

5.11 BORROWING AND INVESTMENTS

Infrastructure needs to be replaced and therefore borrowings for periods of 15 years are taken up to lessen the impact on consumers.

5.11.1 ACTUAL BORROWINGS -

Instrument	2023/2024	2024/2025
Finance Leases	0	0

Table 116 - Actual Borrowings

5.11.2 MUNICIPAL INVESTMENTS

Instrument	2023/2024	2024/2025
Cash on Hand	1	1
Deposits - Bank	1 692	2 826
Deposits Short term	7 621	20 394

Table 127 - Municipal Investments

5.12 OTHER FINANCIAL MATTERS

5.12.1 GRAP COMPLIANCE

GRAP and GAMAP are accounting practices that Municipalities need to abide by. The Public Finance Management Act, 1999 and the MFMA prescribes the standards of Generally Accepted Municipal Accounting Practice (GAMAP). The Accounting Standards Board (Board) is required in terms of the Public Finance Management Act (PFMA) and the MFMA to determine generally recognized accounting practice referred to as Standards of Generally Recognized Accounting Practice (GRAP). The Board must determine **GRAP** for: departments (national and provincial);

- public entities;
- constitutional institutions;
- IT
- municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and
- Parliament and the provincial legislatures.

The Board considers that the Standards of GAMAP constitute GRAP for municipalities. GAMAP is an interim solution until such time as it is replaced by a Standard. IMQS understands that the minimum compliance requirement as this point in time is a GIS enabled GRAP compliant Asset Register.

Report of the auditor-general to the Western Cape Provincial Legislature and the council on the Kannaland Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of Kannaland Municipality set out on pages 7 to 40, which comprise the statement of financial position as at 30 June 2025, the statement of financial performance, statement of changes in net assets, the cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the Kannaland Municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Going concern

3. The municipality did not disclose the material uncertainties related to the events or conditions that may cast significant doubt upon the municipality's ability to continue as a going concern as required by GRAP 1, *Presentation of Financial Statements* and I was unable to obtain sufficient appropriate audit evidence to support the use of the going concern basis of accounting due to the status of the accounting records and non-submission of information.

Property, plant and equipment

4. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment due to the status of the accounting records. This municipality has not disclosed an accounting policy for the initial recognition and subsequent measurement of property, plant and equipment, as required by GRAP 17, *Property, Plant and Equipment*. In the absence of an accounting policy, I was unable to determine whether the assets were measured correctly upon initial and subsequent recognition, including being unable to evaluate the appropriateness of the depreciation methods, estimated useful lives, residual values and impairment of property, plant and equipment. I was unable to confirm the appropriate recognition and subsequent measurement basis for property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R324 268 109 (2024: R303 421 652) in note 3 to the financial statements, depreciation and amortisation stated at R17 560 805 (2024: R16 112 945) in note 43 to the financial statements, and impairment on property, plant and equipment stated at R22 516 708 in note 44 to the financial statements.

5. The municipality did not disclose the reconciliation of the carrying amount at the beginning and end of the period for property, plant and equipment in note 3 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Consequently, the disclosure of the reconciliation is understated as follows: opening balance by R340 886 760 (2024: R342 898 563), additions by R24 653 606 (2024: R16 679 860), disposals by R1 329 240 (2024: R1 271 931), impairment by R22 516 708 (2024: R213 681), depreciation by R17 500 112 (2024: R17 633 413) and the closing balance by R324 194 305 (2024: R340 886 760) in note 3 to the financial statements.
6. The municipality did not correctly disclose the cost and accumulated depreciation of property, plant and equipment in note 3 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Consequently, the cost of property, plant and equipment is understated by R105 488 128, and the accumulated depreciation is understated by R105 561 932 in note 3 to the financial statements.
7. The municipality did not correctly disclose the comparative amounts for accumulated depreciation of property, plant and equipment in note 3 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Consequently, the 2024 accumulated depreciation is overstated by R37 465 106 in note 3 to the financial statements.
8. The municipality did not disclose the reconciliation of work-in-progress in note 3 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Consequently, the disclosure of the reconciliation of work-in-progress is understated by R23 397 956 (2024: R4 673 310) in note 3 to the financial statements.
9. The municipality did not correctly recognise work-in-progress additions in note 3 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Consequently, work-in-progress additions is overstated and contracted services expenditure is understated by R4 109 950 respectively.
10. The municipality did not correctly recognise impairment losses in note 3 to the financial statements as required by GRAP 21, *Impairment of non-cash generating assets*. Consequently, property, plant and equipment are overstated by R16 425 298, and impairment losses is understated by R16 425 298.
11. The municipality did not correctly recognise the correction of error in note 3 to the financial statements as required by GRAP 3, *Accounting policies, Changes in accounting estimates and Errors*. Consequently, property, plant and equipment and accumulated surplus is understated by R4 793 016 respectively.
12. The municipality did not disclose the following as required by GRAP 17, *Property, Plant and Equipment*: The carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected, including reasons for any delays, the expenditure incurred to repair and maintain property, plant and equipment and the amount of contractual commitments for the acquisition of property, plant and equipment per class of asset. I have not included the omitted information in the auditor's report as it was impracticable to do so.

13. The municipality did not disclose the comparative amount of compensation from third parties for items of property, plant and equipment that contributed to the gain on disposal of assets of R3 062 828 in note 3 to the financial statements as required by GRAP 17, *Property, Plant and Equipment*. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the aforementioned amounts for the current period.

Payables from exchange transactions

14. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions due to the status of the accounting records. I was unable to confirm the payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to payables from exchange transactions stated at R109 676 741 (2024: R89 806 056) in note 6 to the financial statements.

15. The municipality did not correctly disclose the comparative amount for payables from exchange transactions in note 6 to the financial statements. Consequently, other creditors #20 is overstated by R89 806 056, compensation commission is overstated by R47 644, payables and accruals is overstated by R5 840 052, Auditor-General of South Africa is understated by R15 931 118, electricity bulk purchase is understated by R47 266 197, unallocated deposits is understated by R1 542 951, retentions is understated by R3 231 331, advance payments is understated by R3 159 887, accrued interest is understated by R592 155 and control clearing and interface accounts is understated by R23 970 113 in note 6 to the financial statements.

Employee related costs

16. I was unable to obtain sufficient appropriate audit evidence for employee related costs due to employment contracts, appropriate letters and various other supporting documents not being provided. I was unable to confirm the employee related costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee related costs stated at R114 550 083 (R97 286 000) in note 40 to the financial statements.

17. The municipality did not correctly disclose the comparative amount for employee related costs in note 40 to the financial statements. Consequently, basic salaries are understated by R66 175 971, overtime is understated by R4 032 671, acting and post related allowances is understated by R3 817 614, bonus allowance is understated by R2 431 407, standby allowance is understated by R4 570 428, travel or motor vehicle is overstated by R93 479 791, medical is understated by R2 394 664, pension is understated by R7 108 163 and various other employee related cost items within note 40 to the financial statements were understated. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the employee related costs for the current period.

18. The municipality did not correctly record the employee related costs transactions. Consequently, employee related costs included in note 40 to the financial statements is overstated by R9 250 436 (2024: R7 985 210) and receivables from non-exchange transactions included in note 15 is understated by R9 250 436 (2024: R7 985 210).

19. The municipality did not correctly record the employee related costs transactions. Consequently, employee related costs included in note 40 to the financial statements is understated by R6 804 628, general expenses included in note 46 to the financial statements is understated by R1 370 926, finance costs included in note 45 to the financial statements is understated by R181 649 and payables included in note 6 to the financial statements is understated by R8 357 203.

Receivables from exchange transactions

20. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions due to the status of the accounting records. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from exchange transactions stated at R80 819 359 (2024: R12 538 242) in note 14 to the financial statements.

21. The municipality did not disclose the following as required by GRAP 104, *Financial Instruments*:

- The carrying amount of receivables from exchange transactions which the municipality has pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to the pledge.
- A reconciliation of impairment of receivables from exchange transactions
- The amount that best represents the maximum exposure to credit risk at the end of the reporting period without considering any collateral held or other credit enhancements and in respect to the amounts of the maximum exposure to credit risk at the end of the reporting period, a description of collateral held as security and other credit enhancements.
- Information about the credit quality of the receivables from exchange transactions that are neither past due nor impaired and the carrying amount of receivables from exchange transactions that would otherwise be past due or impaired whose terms have been renegotiated.
- An analysis of the age of receivables from exchange transactions that is past due at the end of the reporting period but not impaired and an analysis of receivables from exchange transactions that are individually determined to be impaired as at the end of the reporting period, including the factors the municipality considered in determining that they are impaired.

I have not included the omitted information in the auditor's report as it was impracticable to do so.

22. The municipality did not correctly disclose the comparative amount for receivables from exchange transactions in note 14 to the financial statements. Consequently, customer debtors-other 1 is overstated by R12 538 242, electricity is understated by R2 233 046, water is understated by R8 071 982, sewerage is understated by R1 064 046, refuse is understated by R1 738 433 and sundry is overstated by R569 265 in note 14 to the financial statements.

Provisions

23. I was unable to obtain sufficient appropriate audit evidence for provisions due to the status of the accounting records. The municipality has not disclosed an accounting policy for the initial recognition and subsequent measurement of provisions, as required by GRAP 19, *Provisions, Contingent liabilities and Contingent assets*. In the absence of an accounting policy, I was unable to determine whether the provisions were measured correctly upon initial and subsequent recognition and includes being unable to evaluate the appropriateness of the significant judgements and assumptions applied to measure the provisions. I was unable to confirm the provisions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to non-current provisions stated at R40 486 437 (2024: R17 222 491) and current provisions stated at R12 186 472 (2024: R16 583 611) in note 21 to the financial statements.
24. The municipality did not disclose the reconciliation of provisions in note 21 to the financial statements as required by GRAP 19, *Provisions, Contingent liabilities and Contingent assets*. Consequently, the disclosure of the reconciliation is understated as follows: opening balance by R33 786 102 (2024: R31 933 968), remeasure/redemption by R3 166 927 (2024: R137 854), interest due to passage of time R1 682 407 (2024: R1 714 280) and the closing balance by R38 635 436 (2024: R33 786 102) in note 21 to the financial statements.
25. The municipality did not correctly disclose the current provision in note 21 to the financial statements as required by GRAP 19, *Provisions, Contingent liabilities and Contingent assets*. Consequently, the current provision is understated and non-current provision overstated by R18 247 700 respectively in note 21 to the financial statements.
26. The municipality did not disclose a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential, and an indication of the uncertainties about the amount of timing of those outflows and the major assumption made concerning future events in note 21 to the financial statements as required by GRAP 19, *Provisions, Contingent liabilities and Contingent assets*.
27. The municipality did not recognise and disclose long service awards as employee benefits in accordance with GRAP 25, *Employee benefits*. Consequently, provisions disclosed in note 21 to the financial statements was overstated while employee benefit obligations disclosed in note 9 to the financial statements was understated by R2 576 000 respectively.
28. The municipality did not disclose the following for long service awards as required by GRAP 25, *Employee Benefits*:
 - Information that explains the characteristics of its other long-term employee benefits and risks associated with them.
 - Information that identifies and explains the amounts in its financial statements arising from its other long-term employee benefits.
 - Information that describes how its long-term employee benefits may affect the amount, timing and uncertainty of the entity's future cash flows.

I have not included the omitted information in the auditor's report as it was impractical to do so.

29. The municipality did not recognise and disclose leave accruals as employee benefits in accordance with GRAP 25, *Employee benefits*. Consequently, provisions disclosed in note 21 to the financial statements was overstated by R9 851 758, employee benefit obligations disclosed in note 9 to the financial statements is understated by R5 367 138 and employee related costs disclosed in note 40 to the financial statements is overstated by R4 484 620.
30. The municipality incorrectly recognised the bonus accruals included in note 21 to the financial statements in accordance with GRAP 25, *Employee benefits*. Consequently, bonus accruals disclosed in note 21 to the financial statements is overstated by R1 509 714, employee benefit obligations disclosed in note 9 to the financial statements is understated by R3 420 122 and employee related costs disclosed in note 40 to the financial statements is understated by R1 900 408.

Employee benefit obligations

31. I was unable to obtain sufficient appropriate audit evidence for employee benefit obligations due to the status of the accounting records and non-submission of supporting information. I was unable to confirm the employee benefit obligations by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to non-current employee benefit obligations stated at R14 318 000 (2024: R14 671 000) in the financial statements.
32. The municipality did not disclose the following as required by GRAP 25, *Employee benefits*:
 - Information that explains the characteristics of its defined benefit plans and risks associated with them, identifies and explains the amounts in the financial statements arising from the defined benefit plans and describes how the benefit plans may affect the amount, timing and uncertainty of the municipality's future cash flows.
 - Information about the characteristics of the defined benefit plans, including the nature of the benefits provided by the plan, a description of the regulatory framework in which the plan operates and a description of any other entity's responsibilities for the governance of the plan.
 - A description of the risks to which the plan exposes the municipality, a description of any plan amendments, curtailments and settlements, and the basis on which the discount rate has been determined.
 - A reconciliation from the opening balance to the closing balance for the net defined benefit liability showing the current service cost, interest revenue or expense, remeasurements of the net defined benefit liability, past service cost and gains and losses arising from settlements, and contributions and payments to and from the plan.
 - The significant assumptions used to determine the present value of the defined benefit obligation.
 - A sensitivity analysis for each significant actuarial assumption as of the end of the reporting period, showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonable possible at that

date; the methods and assumptions used in preparing the sensitivity analysis and the limitations of those methods, and changes from previous reporting period in the methods and assumptions used in preparing the sensitivity analysis and the reasons for such changes.

- A description of any funding arrangements and funding policy that effect future contributions, the expected contributions to the plan for the next reporting period, and information about the maturity profile of the defined benefit obligations.

I have not included the omitted information in the auditor's report as it was impracticable to do so.

Receivables from non-exchange transactions

33. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions due to the status of the accounting records and non-submission of supporting documentation. I was unable to confirm the receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to receivables from non-exchange transactions stated at R9 158 815 (2024: R2 182 196) in note 15 to the financial statements.

34. The municipality did not disclose the following as required by GRAP 104, *Financial Instruments*:

- The carrying amount of receivables from non-exchange transactions which the municipality has pledged as collateral for liabilities or contingent liabilities and the terms and conditions relating to the pledge.
- A reconciliation of impairment of receivables from non-exchange transactions
- The amount that best represents the maximum exposure to credit risk at the end of the reporting period without considering any collateral held or other credit enhancements and in respect to the amounts of the maximum exposure to credit risk at the end of the reporting period, a description of collateral held as security and other credit enhancements.
- Information about the credit quality of the receivables from non-exchange transactions that are neither past due nor impaired and the carrying amount of receivables from non-exchange transactions that would otherwise be past due or impaired whose terms have been renegotiated.
- An analysis of the age of receivables from non-exchange transactions that is past due at the end of the reporting period but not impaired and an analysis of receivables from non-exchange transactions that are individually determined to be impaired as at the end of the reporting period, including the factors the municipality considered in determining that they are impaired.

I have not included the omitted information in the auditor's report as it was impracticable to do so.

Statutory receivables from non-exchange transactions

35. In the prior year I was unable to obtain sufficient appropriate audit evidence for statutory receivables from non-exchange transactions – property rates gross balance and allowance for impairment due to the status of the accounting records and non-submission of supporting information. I was unable to confirm the statutory receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to statutory receivables from non-exchange transactions – property rates gross balance stated at R47 564 724 and related allowance for impairment stated at R45 877 928 in note 12 to the financial statements. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the statutory receivables from non-exchange transactions for the current period.
36. In the prior year I was unable to obtain sufficient appropriate audit evidence for statutory receivables from non-exchange transactions – fines gross balance and allowance for impairment due to the status of the accounting records and non-submission of information. I was unable to confirm the statutory receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to statutory receivables from non-exchange transactions – fines gross balance stated at R6 211 818 and related allowance for impairment stated at R5 927 414 in note 12 to the financial statements. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the statutory receivables from non-exchange transactions for the current period.
37. The municipality did not disclose the following as required by GRAP 108, *Statutory Receivables*:
 - Description of how the statutory receivables from non-exchange transactions arises, with specific reference to the applicable legislation and/or supporting regulations, a description of how the property rates transaction amount is determined and a description of the interest levied, including the basis and rate used.
 - The basis used to assess and test whether a statutory receivable is impaired, including how receivables are grouped and assessed for collective impairment and the discount rate applied to the estimated future cash flows where applicable and how it was determined.
 - A reconciliation of the impairment of statutory receivables from non-exchange transactions and the main events and circumstances that led to the recognition or reversal of the impairment loss.
 - Information about the key indicators and assumptions used to assess and calculate whether statutory receivables were impaired during the reporting period.
 - An analysis of statutory receivables from non-exchange transactions that are past due at the reporting date, and which have been impaired and an analysis of statutory receivables from non-exchange transactions that are past due that have not been impaired.

I have not included the omitted information in the auditor's report as it was impracticable to do so.

VAT payable

38. I was unable to obtain sufficient appropriate audit evidence for VAT payable due to the status of the accounting records and non-submission of supporting documentation. I was unable to confirm the VAT payable by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the VAT payable stated at R6 053 192 (2024: R6 243 138) in note 22 to the financial statements.

Revenue from exchange transactions

39. I was unable to obtain sufficient appropriate audit evidence for revenue from service charges due to the status of the accounting records. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the service charges stated at R131 751 138 in note 26 to the financial statements.
40. The municipality did not correctly recognise revenue from service charges in note 26 to the financial statements. Consequently, revenue from service charges is understated by R4 587 317 and receivables from exchange transactions is understated by R4 587 317.
41. The municipality did not correctly disclose the 2024 gains on disposal of assets and liabilities in note 24 to the financial statements. Consequently, the 2024 gains on disposal of assets and liabilities are understated by R3 062 828.
42. The municipality did not correctly disclose the comparative amount for service charges in note 26 to the financial statements. Consequently, the sale of electricity is overstated by R51 569 038, the sale of water is understated by R33 366 352, the refuse removal is understated by R9 006 287 and the sewerage and sanitation charges is understated by R9 196 399 in note 26 to the financial statements.
43. The municipality did not correctly disclose the comparative amount for investment revenue in note 36 to the financial statements. Consequently, investment revenue from the bank is overstated and investment revenue from trade and other receivables is understated by R8 492 745 respectively in note 36 to the financial statements.
44. In the prior year revenue from exchange transactions were materially misstated by R3 836 989 due to the cumulative effect of individually immaterial uncorrected misstatements in the revenue from exchange transactions:
 - Service charges stated at R124 860 943 was overstated by R710 591.
 - Interest, dividends, and rent on land earned stated at R10 255 061 was overstated by R86 954.

In addition, I was unable to obtain sufficient appropriate audit evidence to confirm revenue from exchange transactions by alternative means:

- Service charges of R93 795 as included in the amount of R124 860 943.
- Interest, dividends and rent on land earned of R334 607 included in the amount of R10 255 061.
- Rental from fixed assets of R217 428 included in the amount of R669 706.
- Gain on disposal of R3 062 828.

Consequently, I was unable to determine whether any further adjustments were necessary to revenue from exchange transactions. The misstatements remained unresolved. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the revenue from exchange transactions for the current period.

45. In the prior year the municipality did not account for other income from exchange transactions in accordance with GRAP 9, Revenue from exchange transactions. Consequently, the other income from exchange transactions comparative amount is overstated and VAT payable is understated by R6 031 622. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the other income from exchange transactions for the current period.

Revenue from non-exchange transactions

46. I was unable to obtain sufficient appropriate audit evidence for revenue from property rates due to the status of the accounting records. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the property rates stated at R28 503 779 in note 37 to the financial statements.

47. I was unable to obtain sufficient appropriate audit evidence for revenue from surcharges and taxes due to the status of the accounting records. I was unable to confirm the surcharges and taxes by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the surcharges and taxes stated at R6 603 986 in note 32 to the financial statements.

48. In the prior year I was unable to obtain sufficient appropriate audit evidence for revenue from non-exchange transactions – government grants and subsidies due to the status of the accounting records and non-submission of supporting documentation. I was unable to confirm the revenue from non-exchange transactions – government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue from non-exchange transactions – government grants and subsidies stated at R90 795 929 in note 39 to the financial statements. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the revenue from non-exchange transactions for the current period.

49. The municipality did not correctly recognise and disclose government grants and subsidies included in note 39 to the financial statements in terms of GRAP 11, *Construction Contracts*. Consequently, revenue from construction contracts is understated by R9 080 705 (2024: R26 959 440) and government grants and subsidies are overstated by R9 080 705 (2024: R26 959 440).

50. The municipality did not correctly disclose the valuations for property rates included in note 37 to the financial statements as required by GRAP 23, *Revenue from non-exchange transactions (Taxes and Transfers)*. Consequently, the disclosure of valuations for property rates included in note 37 to the financial statements is overstated by R2 781 701 (2024: R7 077 497 616).
51. The municipality did not disclose the following as required by GRAP 11, *Construction Contracts*:
 - The amount of contract revenue recognised as revenue in the period, the methods used to determine the contract revenue recognised in the period and the methods used to determine the stage of completion of contracts in progress.
 - The aggregate amount of costs incurred and recognised surpluses (less recognised deficits) to date, the amount of advances received and the amount of retentions.
 - The gross amount due from customers for contract work as an asset and the gross amount due to customers for contract work as a liability.

Expenditure

52. I was unable to obtain sufficient appropriate audit evidence for bulk purchases due to the status of the accounting records and non-submission of documentation. I was unable to confirm bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the bulk purchases stated at R63 322 682 in note 47 to the financial statements.
53. I was unable to obtain sufficient appropriate audit evidence for impairment losses/reversal of impairments due to the status of the accounting records and non-submission of supporting documentation. I was unable to confirm the impairment losses/reversal of impairments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to reversal of impairment stated at R42 560 436 (2024: impairment losses of R66 741 124) in note 44 to the financial statements.
54. In the prior year I was unable to obtain sufficient appropriate audit evidence for general expenses due to the status of the accounting records and the non-submission of supporting documentation. I was unable to confirm general expenses by alternative means. Consequently, I was unable to determine whether any adjustments relating to general expenses, stated at R21 835 473 in note 46 to the financial statements, were necessary. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the general expenses for the current period.
55. The municipality did not correctly recognise the bulk purchases in note 47 to the financial statements. Consequently, bulk purchases and payables from exchange transactions is understated by R10 062 764. The municipality did not correctly recognise the debt relief obtained from bulk purchases. Consequently, revenue from non-exchange transactions and VAT payable is understated by R13 231 120 and R1 598 815 respectively, and payables from exchange transactions is overstated by R14 829 935.

56. The municipality did not recognise all finance costs in note 45 to the financial statements. Consequently, finance costs and payables from exchange transactions are understated by R3 446 034.

57. The municipality did not disclose the impairment of assets in terms of the requirements of GRAP 21, *Impairment of non-cash generating assets* and GRAP 26, *Impairment of cash-generating assets* in note 44 to the financial statements. I have not included the omitted information in the auditor's report as it was impracticable to do so.

58. The municipality did not correctly disclose the comparative amount for general expenses in note 46 to the financial statements. Consequently, external audit fees are understated by R6 820 296, fuel and oil are understated by R3 123 836, utilities-other is overstated by R17 784 311 and various other expenditure items within note 46 to the financial statements were understated. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the general expenses for the current period. The municipality incurred fuel and oil cost of R1 849 434 which were excessive and as a result of the unauthorised use of fleet cards and impacts on public sector concerns such as accountability.

59. The municipality did not correctly disclose the comparative amount for finance costs in note 45 to the financial statements. Consequently, finance cost on finance leases is overstated and finance cost on current borrowings is understated by R4 185 487 respectively.

60. The municipality did not correctly disclose the comparative amounts for contracted services in note 48 to the financial statements. Consequently, administrative and support staff is understated by R31 319 733, business and advisory are understated by R2 811 795, other contractors is understated R10 604, aerial photography is understated by R1 687 295, and legal cost is overstated by R35 829 427.

61. In the prior year expenditure transactions were materially misstated by R7 712 318 due to the cumulative effect of individually immaterial uncorrected misstatements in expenditure:

- Bulk purchases stated at R60 101 142 is understated by R216 670.
- Contracted services stated at R35 829 427 is overstated by R443 427.
- Depreciation and amortisation stated at R16 112 945 is overstated by R90 586.
- Finance costs stated at R4 185 487 is overstated by R303 352.

In addition, I was unable to obtain sufficient appropriate audit evidence to confirm expenditure by alternative means:

- Sale of goods/inventory of R136 880 as included in the amount of R5 318 450.
- Bulk purchases of R2 628 097 included in the amount of R60 101 142.
- Contracted services of R2 426 959 included in the amount of R35 829 427.
- Depreciation and amortisation of R1 899 687 included in the amount of R16 112 945.

Consequently, I was unable to determine whether any further adjustments were necessary to expenditure. The misstatements remained unresolved. My opinion on the current year

financial statements is also modified because of the possible effect of this matter on the comparability of the expenditure for the current period.

Statement of changes in net assets

62. I was unable to obtain sufficient appropriate audit evidence for the movements to the restated balance at 1 July 2024 of R211 164 540 as included in the statement of changes in net assets due to the status of the accounting records. I was unable to confirm the disclosure of these amounts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the total net assets stated at R235 746 670 (2024: R211 164 540) in the statement of changes in net assets.

Cash flow statement

63. I was unable to obtain sufficient appropriate audit evidence on the cash flow statement due to the various misstatements included in the cash flow statement. I was unable to confirm the cash flows by alternative means. I was unable to determine whether any adjustments were necessary to the net cash flows from operating activities stated at R41 804 940 (2024: R118 527 034), net cash flows from investing activities stated at R36 161 711 (2024: R8 520 618) and net cash flows from financing activities stated at R1 220 260 (2024: R3 503 502).
64. The municipality did not disclose the amount of significant cash and cash equivalent balances held by the municipality that are not available for use by the municipality for the current and prior year as required by GRAP 2, *Cash Flow Statement*. I have not included the omitted information in this auditor's report as it was impractical to do so.

Statement of comparison of budget and actual amounts

65. The municipality did not appropriately present the statement of comparison of budget and actual amounts as required by GRAP 24, *Presentation of Budget Information in Financial Statements*, as various misstatements were identified that do not provide a fair presentation which will assist users in understanding the material departures from the approved budget. I was unable to determine the full extent of the omitted disclosure as it was impracticable to do so.

Other misstatements

66. In the prior year I identified additional misstatements with regards to receivables from exchange transactions, receivables from non-exchange transactions, statutory receivables from non-exchange transactions, VAT payable, provisions, accumulated surplus, government grants and subsidies, general expenses and employee related costs. The misstatements remained unresolved. I have not included the omitted information in this auditor's report as it was impracticable to do so.

Other financial assets

67. The municipality incorrectly recognised and disclosed cash and cash equivalents as other financial assets in note 5 to the financial statements. Consequently, other financial assets is overstated and cash and cash equivalents understated by R20 377 347.

Cash and cash equivalents

68. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to the status of the accounting records and non-submission of documentation. I was unable to confirm cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to cash and cash equivalents stated at R2 640 400 in the financial statements.

69. The municipality did not disclose the name of the bank where the account is held, the type of account, the year opening and year end balances in each of the bank accounts as required by section 125(2)(a) of the *Municipal Finance Management Act No 56 of 2003 (MFMA)*. I have not included the omitted information in the auditor's report as it was impracticable to do so.

Inventories

70. The municipality did not disclose the following as required by GRAP 12, *Inventories*: The cost of inventories recognised as an expense and the write-down of obsolete and/or lost inventories were not disclosed in note 13 to the financial statements. I have not included the omitted information in the auditor's report as it was impracticable to do so.

Unspent conditional grants and receipts

71. The municipality did not correctly disclose the comparative amounts for unspent conditional grants in note 18 to the financial statements. Consequently, the 2024 unspent conditional grants and receipts from provincial government is understated by R5 768 009, national government by R7 621 213 and household overstated by R12 841 319. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the unspent conditional grants for the current period.

72. The municipality did not correctly disclose the unspent conditional grants in note 19 to the financial statements. Consequently, the unspent conditional grants and receipts from national government is understated by R7 452 207 (2024: overstated by R5 919 585) and household understated by R1 601 717 (2024: R14 443 036).

Accounting policies

73. The municipality did not appropriately present the accounting policies as required by GRAP 1, *Presentation of Financial Statements*, as various misstatements were identified that do not provide a fair presentation of the accounting policies that are relevant to an understanding of the financial statements. I was unable to determine the full extent of the omitted disclosure as it was impracticable to do so.

Unauthorised expenditure

74. I was unable to obtain sufficient appropriate audit evidence for the unauthorised expenditure incurred during the year and the opening balance of unauthorised expenditure, as disclosed in note 51 to the financial statements, due to the status of the accounting records and the non-submission of information. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to unauthorised expenditure stated at R127 576 624 (2024: R68 713 280) in the financial statements.
75. The municipality did not correctly disclose the comparative amount for unauthorised expenditure in note 51 to the financial statements. Consequently, the opening balance previously reported is understated and unauthorised expenditure-current is overstated by R8 979 004 respectively. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the unauthorised expenditure for the current period.

Irregular expenditure

76. The municipality incorrectly disclosed the opening balance as previously reported for 2020-21 for irregular expenditure disclosed in note 53 to the financial statements. Consequently, the opening and closing balances for irregular expenditure for the current and the comparative balances are understated by R3 317 384.
77. The municipality did not include all the irregular expenditure incurred during the current year in note 53 to the financial statements. Consequently, the irregular expenditure in the current year is understated by R22 350 658.
78. The municipality did not disclose the particulars of the irregular expenditure and whether they are recoverable and any criminal or disciplinary steps taken as a result of such irregular expenditure as required by section 125(2)(d) of the *Municipal Finance Management Act No 56 of 2003 (MFMA)*. I have not included the omitted information in the auditor's report as it was impracticable to do so.

Fruitless and wasteful expenditure

79. I was unable to obtain sufficient appropriate audit evidence for the fruitless and wasteful expenditure opening balance as disclosed in note 52 to the financial statements, due to the status of the accounting records and non-submission of information. I was unable to confirm the disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the fruitless and wasteful expenditure opening balance stated at R8 882 921.
80. The municipality did not disclose all fruitless and wasteful expenditure in note 52 to the financial statements. Consequently, fruitless and wasteful expenditure is understated by R3 761 770.
81. The municipality did not disclose the particulars of any material fruitless and wasteful expenditure and whether they are recoverable and any criminal or disciplinary steps taken as

a result of such fruitless and wasteful expenditure as required by section 125(2)(d) of the *Municipal Finance Management Act No 56 of 2003 (MFMA)*. I have not included the omitted information in the auditor's report as it was impracticable to do so.

82. The municipality did not correctly disclose the 2024 fruitless and wasteful expenditure in note 52 to the financial statements. Consequently, the opening balance previously reported is understated and fruitless and wasteful expenditure-current is overstated by R2 922 099 respectively.

Segment information

83. The municipality did not disclose the segment information for the current and prior year in the financial statements as required by GRAP 18, *Segment reporting*.¹ Due to the status of the accounting records, I was unable to determine the full extent of the disclosure in the financial statements, as it was impracticable to do so.

Commitments

84. Commitments identified in the current and prior year were not disclosed in the financial statements as required by GRAP 17, *Property, Plant and Equipment*. Due to the status of the accounting records, I was unable to determine the full extent of the understatement in the financial statements, as it was impracticable to do so.

Contingent liabilities

85. Contingent liabilities identified in the current and prior year were not disclosed in the financial statements as required by GRAP 19, *Provisions, Contingent liabilities and Contingent assets*. Due to the status of the accounting records, I was unable to determine the full extent of the understatement in the financial statements, as it was impracticable to do so.

Financial instruments

86. Financial instruments identified in the current and prior year were not disclosed in the financial statements as required by GRAP 104, *Financial Instruments*. Due to the status of the accounting records, I was unable to determine the full extent of the understatement in the financial statements, as it was impracticable to do so.

Multi-employer retirement benefit information

87. Multi-employer retirement benefits identified in the current and prior year were not disclosed in the financial statements as required by GRAP 25, *Employee Benefits*. Due to the status of the accounting records, I was unable to determine the full extent of the understatement in the financial statements, as it was impracticable to do so.

Related parties

88. The municipality did not disclose the remuneration of councillors in aggregate in note 41 to the financial statements as required by GRAP 20, *Related party disclosures*. The municipality did not disclose the remuneration of key management per person (individually) and in

aggregate in the relevant categories in note 40 to the financial statements as prescribed by GRAP 20, *Related party disclosures*.

89. The municipality did not correctly disclose the comparative amounts for remuneration of councillors in note 41 to the financial statements. Consequently, the disclosure of remuneration of councillors is understated by R3 726 861.

Accounting by principals and agents

90. The municipality did not disclose a description of the arrangement, including the transactions undertaken; whether the entity is the principal or agent and any significant judgement applied in making the assessment; significant terms and conditions of the arrangements and whether any changes occurred during the reporting period; and explanation of the purposes of the principal-agent relationship and any significant risks and benefits associated with the relationship; a description of any resources that are held on behalf of the principal, but recognised in the agent's own financial statements, and a reconciliation of the carrying amount of the receivables or the payable at the beginning and end of the period showing the revenue that the principal is entitled to, the cash repaid to the principal and the income from agency services as required by GRAP 109, *Accounting by Principals and Agents*. I have not included the omitted information in the auditor's report as it was impracticable to do so.

Events after the reporting date

91. The municipality did not disclose events after the reporting date in the notes to the financial statements as required by GRAP 14, *Events after the reporting date*.

Additional disclosures in terms of applicable legislation

92. The municipality did not disclose the following in the notes to the financial statements as required by section 124(1)(b), 125(1)(b), (c) and (d)(i):
 - Particulars of any arrears owed by individual councillors to the municipality for rates or services and which at any time during the relevant financial year were outstanding for more than 90 days, including the names of those councillors.
 - The total amount of contributions to organised local government for the financial year, and the amount of any contributions outstanding as at the end of the financial year.
 - The total amounts paid in audit fees, taxes, levies, duties and pension and medical aid contributions, and whether any amounts were outstanding as at the end of the financial year.
 - Particulars of material electricity and water losses
 - Deviations from Supply Chain Management Regulation 36

I have not included the omitted information in the auditor's report as it was impracticable to do so.

Preparation of the financial statements

93. I was unable to obtain sufficient appropriate audit evidence that the accounting officer has fulfilled his responsibility for the fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA, as written representations in this respect were not provided. I was unable to obtain written representations from the accounting officer that I had been provided with all relevant information and access as agreed in terms of the audit engagement, and that all transactions had been recorded and were reflected in the financial statements. I could not determine the effect of the lack of such representations on the financial position of the municipality at 30 June 2025 or the financial performance and cash flows from the year then ended.

Emphasis of matter

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

Material losses / impairments

95. As disclosed in the statement of financial performance, material losses of R13,5 million was incurred as a result of a write-off of irrecoverable receivables from exchange transactions.

Other matter

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

Unaudited disclosure notes

97. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

98. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (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.
99. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

100. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.
101. 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 the 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.

Report on the annual performance report

102. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
103. I selected the following material performance indicators related to *KPA 2: Basic service delivery and infrastructure services – To provide access to reliable infrastructure that will contribute to a higher quality of life for Kannaland citizens* presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.
 - KPI 3: Number of formal residential households with access to basic level of water by end June 2025.
 - KPI 4: Number of formal residential households with access to basic level of sanitation by end June 2025.
 - KPI 5: Normal of formal residential households with access to basic level of electricity by end June 2025.
 - KPI 6: Number of formal residential households with access to basic level of solid waste removal by end June 2025.
 - KPI 7: Number of municipal registered indigent households with access to free basic services by end June 2025.
 - KPI 8: 100% of a municipality's MIG actually spent on projects identified for 2024-25 financial year by end June 2025.
 - KPI 9: 100% of municipality's WSIG actually spent on projects identified for 2024-25 financial year by end June 2025.

- KPI 13: 100% of municipality's Municipal Energy Resilience Grant actually spent on projects identified for 2024-25 financial year by end June 2025.
- KPI 14: 100% of municipality's Municipal Water Resilience Grant actually spent on projects identified for 2024-25 financial year by end June 2025.

104. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

105. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance.

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

107. I did not identify any material findings on the reported performance information for:

- KPI 8: 100% of a municipality's MIG actually spent on projects identified for 2024-25 financial year by end June
- KPI 13: 100% of municipality's Municipal Energy Resilience Grant actually spent on projects identified for 2024-25 financial year by end June 2025

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

Various indicators

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

Indicator	Approved target	Reported target
KPI 3: Number of formal residential households with access to basic level of water by end June 2025	4 665	4 757
KPI 4: Number of formal residential households with access to basic level of sanitation by end June 2025	4 350	3 541
KPI 9: 100% of municipality's WSIG actually spent on projects identified for 2024-25 financial year by end June 2025	100%	95%

109. Measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets.

Indicator	Target
KPI 3: Number of formal residential households with access to basic level of water by end June 2025	4 757
KPI 4: Number of formal residential households with access to basic level of sanitation by end June 2025	3 541
KPI 7: Number of municipal registered indigent households with access to free basic services by end June 2025	2 252
KPI 9: 100% of municipality's WSIG actually spent on projects identified for 2024-25 financial year by end June 2025	95%

110. Based on the evidence, the actual achievement of two (2) indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the under achievements on the targets were more than reported and the achievements against the target were lower than reported.

Indicator	Target	Reported achievement	Actual achievement
KPI 5: Number of formal residential households with access to basic level of electricity by end June 2025	3 541	4 024	3 537
KPI 14: 100% of municipality's Water Resilience Grant actually spent on projects identified for 2024-25 financial year by end June 2025	100%	100%	16%

KPI 3: Number of formal residential households with access to basic level of water by end June 2025

111. An achievement of 0 was reported against a target of 4 665 but the audit evidence showed the actual achievement to be 4 757. The target was still achieved.

KPI 9: 100% of municipality's WSIG actually spent on projects identified for 2024-25 financial year by end June 2025

112. An achievement of 75% was reported against a target of 100% but the audit evidence showed the actual achievement to be 82%. The achievement against the target was better than reported.

KPI 6: Number of formal residential households with access to basic level of solid waste removal by end June 2025

113. An achievement of 4 917 was reported against a target of 4 550. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the target was not achieved.

Other matters

114. I draw attention to the matters below.

Achievement of planned targets

115. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

116. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages 13 to 16.

KPA 2: Basic service delivery and infrastructure services – To provide access to reliable infrastructure that will contribute to a higher quality of life for Kannaland citizens.

<i>Targets achieved: 58%</i> <i>Budget spent: 100%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
KPI 3: Number of formal residential households with access to basic level of water by end June 2025	4 757	-
KPI 7: Number of municipal registered indigent households with access to free basic services by end June 2025	2 252	2 213
KPI 9: 100% of municipality's WSIG actually spent on projects identified for 2024-25 financial year by end June 2025	95%	75%

Material misstatements

117. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for *KPA 2: Basic service delivery and infrastructure services – To provide access to reliable infrastructure that will contribute to a higher quality of life for Kannaland citizens.* Management did not correct the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

118. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
119. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
120. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
121. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual reports

122. 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.
123. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

Asset management

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

Consequence management

125. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
126. 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.
127. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Expenditure management

128. Reasonable steps were not taken to ensure that money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

129. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval of funds, as required by section 65(2)(a) of the MFMA.
130. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2)(b) of the MFMA.
131. 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 disclaimer paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with the municipality's supply chain management policy.
132. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified as indicated in the basis for disclaimer paragraph. The majority of the fruitless and wasteful expenditure was caused by late payments which attracted penalties and interest.
133. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified as indicated in the basis for disclaimer paragraph. The majority of the disclosed unauthorised expenditure was caused by spending in excess of the budget.
134. Unforeseen and unavoidable expenditure incurred by the municipality was not approved by the mayor as required by section 29(1) of the MFMA.

Governance and oversight

135. The internal audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to compliance with MFMA, DoRA and any other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.
136. The audit committee did not review the annual financial statements to provide council with an authoritative and credible view of the financial position of the auditee, its efficiency and effectiveness and its overall level of compliance with the relevant applicable legislation, as required by section 166(2)(b) of the MFMA.
137. The audit committee did not advise the council, mayor and accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
138. The audit committee did not review the quarterly reports submitted by the internal auditors on the audits of performance measurement as required by regulation 14(4)(a)(i) on Municipal Planning and Performance Management.
139. The audit committee did not submit an audit report on the review of the performance management system to the council, at least twice during a financial year, as required by regulation 14(4)(a)(iii) on Municipal Planning and Performance Management.

Human resource management

140. I was unable to obtain sufficient appropriate audit evidence that the municipal manager submitted proof of previous employment, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 4(4)(b).
141. 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 and conditions of employment by senior managers.
142. I was unable to obtain sufficient appropriate audit evidence that job descriptions were established for all posts in which appointments were made, as required by section 66(1)(b) of Municipal Systems Act (MSA) and regulation 7(1) of the Municipal Staff Regulations.
143. The municipal manager 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.
144. I was unable to obtain sufficient appropriate audit evidence that the municipal manager and senior managers signed performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Procurement and contract management

145. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). Similar non-compliance was also reported in the prior year.
146. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2).

Revenue management

147. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e)(ii) of the MFMA.
148. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

Strategic planning and performance management

149. The IDP did not reflect the key performance indicators and targets and a financial plan as required by section 26(h) & (i) of the MSA and municipal planning and performance management regulation 2(1)(e) and 2(3)(a).
150. The performance management system and related controls were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted, as required by municipal planning and performance management regulation (7)(1).

Internal control deficiencies

151. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
152. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.
153. Leadership of the municipality, including council and their committees, did not adequately exercise their mandated responsibility and oversight over financial and performance reporting, compliance with applicable legislation and related internal control processes. Management, which includes the chief financial officer, the director of corporate and community services, the director of infrastructure (which has been vacant for the 2024-25 financial year), and the head of the supply chain management unit did not implement adequate controls over daily and monthly processing and reconciling of transactions to ensure complete, relevant and accurate information is available and accessible to support financial reporting. Management's processes implemented for the review of the financial statements were inadequate as a number of misstatements were not detected and corrected during the preparation and finalisation of the financial statements. Management therefore did not have adequate and effective monitoring and review processes to ensure that the financial statements are supported by valid, accurate and complete supporting information and free from material misstatements.
154. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is available and accessible to support financial reporting. There continues to be skill shortages within the finance function and lack of accountability to implement and monitor adherence to processes to ensure that the financial statements are supported by valid, accurate and complete supporting information.
155. The design and implementation of controls are inadequate to ensure compliance with laws and regulations, resulting in non-compliance with sections of the MFMA and its regulations as well as the Municipal Systems Act 32 of 2000 and its regulations that has resulted in the continued incurrence of unauthorised, irregular and fruitless and wasteful expenditure. The municipality does not have the capacity and skills necessary to ensure that processes are implemented effectively to facilitate a culture of compliance with prescribed legislation.
156. Processes have not been implemented to ensure regular reporting on performance information as part of management's processes. The review of the documentation supporting the actual achievements reported in the annual performance report was not adequate to ensure that it is valid, accurate and complete and that it supports the actual performance reported.

Material irregularities

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

Status of previously reported material irregularities

Full and proper records not kept (2022-23)

158. Reasonable steps were not taken in the 2023-24 financial year to ensure that full and proper records were kept as required by section 62(1)(b) of the MFMA, which impacted various financial statement items, including property, plant and equipment, receivables, revenue, current assets, expenditure and various disclosures. The non-compliance contributed to a disclaimer of audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.

159. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to the material uncertainty regarding its ability to continue operations, as disclosed in note 67 to the 2022-23 financial statements. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

160. The accounting officer was notified of this material irregularity on 12 September 2024 and invited to make a written submission on the actions taken and that will be taken to address this matter. The accounting officer could not provide sufficient and appropriate evidence of the actions that have been taken in response to being notified of the material irregularity as the planned actions to address the poor record keeping and financial problems were not adequate. I concluded based on my assessment that the accounting officer has not taken appropriate action to resolve the material irregularity.

161. I notified the accounting officer on 29 November 2025 of the following recommendations to address the material irregularity, which should be implemented by 29 June 2026, with a progress report by 29 March 2026:

- (a) The non-compliance with section 62(1)(b) of the MFMA should be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to enhance control weaknesses.
- (b) Based on the reasons and circumstances, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
 - Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received.

- Consumer debtor reconciliations (including age analysis) of all amounts owed to the municipality.
- Complete and accurate records to support the employee benefit obligations.
- The closing-off of financial accounts and reconciliation these accounts with the underlying records, as required by section 65(2)(j) of the MFMA.
- Effective review processes for the reconciliations that are performed.

(c) I further recommend that the accounting officer continue to implement the approved financial recovery plan to address the financial problems of the municipality.

Auditor General

Cape Town
30 November 2025



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the municipality's compliance with selected requirements in key legislation.

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)

