



AUDITOR - GENERAL  
SOUTH AFRICA

The Accounting Officer  
Sol Plaatje Local Municipality  
Private Bag X 5030  
Kimberley  
8300

Date: 30 November 2022

Reference: 21534 REG 21-22

Dear Sir

**Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of [name of entity] for the year ended 30 June 2022**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act No. 25 of 2004 (PAA) read in conjunction with section 188 of the Constitution of the Republic of South Africa section 126(3) of the Municipal Finance Management Act 56 of 2003 (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and the annual performance report and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements, the annual performance report or our audit report on compliance with legislation. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
4. Prior to printing or copying the annual report which will include the audit report you are required to do the following:
  - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the audit report and for confirmation that the financial statements, annual performance report and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.



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- The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
  6. The confidentiality of information obtained in an engagement must be observed at all times. In terms of section 50 of the PAA and the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (*including International Independence Standards*), the AGSA, or an audit firm appointed in terms of section 25 of the PAA, may not disclose or make available any information obtained during an audit, other than the final auditor's report, to any third party unless this is to a legislature or internal committee of a legislature or a court in a criminal matter and the disclosure has been approved by the auditee and the Auditor-General.
  7. Until the steps described in paragraphs 2 and 4 of this document are completed and the annual report is tabled as required by section 127(2) of the MFMA, the audit report is not a final and public document and you are therefore requested to treat it as confidential.
  8. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

Senior Manager: Northern Cape

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

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Sol Plaatje Local Municipality set out on pages **XX** to **XX**, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, the statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Sol Plaatje Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

### Basis for qualified opinion

#### Property, plant and equipment

3. The municipality did not review the useful lives and indicators of impairment of property, plant and equipment at each reporting date in accordance with GRAP 17, *Property, plant and equipment* and GRAP 21, *Impairment of Non-cash-generating Assets*. I was unable to determine the full extent of the overstatement of property plant and equipment and understatement of impairment, depreciation and amortisation for the current and prior year as it was impracticable to do so. Additionally, there was an impact on the surplus for the period.
4. The municipality did not account for infrastructure assets in accordance with GRAP 17, *Property, plant and equipment*. Completed infrastructure assets were incorrectly included as under construction. Consequently, infrastructure assets under construction were overstated by R209 060 167 (2021: R401 888 515) and completed assets included in infrastructure assets were understated by R209 060 167 (2021: R401 888 515). I was unable to quantify the misstatement of the depreciation amount as the municipality did not determine useful lives for these completed assets.
5. I was unable to obtain sufficient appropriate audit evidence that infrastructure under construction had been properly accounted for, due to the status of the accounting records. I was unable to confirm the infrastructure under construction by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service

infrastructure under construction stated at R682 534 670 in note 9 to the financial statements. Since infrastructure under construction is included in the determination of net cash flows from operating activities reported in the cash flow statements, I was unable to determine whether any adjustments were necessary to the cash flows from investment activities disclosed at (R89 592 819) in the financial statements.

6. The municipality did not account for infrastructure assets in accordance with GRAP 17, *Property, plant and equipment*. As the municipality did not maintain adequate and complete records of infrastructure assets, I was unable to determine the full extent of the understatement of completed assets included in infrastructure assets for the current and the prior year, as it was impracticable to do so. There was a resultant impact on the surplus for the period and on the accumulated surplus.

### Service charges

7. The municipality did not recognise all sales of water and electricity, as required by GRAP 9, *Revenue from exchange transactions*. Properties were identified for which the sale of water and electricity was not billed and recorded. I was unable to determine the full extent of the understatement of the sale of water and electricity included in service charges and service debtors for water and electricity included in trade receivables from exchange transactions and VAT payable, as it was impracticable to do so. There was a resultant impact on the surplus for the period and on the accumulated surplus.
8. The municipality did not recognise all sales of water and electricity, as required by GRAP 9, *Revenue from exchange transactions*. As the municipality did not use accurate consumption data when calculating interim billing, I was unable to determine the full extent of the understatement of the sale of water and electricity included in service charges and service debtors for water and electricity included in trade receivables from exchange transactions and VAT payable, as it was impracticable to do so. There was a resultant impact on the surplus for the period and on the accumulated surplus.
9. I was unable to obtain sufficient appropriate audit evidence that indigent subsidies provided (free basic services) relating to the sale of water, sale of electricity, refuse removal and sewerage and sanitation included in service charges for the current year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the indigent subsidies provided by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges stated at R1 139 930 202 in note 24 to the financial statements. Since service charges is included in the determination of net cash flows from operating activities reported in the cash flow statements, I was unable to determine whether any adjustments were necessary to the cash flows from operating activities stated at R254 439 388 as disclosed in the financial statements.

### Trade receivables from exchange transactions

10. I was unable to obtain sufficient appropriate audit evidence for the allowance for impairment for trade receivables from exchange transactions, as the debt was written off without the approval of the council. I was unable to confirm the debt write-off by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the

amounts written off as uncollectable stated at R35 269 966 (2021: R330 208 614) in note 4.3 to the financial statements.

11. During 2021, I was unable to obtain sufficient appropriate audit evidence for the allowance for impairment of trade receivables from exchange transactions due to the status of the accounting records. I could not confirm the provision for impairment for exchange receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the impairment provision, stated at R559 206 109 in note 4.2 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2021 was modified accordingly. My opinion in the current year is also modified due to the possible effect of this matter on the comparability of allowance for impairment for trade receivables from exchange transactions.

#### **Statutory receivables from non-exchange transactions**

12. During 2021, I was unable to obtain sufficient appropriate audit evidence for the allowance for impairment for statutory receivables due to the status of the accounting records. I could not confirm the provision for impairment for exchange receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the impairment provision, stated as R201 779 734 in note 5 to the financial statement. My audit opinion on the financial statements for the period ended 30 June 2022 was modified accordingly. My opinion in the current year is also modified due to the possible effect of this matter on the comparability of the allowance for impairment for statutory receivables.

#### **Investment property**

13. The municipality did not review the useful lives and indicators of impairment of investment property at each reporting date in accordance with GRAP 16, *Investment property* and GRAP 26, *Impairment of cash-generating assets*. I was unable to determine the full extent of the overstatement of investment property and depreciation and amortisation for the current and prior year, as it was impracticable to do so. Additionally, there was an impact on the surplus for the period.
14. The municipality did not recognise items that met the definition of investment property in accordance with GRAP 16, *Investment property*. Investment property was incorrectly classified as community land and inventory. Consequently, investment property was understated by R38 867 114 and community land, and inventory was overstated by R33 652 592 and R5 209 622, respectively.
15. The municipality did not recognise items that met the definition of investment property in accordance with GRAP 16, *Investment Property*. Rental properties were incorrectly classified as community land and inventory. In addition, rental properties were not included in the accounting records. I was unable to determine the full extent of the understatement, as it was impracticable to do so.

## Inventory

16. The municipality did not recognise items that met the definition of inventory in accordance with GRAP 12, *Inventories*, as these inventory land were incorrectly classified as investment property. I was unable to determine the full extent of the understatement of inventory land and overstatement of investment property, as it was impracticable to do so.

## Revenue from exchange transactions

17. I was unable to obtain sufficient appropriate audit evidence regarding the following items as included in the disclosed balance of R1 250 168 344, which had a cumulative effect on revenue from exchange transactions:

- Other income of R14 516 909
- Rental of facilities and equipment of R16 755 155

I was unable to confirm revenue from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the total revenue.

## Context for the opinion

18. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
19. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
20. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Emphasis of matters

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

## Restatement of corresponding figures

22. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2022.

## Material losses

23. As disclosed in note 46.9 to the financial statements, material water losses of R75 476 261 (2021: R69 576 202) were incurred, which represent 64,63% (2021: 61,69%) of total water purchased.
24. As disclosed in note 46.9 to the financial statements, material electricity losses of R189 936 321 (2021: R142 893 865) was incurred, which represent 29,69% (2021: 26,42%) of total electricity purchased.

## Other matters

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

## Unaudited disclosure notes

26. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

## Unaudited supplementary schedules

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

## Responsibilities of the accounting for the financial statements

28. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
29. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

## Auditor-general's responsibilities for the audit of the financial statements

30. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

31. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

32. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I was engaged to perform procedures to identify findings, but not to gather evidence to express assurance.
33. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2022:

Objective	Pages in the annual performance report
Key performance area 2 – basic and sustainable service delivery and infrastructure development	x – x

34. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
35. The material findings on the usefulness and reliability of the performance information of the selected objective are as follows:

### Key Performance Area 2 – Basic and Sustainable Service Delivery and Infrastructure Development

#### Various indicators

36. The source information, evidence and method of calculation for measuring the planned indicator were not clearly defined and related systems and processes were not adequate to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. As a result, limitations were placed on the scope of my work and I was unable to audit the reliability of the following reported achievements in the annual performance report.

No	Indicator	Planned target	Reported achievement
TL42	To upgrade at least 3 km of access roads to a paved surface in Sol Plaatje area by 30 June 2022	0.75	3
TL43	Patching and resealing of 86 000 square metres of roads in Sol Plaatje area by 30 June 2022	86 000	93 000
TL47	Completion of 35% of the construction work for Lerato Park Link Services by 30 June 2022	35%	0%
TL51	To complete 100% work for the installation of electrical and mechanical components in Lerato Park Sewer pump by 30 June 2022	100%	16%
TL48	To complete the electrification of 1 166 households by 30 June 2022 (Lethabo Park, Phase 1)	1 166	0
TL57	To complete the electrification of 150 over the 411 households in Lerato Park by 30 June 2022	150	0
TL58	To complete the electrification of 64 by 30 June 2022 (Soul City – King Sinare)	64	64
TL59	To complete the electrification of 270 households by 30 June 2022 (Golf Course – Riemvasmaak)	270	0
TL61	To complete 100% of the reconstruction work of 320 aged sink toilets in Kagisho, Kutlwanong and Phomolong by 30 June 2022	100%	95%
TL54	To ensure through effective monitoring that a 98% Blue Drop Status on quality compliance is achieved by 30 June 2022	98%	98.8%
TL55	To ensure through effective monitoring that a 60% Green Drop Status on effluent quality compliance is achieved by 30 June 2022	60%	43%
TL60	To complete 100% of the construction of the Homevale Fire Station by 30 June 2022	100%	97%
N/A	Complete 100% rehabilitation of the Thlageng attenuation dam in Galeshewe by 30 June 2022	100%	None
N/A	Completion of 75% of the construction work for the Carters Ridge sewer pump station building with all electrical and mechanical equipment by 30 June 2022	75%	None

## Various indicators

37. A comparison between the performance of the year under review and previous year was not included in the annual performance report for the listed indicators.

No	Indicator	Planned target	Reported achievement
TL42	To upgrade at least 3 km access roads to a paved surface in Sol Plaatje area by 30 June 2022	0.75	3
TL43	Patching and resealing of 86 000 square metres of roads in Sol Plaatje area by 30 June 2022	86 000	93 000
TL51	To complete 100% work for the installation of electrical and mechanical components in Lerato Park Sewer pump Station by 30 June 2022	100%	16%
TL11	15 000 Indigent households to receive free basic services (water, electricity, sanitation and waste removal according to national guidelines) by 30 June 2022	15 000	12 264
TL48	To complete the electrification of 1 166 households by 30 June 2022 (Lethabo Park, Phase 1)	1 166	0
TL57	To complete the electrification of 150 over the 411 households in Lerato Park by 30 June 2022	150	0
TL61	To complete 100% of the reconstruction work of 320 aged sink toilets in Kagisho, Kutlwanong and Phomolong by 30 June 2022	100%	95%
TL53	Decrease water losses to 50% by 30 June 2022	50%	64,63%
TL50	Decrease electricity losses to 16% by 30 June 2022	16%	29,69%
TL54	To ensure through effective monitoring that a 98% Blue Drop Status on quality compliance is achieved by 30 June 2022	98%	98,80%
TL55	To ensure through effective monitoring that a 60% Green Drop Status on effluent quality compliance is achieved by 30 June 2022	60%	43%
TL60	To complete 100% of the construction of the Homevale Fire Station by 30 June 2022	100%	97%

## Various indicators

38. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance in the annual performance report. This was due to limitations placed on the scope of my work. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported measures taken to improve performance for the indicators listed below.

No	Indicator	Planned target	Reported achievement
TL47	Completion of 35% of the construction work for Lerato Park Link Services by 30 June 2022	35%	0%
TL51	To complete 100% of the work for the installation of electrical and mechanical components in Lerato Park Sewer sewer pump Station by 30 June 2022	100%	16%
TL11	15 000 Indigent households to receive free basic services (water, electricity, sanitation and waste removal according to national guidelines) by 30 June 2022	15 000	12 264
TL48	To complete the electrification of 1 166 households by 30 June 2022 (Lethabo Park, Phase 1)	1 166	-
TL57	To complete the electrification of 150 over the 411 households in Lerato Park by 30 June 2022	150	0
TL59	To complete the electrification of 270 households by 30 June 2022 (Golf Course – Riemvasmaak)	270	0
TL61	To complete 100% of the reconstruction work of 320 aged sink toilets in Kagisho, Kutlwanong and Phomolong by 30 June 2022	100%	95%
TL53	Decrease water losses to 50% by 30 June 2022	50%	64,63%
TL50	Decrease electricity losses to 16% by 30 June 2022	16%	29,69%
TL55	To ensure through effective monitoring that a 60% Green Drop Status on effluent quality compliance is achieved by 30 June 2022	60%	43%
TL60	To complete 100% of the construction of the Homevale Fire Station by 30 June 2022	100%	97%

#### Various indicators

39. The planned indicators and targets as per the approved initial service delivery and budget implementation plan and the performance against the planned targets were not reported in the annual performance report for the below performance indicators.

Indicator	Target
Complete 100% rehabilitation of the Thlageng attenuation dam in Galeshewe by 30 June 2022	100%
Completion of 75% of the construction work for the Carters Ridge sewer pump station building with all electrical and mechanical equipment by 30 June 2022	75%

## Decrease water losses to 50% by 30 June 2021

40. I was unable to obtain sufficient appropriate audit evidence for the achievement of 64,63% reported against the targeted 50% in the annual performance report, due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement.

## Other matter

41. I draw attention to the matter below.

## Achievement of planned targets

42. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x to x of this report.

## Report on the audit of compliance with legislation

### Introduction and scope

43. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings, but not to gather evidence to express assurance.

### Annual financial statements and annual report

44. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
45. The 2020-21 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

### Expenditure management

46. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
47. Reasonable steps were not taken to prevent irregular expenditure amounting to R154 574 785 as disclosed in note 45.3 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.

48. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R50 432 943, as disclosed in note 45.2 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid on overdue accounts.

#### **Revenue management**

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

#### **Asset management**

51. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.
52. Capital assets were disposed of without the municipal council having decided, in a meeting open to the public, on whether the assets were still needed to provide the minimum level of basic municipal services as required by section 14(2)(a) of the MFMA.

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

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

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

54. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulations 17(1)(a) and (c).
55. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
56. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. A similar limitation was also reported in the prior year.

#### **Consequence management**

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

## Other information

58. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.
59. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
60. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
61. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

62. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
63. Leadership was not able to prevent the misstatements and non-compliance identified from occurring as the financial statements and the support to it was not sufficiently reviewed. There were instances of material non-compliance that were caused by the leadership, which added to the negative audit outcomes.
64. Measures put in place to stabilise the key positions of the accounting officer and the chief financial officer did not have the desired effect on the overall outcomes of the municipality.
65. Management did not maintain an effective records management system between the different directorates to support performance reporting.
66. The municipality's internal audit function was not adequately capacitated and the position of head of internal audit was only filled after year-end. This had an impact on the responsibilities of the internal audit and resulted in the financial statements and performance information not being timeously reviewed.

## Material irregularities

67. In accordance with the PAA and the material irregularity regulations, we have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities reported in the previous year.

### Material irregularities in progress

68. I identified a material irregularity during the audit and notified the accounting officer of this, as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not yet completed the process of evaluating the responses from the accounting officer; as a result of the instability in leadership, the notification relating to the material irregularity was issued more than once. This material irregularity will be included in the next year's auditor's report.

## Other reports

69. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
70. The Directorate for Priority Crime Investigation (Hawks) is investigating allegations of fraud corruption and money laundering relating to the municipality. These proceedings were in progress at the date of this report.

*Auditor-general*

Kimberley

30 November 2022



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SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general’s responsibility for the audit**

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the municipality’s compliance with respect to the selected subject matters.

### **Financial statements**

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

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

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.