municipality) who causes or may cause significant pollution or degradation to the environment must take reasonable steps to prevent such pollution or degradation from occurring, continuing, or recurring, or if such harm cannot be avoided or stopped to</p>	AGSA action: Recommendation in auditor's report	

Notified	Type	MI description	Status description	
			Actions taken	Actions planned / in progress
		minimise and rectify the pollution or degrading of the environment. Impact: Substantial harm to the public		