



AUDITOR - GENERAL  
SOUTH AFRICA

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

28 November 2019

Reference: 21354REG18/19

Dear Sir

**Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Sol Plaatje Local Municipality for the year ended 30 June 2019**

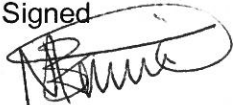
1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements and the reported performance against pre-determined objectives. 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. Until the annual report is tabled as required by section 127(2) of the MFMA the audit report is not a public document and should therefore be treated as confidential.
5. 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 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.
  - 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.

6. Please notify the undersigned Business Executive / Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

A handwritten signature in black ink, appearing to be 'Ndabezinhle Nkosi', written over a horizontal line.

Ndabezinhle Nkosi  
Senior Manager: Northern Cape

Enquiries: Franco Zaayman  
Telephone: (012) 345 6789  
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# Report of the auditor-general to the 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 ... to ..., which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the 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 Municipality as at 31 June 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

### Basis for qualified opinion

#### Investment Property

3. The municipality did not recognise all items of investment property in accordance with GRAP 16, *Investment property*. As the municipality did not maintain adequate records of land under the control of the municipality, I was unable to determine the full extent of the misstatement of investment property for the current and previous year as it was impracticable to do so. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

#### Service charges

4. The municipality did not recognise all service charges accurately that have accrued in accordance with GRAP 9, *Revenue from exchange transactions*. As the municipality did not maintain adequate and complete records of services rendered, I was unable to determine the full extent of the understatement of service charges for the current and previous year as it was impracticable to do so. Consequently, service debtors included in trade receivables from exchange transactions and Value Added Taxes payable from exchange transactions were understated. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.



### Irregular expenditure

5. The municipality did not include the required information on irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The extent of the payments made in contravention of the supply chain management requirements in the prior year were not determined by the municipality. I was unable to determine the full extent of the understatement of irregular expenditure as it was impracticable to do so.

### Aggregation of immaterial uncorrected misstatements

#### Non-current assets

6. In addition to the individually material uncorrected misstatement on investment property, non-current assets was materially misstated in the prior year by R25 336 007 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:
  - Community assets and infrastructure assets included in Property, Plant and Equipment stated at R1 598 060 041 was understated by R24 198 281.
  - Intangible assets stated at R9 207 324 was understated by R1 137 726.

### Context for the opinion

7. 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 this auditor's report.
8. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the 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 codes.
9. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### Emphasis of matters

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

### Restatement of corresponding figures

11. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2019.

### Material impairments – trade receivables

12. As disclosed in note 4.3 to the financial statements, material losses of R56 000 184 (2017-18: R357 859 475) were incurred as a result of a write-off of irrecoverable trade debtors.

13. As disclosed in note 4.3 to the financial statements, material provision for impairment of R959 712 311 (2017-18: R807 423 840) was provided for as a result of poor collection trends.

#### **Material losses**

14. As disclosed in note 46.9 to the financial statements, material water losses of R58 422 743 (2017-18: R42 408 522) was incurred, which represents 61.65% (2017-18: 52.77%) of total water purchased.
15. As disclosed in note 46.9 to the financial statements, material electricity losses of R117 523 957 (2017-18: R54 722 704) was incurred, which represents 25.57% (2017-18: 13%) of total electricity purchased.

#### **Other matters**

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

#### **Unaudited disclosure notes (MFMA 125)**

17. In terms of section 125(2)(e) of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (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**

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

#### **Responsibilities of the accounting officer for the financial statements**

19. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and the Dora and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
20. In preparing the financial statements, the accounting officer is responsible for assessing the Sol Plaatje Local 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**

21. 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 financial statements.

22. 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

23. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 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 development priorities presented in the annual performance report. I was engaged to perform procedures to raise findings but not to gather evidence to express assurance.
24. 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 development priorities presented in the annual performance report of the municipality for the year ended 30 June 2019:

Development priority	Pages in the annual performance report
Basic and Sustainable Service Delivery and Infrastructure Development	x – x

25. 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.
26. The material findings in respect of the usefulness and reliability of the selected development priorities are as follows:

### Various indicators

27. I was unable to obtain sufficient appropriate audit evidence for the reported achievements in the annual performance report of the indicators listed below. This was due to a lack of technical indicator descriptions, proper performance management systems and processes with formal standard operating procedures that predetermined how the achievement would be measured, monitored and reported. I was unable to confirm that the reported achievements of these indicators were reliable by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements.



Indicator description	Strategic objective	Reported achievement
Respond to 85% of emergency call-outs within time limits as prescribed in table 1 and table 2 of SANS 10090 by 30 June 2019	To ensure sustainable delivery of community services (personal including environmental health, library, emergency and traffic services) to all residents of SPM	85%
To replace at least 2500 prepaid electricity meters by 30 June 2019	To ensure a basic standard of living for all through the provision of basic sanitation, water, electricity and refuse delivery services	1 900

#### Various indicators

28. A comparison between the performance of the year under review and previous year were not included in the annual performance report for the indicators listed below:

KPI	Strategic Objective
To complete the construction of the Homevale Fire Station by 30 June 2019	To ensure sustainable delivery of community services (personal including environmental health, library, emergency and traffic services) to all residents of SPM
Respond to 85% of emergency call-outs within time limits as prescribed in table 1 and table 2 of SANS 10090 by 30 June 2019	To ensure sustainable delivery of community services (personal including environmental health, library, emergency and traffic services) to all residents of SPM
To complete 80% of the upgrade of the Galeshewe Sport Stadium by 30 June 2019	To build equitable, cohesive, sustainable and caring communities with improved access to work and social amenities, including sports and recreational facilities (community development and optimal access/inclusion)
To upgrade at least 7 km of Galeshewe access roads to a paved surface by 30 June 2019 (Wards 6, 7, 9,10 and 12)	To address the poor condition of the roads in the Sol Plaatje area through maintenance and upgrading projects
To complete the upgrading of the Carters Glen substation with 1 x 20 MVA transformers by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of electricity services infrastructure
To complete 50% of the project to replace the 66KV oil circuit breakers at the Herlear substation with SF6 by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of electricity services infrastructure
To complete the upgrading of Riverton substation equipment with 2 x 10 MVA transformers by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of electricity services infrastructure
To complete the water connections for the Lerato Park development by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of water and sanitation services infrastructure
To complete the sewer connections for the Lerato Park development by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of water and sanitation services infrastructure



KPI	Strategic Objective
To complete the upgrading of various facilities at the De Beers Stadium by 30 June 2019	To build equitable, cohesive, sustainable and caring communities with improved access to work and social amenities, including sports and recreational facilities (community development and optimal access/inclusion)
To complete 60% of the repair / refurbishment of the sewer outfall main from Gogga to Homevale Wastewater Treatment Plant by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of water and sanitation services infrastructure

### Various indicators

29. The measures taken to improve performance were not included in the annual performance report for the indicators listed below:

Indicator description	Strategic objective	Reported target
To complete the construction of the Homevale Fire Station by 30 June 2019	To ensure sustainable delivery of community services (personal including environmental health, library, emergency and traffic services) to all residents of SPM	100%
To complete the upgrading of the Carters Glen substation with 1 x 20 MVA transformers by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of electricity services infrastructure	100%
To complete the upgrading of Riverton substation equipment with 2 x 10 MVA transformers by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of electricity services infrastructure	100%
To complete the water connections for the Lerato park development by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of water and sanitation services infrastructure	100%
To complete the sewer connections for the Lerato park development by 30 June 2019	To ensure the adequate provision, upgrading and maintenance of water and sanitation services infrastructure	100%
To complete the electrification of 1591 houses (Snake Park, Platfontein, Ramorwa, Fluffy Park, Santa Centre and Kutlwanong) by 30 June 2019	To ensure a basic standard of living for all through the provision of basic sanitation, water, electricity and refuse delivery services	1 591
To replace at least 2500 prepaid electricity meters by 30 June 2019	To ensure a basic standard of living for all through the provision of basic sanitation, water, electricity and refuse delivery services	2 500



Indicator description	Strategic objective	Reported target
To ensure through effective monitoring that a 90% Green Drop Status is achieved by 30 June 2019	To ensure management of the quality of the drinking water and waste water through compliance with the applicable legislation	90%
To plan and survey 2000 erven in Lethabo Park by 30 June 2019	Develop suitable located and affordable housing (shelter) and decent human settlements	2 000

#### Various indicators

30. I was unable to obtain sufficient appropriate audit evidence to validate the existence of a system and processes that enable reliable reporting of actual achievement against the indicators listed below.

Sufficient appropriate audit evidence could not be provided to the reported achievements in the annual performance report. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievements as reported in the annual performance report.

Indicator description	Reported target	Reported achievement
To complete the upgrading of the Carters Glen substation with 1 x 20 MVA transformers by 30 June 2019	100%	85%
To complete the upgrading of Riverton substation equipment with 2 x 10 MVA transformers by 30 June 2019	100%	98%
To complete the electrification of 1591 houses (Snake Park, Platfontein, Ramorwa, Fluffy Park, Santa Centre and Kutlwanong) by 30 June 2019	1 591	1 361

#### Various indicators

31. The targets for the indicators listed below were inconsistent between the integrated development plan and annual performance report. In addition, these targets were changed without obtaining the necessary approval.

Indicator number	Indicator description	Planned target	Reported target
TL55	To upgrade at least 7 km of Galeshewe access roads to a paved surface by 30 June 2019 (Wards 6, 7, 9,10 and 12)	7 km	4 km

Indicator number	Indicator description	Planned target	Reported target
TL85	To complete 85% of the mechanical electrical installation in the new Riverton Pump Station by 30 June 2019	100%	85%
TL68	To complete the electrification of 1591 houses (Snake Park, Platfontein, Ramorwa, Fluffy Park, Santa Centre and Kutlwanong) by 30 June 2019	1 591	1 515

#### Various indicators

32. The reported achievement in the annual performance report did not agree to the supporting evidence provided for the indicators listed below. The supporting evidence provided indicated that the achievements of these indicators were as follows:

Indicator description	Reported achievement	Audited Value
To upgrade at least 7 km of Galeshewe access roads to a paved surface by 30 June 2019 Wards 6, 7, 9,10 and 12)	9.290 km	7.695 km
To complete the sewer connections for the Lerato park development by 30 June 2019	36%	24.45%
To complete the water pipe replacement projects at the following areas: Newton, Community, Adam Namakola, Nobengula, Bultfontein Road and Gogga Pump Station by 30 June 2019	100%	83.00%
To ensure through effective monitoring that a 90% Green Drop Status is achieved by 30 June 2019	0%	5.69%
To plan and survey 2000 erven in Lethabo Park by 30 June 2019	1 844	0

#### Various indicators

33. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of 4 of the 33 indicators relating to this programme. This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

Indicator number	Indicator description	Reported achievement
TL12	15 500 Indigent households to receive free basic services (water, electricity, sanitation and waste removal according to national guidelines) by 30 June 2019	14,647
TL76	To replace 2500 water meters by 30 June 2019	2 141



Indicator number	Indicator description	Reported achievement
TL85	To complete 85% of the mechanical electrical installation in the new Riverton Pump Station by 30 June 2019	96%

#### To complete the construction of the Homevale Fire Station by 30 June 2019

34. The reported achievement of 7% for target 100% of the construction of the Homeval Fire Station is not reliable as the municipality did not have an adequate performance management system to maintain records to enable reliable reporting on achievement of targets. As a result, I was unable to obtain sufficient appropriate audit evidence in some instances while in other cases the supporting evidence provided did not agree to the reported achievement. Based on the supporting evidence that was provided, the achievement was 6%, but I was unable to further confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any further adjustments were required to the reported achievement.

#### 15 500 Indigent households to receive free basic services (water, electricity, sanitation and waste removal according to national guidelines) by 30 June 2019

35. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against the target of 15 500 indigents as reported 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.

#### Decrease water losses to 45% by 30 June 2019

36. The achievement for target 45% reported in the annual performance report was 61.5%. However, due to the municipality not maintaining adequate records of the number of water units distributed under water losses, the full extent of the misstatement on the reported achievement could not be determined.

#### Other matter

37. I draw attention to the matter below.

#### Achievement of planned targets

38. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 27 to 36 of this report.

### Report on the audit of compliance with legislation

#### Introduction and scope

39. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific

matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

40. The material findings on compliance with specific matters in key legislations are as follows:

#### **Annual financial statements, performance reports and annual reports**

41. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.
42. The council failed to adopt an oversight report containing the council's comments on the annual report (within the prescribed timelines), as required by section 129(1) of the MFMA.

#### **Expenditure management**

43. Money owed by the municipality municipal entity was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
44. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM Regulations. Irregular expenditure amounting to R26 084 174 was incurred on phase 1 and 2 for electrification in indigent areas.

#### **Revenue management**

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

#### **Asset management**

46. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

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

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

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

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



49. Quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
50. 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). Similar non-compliance was also reported in the prior year.
51. Invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).
52. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential Procurement Regulations.
53. Sufficient appropriate audit evidence could not be obtained that all extensions or modifications to contracts were approved by a properly delegated official, as required by SCM regulation 5.
54. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA.
55. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

### Consequence management

56. 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.
57. Allegations of financial misconduct against senior managers were not always investigated, as required by disciplinary regulations for senior managers 5(3) and section 171(4) of 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 development priorities 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 thereon.
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 development priorities 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, 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 of opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
63. The leadership of the municipality did not exercise their oversight responsibility to ensure that proper internal control procedures were developed and implemented that would have enabled the municipality to produce accurate and complete financial and performance reports. No action was taken on material findings on laws and regulations that were reported in the previous year. Further to that, ineffective monitoring and guidance was provided on the regulated transactions in the current year.
64. The accounting officers and senior management did not create an effective control environment to promote financial and performance reporting disciplines. The instability in leadership contributed to the deteriorating control environment. Repeat and new findings were identified on transactions, balances and disclosures in the financial statements and activities in the performance report. Of concern is the impact of the control environment on compliance requirements which also has regressed.
65. The annual financial statements and annual performance report were subjected to material amendments that can be attributed to weaknesses in the implementation of controls. In addition, the collation of different information from various units for incorporation into the financial statements and annual performance report was not done in time to allow for sufficient and adequate reviews.

### Other reports

66. I draw attention to the following engagements conducted by various parties that 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.
67. The Department of Cooperative Governance, Human Settlements and Traditional Affairs was investigating allegations of possible non-performance and maladministration as referred to in section 106 of the Municipal Systems Act. The outcome of the investigation was not made public at the date of this report.



68. The Directorate for Priority Crime Investigation (Hawks) are investigating allegations of theft and irregularities in the supply chain management processes. These proceedings were in progress at the date of this report.

*Auditor General*  
Kimberley

28 November 2019



AUDITOR - GENERAL  
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 development priorities 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 related to events or conditions that may cast significant doubt on the Sol Plaatje Local Municipality ability 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 the 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 continuing as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and 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 confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.