

Report of the auditor-general to the Free State Provincial Legislature and the council of the Mangaung Metropolitan Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mangaung Metropolitan Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Mangaung Metropolitan Municipality as at 30 June 2023, 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 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

Basis for qualified opinion

Service charges

3. I was unable to obtain sufficient appropriate audit evidence for service charges as the municipality did not implement adequate systems to account for the billing of services. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R1 789 797 225 (2021-22: R1 611 315 981) in note 33 to the financial statements.
4. In addition, the municipality did not recognise revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions* as services were not billed on all consumer accounts. This resulted in service charges being understated by R69 463 905 and consumer receivables from exchange transactions being understated by the same amount. Additionally, there was an impact on the surplus for the year and accumulated surplus.

Employee related costs

5. I was unable to obtain sufficient appropriate audit evidence for expenditure relating to overtime, shift and standby allowances included in employee related costs, as inadequate processes were in place to ensure that a need was established for overtime to be worked or that overtime was actually worked by the municipal officials. I was unable to confirm overtime, shift and standby allowances by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to overtime, shift and standby allowances, stated at R180 669 895 (2021-22: R182 066 600) in note 43 to the financial statements.

Payables from non-exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for the corresponding figures of payments received in advance included in the payables from non-exchange transactions, as adequate processes were not implemented to ensure that these payments were allocated to the specific consumer account to which they relate. I was unable to confirm the corresponding figures for payments received in advance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the corresponding figures for payments received in advance, stated at R305 099 836 in note 20 to the financial statements.

Context for 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 responsibilities of the auditor-general for the audit of the financial statements section of my report.
8. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
9. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.
11. Note 62 to the financial statements indicates that the municipality experienced negative cash movement of R41 411 708 during the year ended 30 June 2023 and, as of that date, 36% of the municipality's current liabilities will have to be funded by next year's budget. In addition, the municipality's creditor's payment period was 385 days and the municipality owed the water board R821 395 331 (2021-22: R690 166 388) as at 30 June 2023, which was long overdue. These events or conditions, along with other matters as set forth in note 62, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

13. As disclosed in note 68 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality, and for the year ended, 30 June 2023.

Material impairment

14. As disclosed in notes 5 and 6 to the financial statements, receivables from non-exchange transactions and receivables from exchange transactions were impaired by R5 782 351 505 (2021-22: R4 620 726 556) and R1 703 007 287 (2021-22: R1 431 811 916) respectively.
15. As disclosed in note 49 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R1 611 452 797 (2021-22: R1 792 031 182).

Material losses

16. As disclosed in note 51 to the financial statements, material water distribution losses of R454 225 316 (2021-22: R406 666 962) were incurred by the municipality mainly due to burst water pipes, leakages and unmetered sites.

Underspending and withholding conditional grants

17. As disclosed in note 22 to the financial statements the municipality materially underspent the conditional grants by R369 930 232 (2021-22: R571 039 043) due to the municipality not properly monitoring the usage of grant funding. As disclosed in note 66 to the financial statements, the National Treasury withheld R377 235 539 (2021-22: R18 378 999) conditional grants from the municipality due to the slow implementation of projects.

Unauthorised expenditure

18. As disclosed in note 63 to the financial statements, unauthorised expenditure of R1 195 214 671 (2021-22: R1 253 981 315) was incurred, due to overspending of the approved budget.

Irregular expenditure

19. As disclosed in note 65 to the financial statements, irregular expenditure of R198 150 623 (2021-22: R185 427 971) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Fruitless and wasteful expenditure

20. As disclosed in note 64 to the financial statements, fruitless and wasteful expenditure of R140 687 848 (2021-22: R83 931 856) was incurred, due to interest paid due to late payments to suppliers.

Events after the reporting date

21. We draw attention to note 71 to the financial statements, which deals with subsequent events and specifically the possible effects of the security breach on the municipality's network and daily operations that occurred in October 2023. In addition, the Minister approved the municipality's financial recovery plan in August 2023, which is being implemented to improve the municipality's financial viability. Our opinion is not modified in respect of these matters.

Material uncertainty relating to claims against the municipality

22. With reference to note 59 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

Other matter

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

Unaudited disclosure notes

24. 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

25. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

26. 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

27. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

28. 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

29. 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 against predetermined objectives for the selected key performance area (KPA) presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
30. I selected the following KPA presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected a KPA that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

KPA	Page numbers	Objective
Basic service delivery	XX	Service delivery improvement

31. I was engaged to evaluate the reported performance information for the selected KPA against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using these criteria provides useful and reliable information and insights to users of the report on the group's planning and delivery on its mandate and planned objectives. My objective was to perform procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
32. The material findings on the reported performance information for the selected KPA are as follows:

Basic service delivery

TR6.12 Percentage of surfaced municipal road lanes which has been resurfaced and resealed

33. An achievement of '2%' of municipal road lanes resurfaced and resealed was reported against a target of '25%' of municipal road lanes planned to be resurfaced and resealed. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved. Furthermore, a measure of reprioritising of budget was reported to improve the performance against the target of 25% of municipal road lanes planned to be resurfaced and resealed. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

TR5.11 Number of scheduled public transport access points added

34. A target of 100% scheduled public transport access points was included in the approved service delivery and budget implementation plan and integrated development plan. However, a target of 28 scheduled public transport access points was reported in the annual performance report. Furthermore, an achievement of 28 public transport access points added was reported in the annual performance report. Lastly, I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

TR4.21 Percentage of municipal bus services 'on time'

35. A measure taken to improve performance against the target of 90% of municipal bus services 'on time' was not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

Length and width of road and length of stormwater channel: Project Grassland 4 main road & stormwater

36. The indicator was included in the approved service delivery and budget implementation plan and integrated development plan but then not clearly defined during planning processes. It was also not determined how the related target would be measured and what evidence would be needed to support the achievement. Consequently, information might be less useful for measuring performance. Furthermore, a measure of termination process underway due to poor performance was reported to improve the performance against the target of 2,2km (two-way) road and stormwater channel. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

HS1.12 Number of serviced sites

37. A target of none was included in the approved service delivery and budget implementation plan and integrated development plan. However, a target of '351' planned serviced sites was reported in the annual performance report. The indicator was included in the approved service delivery and budget implementation plan and integrated development plan but then not clearly defined during planning processes. It was also not determined how the related target would be measured and what evidence would be needed to support the achievement. Consequently, the information might be less useful for measuring performance. No target was set for this indicator. However, no reason was provided for this. The service delivery and budget implementation plan (SDBIP) target was noted as 'none'; the target was therefore not relevant due to the fact that the target does not express a specific level of performance that the municipality is aiming to achieve. In addition, an achievement of 48 serviced sites was reported against the above-mentioned target. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved. Finally, a measure of complete two settlements and acceleration plan for serviced sites provision was reported to improve the performance against the above-mentioned target. I could not determine if the measure was

correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

HS1.31 Number of informal settlements assessed (enumerated and classified)

38. A target of 7 informal settlements was included in the approved service delivery and budget implementation plan and integrated development plan. However, a target of 6 information settlements was reported in the annual performance report. Furthermore, an achievement of 6 informal settlements assessed was reported against the above-mentioned target. However, the audit evidence showed the actual achievement to be '8'. Consequently, the achievement against the target was higher than reported.

HS1.32 Number of informal settlements upgraded to phase 2

39. A target of three (3) informal settlements was included in the approved service delivery and budget implementation plan and integrated development plan. However, a target of one (1) informal settlement was reported in the annual performance report. Furthermore, an achievement of 1 informal settlement upgraded to phase 2 was reported against a target of 1 informal settlement. However, the audit evidence showed the actual achievement to be 0 informal settlements upgraded. Consequently, the target was not achieved.

Percentage completion of construction of link roads (Ext 261-263 and 257) project: Vista Park 3 (Ext 261, 262, 263 and 257)

40. The indicator was included in the approved service delivery and budget implementation plan and integrated development plan but then not clearly defined during planning processes. It was also not determined how the related target would be measured and what evidence would be needed to support the achievement. Consequently, the information might be less useful for measuring performance. Furthermore, an achievement of 50% completion of construction of link roads (Ext 261-263 and 257) was reported against a target of 50% completion of construction of link roads (Ext 261-263 and 257). I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

HS3.6 Average utilisation rate of libraries per library annually

41. An indicator of average utilisation rate of libraries per library annually and target of average number of library visits per library were included in the approved service delivery and budget implementation plan and integrated development plan. However, an indicator of average number of library visits per library was reported in the annual performance report whilst a target was not included in the annual performance report. An achievement of 6 049,67 was reported in the annual performance report. Furthermore, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved. Lastly, the measures taken to improve performance against the target were not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

Kilometres of sewer pipes upgraded and or refurbished project: Refurbishment of sewer systems

42. The reported achievement of 54% of the targeted progress did not relate to the planned indicator and target of 5km sewer pipes planned to be upgraded or refurbished or to predetermined measurement processes. The indicator was included in the approved service delivery and budget implementation plan and integrated development plan but then not clearly defined during planning processes. It was also not determined how the related target would be measured and what evidence would be needed to support the achievement. Consequently, the information might be less useful for measuring performance. Furthermore, adequate processes had not been established to consistently measure and reliably report on this indicator. Consequently, I could not audit the reliability of the reported achievements. In addition, a measure of the contractor to expedite the upgrading and refurbishment was reported to improve the performance against the above-mentioned target. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Number of WWTW refurbished project: Refurbishment of WWTW

43. The reported achievement of 100% of targeted progress did not relate to the planned indicator and target of two waste water treatment works (WWTW) refurbished projects or to predetermined measurement processes. The indicator was included in the approved service delivery and budget implementation plan and integrated development plan but then not clearly defined during planning processes. It was also not determined how the related target would be measured and what evidence would be needed to support the achievement. Consequently, the information might be less useful for measuring performance. Furthermore, adequate processes had not been established to consistently measure and reliably report on this indicator. I could not audit the reliability of the reported achievements.

Upgraded treatment capacity in megalitres per day project: Extension Thaba Nchu WWTW (Selosesha) Mech and Electrical

44. An achievement of the detailed design report completed was reported in the annual performance report. However, the target in the approved service delivery and budget implementation plan and integrated development plan was complete the SCM process. Furthermore, a measure of the appointed consultant under civil works to procure a new contractor for mechanical and electrical works to continue was reported to improve the performance against the target of complete the SCM process. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Upgraded treatment capacity in megalitres per day project: Extension Thaba Nchu WWTW (Selosesha) Civils

45. An achievement of completed casting of chlorine contact tank (CCT) was reported in the annual performance report. However, the target in the approved service delivery and budget implementation plan and integrated development plan was 12 *m*³/day treatment capacity. Furthermore, I could not determine whether the achievement reported against the target was correct, as there were no processes to consistently measure and report on the achievement against the planned indicators. Adequate supporting evidence was also not provided for

auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved. Lastly, a measure of appoint a new contractor to complete remaining civil works was reported to improve the performance against the above-mentioned target. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Number of pumps refurbished project: Hamilton Park pump station refurbishment

46. An achievement of electrical work completed was reported in the annual performance report. However, the target in the approved service delivery and budget implementation plan and integrated development plan was 1 pump, 3 motors electrical control to be refurbished. Furthermore, the audit evidence showed the actual achievement to be only 0 pumps refurbished. Consequently, the target was not achieved. Lastly, the measure of pay contractor in time so that he can complete the work was reported to improve the performance against the target of 1 pump, 3 motors electrical control to be refurbished. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Kilometres of stormwater improved and or rehabilitated project: Stormwater refurbishment

47. Adequate processes had not been established to consistently measure and reliably report on this indicator. Consequently, I could not confirm the reliability of the reported achievement of 0,4km against the target of 3km. Furthermore, I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Procurement of service provider and start with Construction of water network project: Makurung internal water reticulation

48. An achievement of 'tender document completed' was reported in the annual performance report. However, the target in the approved service delivery and budget implementation plan and integrated development plan was 'complete SCM procurement processes and start with construction'. Furthermore, an achievement of tender document completed was reported against a target of complete SCM procurement processes and start with construction. I could not determine if the reported achievement was correct, as the processes established to consistently measure and report achievements were inadequate. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved. Lastly, a measure of fast track SCM processes and start construction as soon as possible was reported to improve the performance against the target of complete SCM procurement processes and start with construction. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

WS4.21 Percentage of industries with trade effluent inspected for compliance

49. An achievement of '#DIV' was reported in the annual performance report. However, the target in the approved service delivery and budget implementation plan and integrated development plan was 20% of industries with trade effluent planned to be inspected for compliance. Furthermore, the audit evidence showed the actual achievement to be 6,54% of industries with trade effluent inspected for compliance. Consequently, the achievement against the target was higher than reported. A measure taken to improve performance against the target of 20% of industries with trade effluent planned to be inspected for compliance was not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

WS5.31 Percentage of total water connections metered

50. A percentage achievement was not reported in the annual performance report. The total number of connections metered was reported, but not the total number of connections unmetered in the annual performance report. However, the target in the approved service delivery and budget implementation plan and integrated development plan was 82% of the total water connections planned to be metered. Furthermore, adequate processes had not been established to consistently measure and reliably report on this indicator. Finally, the measures taken to improve performance against the target of 82% of the total water connections planned to be metered were not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

ENV1.12 Percentage of AQ monitoring stations providing adequate data over a reporting year

51. A target of the number of days monitored where prescribed limits of 19ppb (SO₂) and 40ug per cubic metre (PM₁₀) were exceeded was included in the approved service delivery and budget implementation plan and integrated development plan. However, a target of 100% AQ monitoring stations providing adequate data over a reporting year was reported in the annual performance report. Furthermore, the measures taken to improve performance against the target of 100% were not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

EE2.11 Percentage of total residential electricity provision allocated as Free Basic Electricity (FBE)

52. A target of percentage of total residential electricity provision allocated as Free Basic Electricity (FBE) by 30 June 2023 was included in the approved service delivery and budget implementation plan and integrated development plan. However, a target of 16% total residential electricity provision as FBE was reported in the annual performance report. A measure of the KPI will be revised in 2023-24 financial year during the mid-year assessment to conform to the prescribed technical indicator description (TID) issued by National Treasury was reported to improve the performance against the target of 16% total residential electricity provision as FBE. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

EE3.21 Percentage of planned maintenance performed

53. A target of planned scheduled interruptions of the supply should be restored as per National Energy Regulator of South Africa (Nersa) licence requirements in terms of the NRS047 (2019)/4.5.5.1 requirements by 30 June 2023 was included in the approved service delivery and budget implementation plan and integrated development plan. However, a target of 100% planned maintenance was reported in the annual performance report. Furthermore, an achievement of 94% maintenance performed was reported in the annual performance report. However, the above-mentioned target in the approved service delivery and budget implementation plan and integrated development plan did not agree. Lastly, a measure to improve maintenance processes was reported to improve the performance against the target of 100% planned maintenance. I could not determine if the measure was correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measure was reliable.

Completed high mast lights installed project: Providing of public lighting

54. A target of 22 high mast lights was included in the approved service delivery and budget implementation plan and integrated development plan. However, a target of 28 erected and commissioned high mast lights within Mangaung by 30 June 2023 was reported in the annual performance report.

Various indicators

55. The indicators listed below were included in the approved service delivery and budget implementation plan and integrated development plan but then not clearly defined during planning processes. It was also not determined how the related targets would be measured and what evidence would be needed to support the achievements. Consequently, the information might be less useful for measuring performance.

Indicator	Target	Reported achievement
Percentage completion installation of water reticulation (261-263) Project – Vista Park 3 (Ext 261, 262, 263 and 257)	100% completion of installation of water reticulation (Ext 261-263)	100% completion of installation of water reticulation (Ext 261-263)
Percentage completion of installation of sewer reticulation (261-263) Project – Vista Park 3 (Ext 261, 262, 263 and 257)	100% completion of installation of sewer reticulation (Ext 261-263)	100% completion of installation of sewer reticulation (Ext 261-263)
Percentage completion of construction of stormwater channel(261-263) Project – Vista Park 3 (Ext 261, 262, 263 and 257)	100% completion of construction of stormwater channel (Ext 261-263)	100% completion of construction of stormwater channel (Ext 261-263)

Percentage completion of construction of internal roads (Ext 261-263) Project – Vista Park 3 (Ext 261, 262, 263 and 257)	100% completion of construction of internal roads (Ext 261-263)	100% completion of construction of internal roads (Ext 261-263)
Completed streetlights installed Project – Providing of public lighting	Lakeview	Project deferred to the FY 2023-24
Completed streetlights Project – Providing of public lighting	Plaatjie Street	Project deferred to the FY 2023-24
	Tshabalala Street	Project deferred to the FY 2023-24

Various indicators

56. I could not determine whether the achievements reported against the targets listed below were correct, as there were no processes to consistently measure and report on achievements against planned indicators. Adequate supporting evidence was also not provided for auditing. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target had been achieved. Measures were also reported to improve the performance against the targets listed below. I could not determine if the measures were correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measures were reliable.

Indicator	Target	Reported achievement
Percentage of households receiving basic refuse removal services Project: Increased access to refuse removal	95%	71,8%
Upgraded treatment capacity in megalitres per day Project: MASELSPOORT WTW UPGRADING (MASELSPOORT FILTERS)	75 m ³ /day	None
Kilometres of sewer pipes upgraded and or refurbished Project: BOTSHABELO MAIN OUTFALL SEWER	Complete stage 3 (designs)	Stage 3 completed
	Stage 4 (documentation and procurement)	None
	Start with stage 5 contract	None

Various indicators

57. Achievements of the indicators listed below were reported in the annual performance report. However, the indicators and targets in the approved service delivery and budget implementation plan and integrated development plan were not consistent with the reported achievements. Furthermore, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Performance indicator	Planned target	Reported achievement
Kilometres of gravel roads upgraded to surface roads per lane Project – T1534B: Vereniging Avenue Extension: Roads	1,9 km	Construction stage: 42% of construction progress (7,6% incomplete works) (92,4% construction progress of 1,9 km by Wasserman Teerwerke)
Number of projects under construction; bulk stormwater built Project – T1532: Vista Park Bulk Stormwater	80 % of 1,6km	57% of 1 km construction or physical progress

Various indicators

58. Based on audit evidence, the actual achievement for 2 indicators listed below 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
Kilometres of gravel roads upgraded to surface roads per lane. Project – T1432 MAN 10786 Bergman Square UPG	4,4km	2,5km of the road was completed by 2021-22 FY 0,304km of 1,9km was achieved in 2022-23 FY	0
Number of electrical substation constructed Project – Vista Park 3 (Ext 261, 262, 263 and 257)	5 electrical substations constructed	5 electrical substations constructed	0

Various indicators

59. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
Number of informal settlements households provided with water and sewer Project: Botshabelo West installation of water	2 350 households provided with water connections	3 820
WS2.11 – Number of new water connections meeting minimum standards	421	600
WS4.11 Percentage of water treatment capacity unused	38%	74,6%
WS4.31 – Percentage of wastewater treatment capacity unused	0%	100%

Various indicators

60. The measures taken to improve performance against the targets listed below were not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery. Furthermore, I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator	Target	Reported achievement
TR6.11 – Percentage of unsurfaced roads graded	60%	42%
TR6.21 – Percentage of reported pothole complaints resolved within standard municipal response time	80%	29%
HS1.22 – Number of title deeds registered to beneficiaries	1 000	250
WS1.11 – Number of new sewer connections meeting minimum standards	1 884	0
ENV3.11 – Percentage of known informal settlements receiving basic refuse removal services	97,0%	93,6%
ENV4.11 – Percentage of biodiversity priority area within the municipality	13,0%	9,6%

Various indicators

61. The targets listed below were included in the approved service delivery and budget implementation plan and integrated development plan. However, the targets reported in the annual performance report did not agree. Furthermore, I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. Finally; the measures taken to improve performance for the indicators listed below were not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

Indicator	Target as per SDBIP	Target as per APR	Reported achievement
WS5.21 – Infrastructure leakage index	3,2	0	1,96
ENV4.21 – Percentage of biodiversity priority areas protected	20%	5%	3,2%

Various indicators

62. The targets of the indicators listed below were included in the approved service delivery and budget implementation plan SDBIP and integrated development plan. However, the targets of these indicators reported in the annual performance report (APR) were not consistent with the planned targets. Furthermore, based on audit evidence, the actual achievements for the below indicators did not agree to the achievements reported. Consequently, the achievements might be more or less than reported. Lastly, the measures taken to improve performance against the target of the below indicators were not reported in the annual performance report. This would make it difficult for users to determine what actions will be taken to improve service delivery.

Indicator	Target as per SDBIP	Target as per APR	Reported achievement	Actual achievement
ENV5.21 – Number of inland water samples tested for monitoring purposes	30 water samples tested for monitoring purposes	210	32	867
EE1.13 – Percentage of valid customer applications for new electricity *connections processed in terms of municipal service standards	Total number of valid customer applications for new electricity connections processed as a percentage in terms of municipal service standards by 30 June 2023	70% of valid customer applications for new electricity connections processed as a percentage in terms of municipal service standards by June 2023	54% of valid customer connections processed One hundred and eight (108) valid customer connections were processed within the municipal standard timeframe by 30 June 2023 Ninety - three customer (93) valid customer connections were not processed within the municipal standard time frame	Unknown

Various indicators

63. Measures were reported to improve the performance against the targets listed below. I could not determine if the measures were correct, as adequate supporting evidence was not provided for auditing. Consequently, I could not determine whether the reported measures were reliable.

Indicator	Target	Reported achievement
Upgraded treatment capacity in megalitres per day Project – NORTH EASTERN WWTW Mechanical and Electrical Works (Sludge Stream)	Complete the SCM process	None
Upgraded treatment capacity in megalitres per day. Project – Sterkwater WWTW Phase 3 Mech and Electrical (Liquid Stream)	Complete the SCM process	None
Kilometres of sewer pipes upgraded and or refurbished Project – Refurbishment of sewer systems in Soutpan	2	0
Completion of the refurbishment work Project – Refurbishment of sludge digesters in Bloemspruit WWTW	Completed planned refurbishment work	None
Number of households connected to the existing sewer reticulation Project – Sewer connections	20	0
Kilometres of water pipelines upgraded and or refurbished Project – Refurbishment of supply systems	16 km	0
Number of PRVs commissioned and refurbished Project – Pressure and network zone management (including auditing of valves and PRV commissioning)	15 PRVs commissioned/refurbished	10 PRVs commissioned/refurbished
Number of new sanitation service points meeting minimum standard provided. Project – Water borne sanitation Mangaung ward 17	Appoint PSP	None
	Complete stage 1	None
	Complete stage 2 of the appointment	None
Kilometres of sewer pipes upgraded and or refurbished Project – Bloemspruit network because of densification in	Appoint PSP	None
	Complete stage 1 of the appointment	None
Number of pump stations and kilometres of rising main completed	1 pump station	0 pump station
	5 km of pipeline	0 km of pipeline

Project – Maselspoort water re-use (pump station and rising main)		
Kilometres of gravity line completed	Appointment of PSP	None
Project – Maselspoort water re-use (Gravity to North-East WWTW)	Complete procurement	None
Number of communal taps provided		
Project – Matlharantlheng water & sewer provision	8 communal taps constructed	0
Number of informal settlements households provided with water and sewer		
Project – F/Dom square 37321 (J Zuma) installation of water and sewer reticulation	119 households provided with water and sewer	0
Number of informal settlements households provided with water and sewer		
Project – Marikana installation of water and sewer reticulation	73 households provided with water and sewer	0
Number of informal settlements households provided with water and sewer		
Project – Grassland phase 4 installation of water	1000 households provided with water connections	0
Number of toilets constructed for households in informal settlements		
Project – Alternative sanitation	900 toilets constructed for households in informal settlements	0
Number of residential erven connected with water and sewer		
Project – Fleurdal infill – services	21 erven connected with water and sewer	0
Length and width of road and length of stormwater channel	3,325 km road	0
Project – Caleb Motshabi/ Kgotsong main road & stormwater	3,325 km of stormwater	0
Length and width of road and length of stormwater channel	2,2 km road (2 way)	0
Project – Botshabelo West main road & stormwater	2,1 km stormwater channel	0
TR6.13 – Kms of new municipal road network	6,3 km	2,44 km

Other matters

64. I draw attention to the matters below.

Achievement of planned targets

65. 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.

66. The municipality plays a key role in delivering services to South Africans. 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 xx to xx.

Basic service delivery

<p><i>Targets achieved: 37%</i></p> <p><i>Budget spent: 111%</i></p>		
Key service delivery indicators not achieved	Planned target	Reported achievement
Upgraded treatment capacity in megalitres per day Project – North Eastern WWTW mechanical and electrical works (sludge stream)	Complete the SCM process	None
Upgraded treatment capacity in megalitres per day Project – Sterkwater WWTW phase 3 mechanical and electrical (liquid stream)	Complete the SCM process	None
Number of new sanitation service points meeting minimum standard provided Project – Water borne sanitation Mangaung Ward 17	Appoint PSP and complete stages 1 and 2 of the appointment	None
Kilometres of sewer pipes upgraded and or refurbished Bloemspruit network upgrade because of densification in Mangaung Metropolitan Municipality	Appoint PSP and complete stage 1 of the appointment)	None
Kilometres of sewer pipes upgraded and or refurbished Project – Refurbishment of sewer systems in Soutpan	2	0
Completion of the refurbishment work Project: Refurbishment of sludge digesters in Bloemspruit WWTW	Completed planned refurbishment work	None
Number of households connected to the existing sewer reticulation Project: Sewer connections	20	0
Kilometres of water pipelines upgraded and or refurbished Project: Refurbishment of water supply systems	16 km	0 km
Number of pump stations and kilometres of rising main completed Project – Maselspoort water re-use (pump station and rising main)	1 pump station & 5 km of pipeline	None
Kilometres of gravity line completed project: Maselspoort water re-use (gravity to North Eastern WWTW)	Appointment of PSP and complete procurement	None
Upgraded treatment capacity in megalitres per day	75 ml/day	None

Project – Maselspoort Water Treatment Works upgrading (Maselspoort filters)		
Pole/ street bins placed in all Mangaung's CBDs Project – Refuse bins for CBDs in metro	400 Street/pole bins placed in all CBDs	0
Kilometres of lined bulk stormwater built Project – T1433: Bainsvlei mooiwater bulk stormwater: upgrade	Preliminary design complete	0
Kilometres of road resurfaced, resealed and rehabilitated per lane Project – T1537: Heavy rehabilitation of Nelson Mandela Street	Construction stage (10% of 4,4 km)	0
Completed streetlights installed Project – Providing of public lighting	Plaatje Street, Tshabalala Street	Project deferred to the 2023-24 FY
Indicator: Completed streetlights installed Project – Providing of public lighting	Lakeview	Project deferred to the 2023-24 FY
Number of communal taps provided Project – Matlharantlheng water & sewer provision	8 communal taps constructed	0
Number of informal settlements households provided with water and sewer Project – F/dom sq 37321 (J Zuma) installation of water and sewer reticulation	119 households provided with water and sewer	0
Number of informal settlements households provided with water and sewer Project – Marikana installation of water and sewer reticulation	73 households provided with water and sewer	0
Number of informal settlements households provided with water and sewer Project – Grassland phase 4 installation of water	1 000 households provided with water connections	0
Number of informal settlements households provided with water and sewer Project – Soutpan installation of water and sewer reticulation	89 households provided with water and sewer	0
Number of informal settlements households provided with water and sewer Project – Ratau & Thaba Nchu installation of water and sewer reticulation	390 households provided with water and sewer	0

Number of toilets constructed for households in informal settlements Project – Alternative sanitation	900 toilets constructed for households in informal settlements	0
Number of residential erven connected with water and sewer Project – Fleurdal infill – services	21 erven connected with water and sewer	0
Number of residential erven connected with water and sewer Project – Dewetsdorp internal water & sewer reticulation	100 erven connected with water and sewer	0
Length and width of road and length of stormwater channel * Project – Caleb Motshabi/ Kgotsong main road & stormwater	3,325km road and 3,325km of stormwater	0
Length and width of road and length of stormwater channel Project – Grassland 4 main road & stormwater	2,2km road (2 way) and stormwater channel	0
Length and width of road and length of stormwater channel Project – Botshabelo west main road & stormwater	2,2km road (2 way) and 2,1km stormwater channel	0
WS1.11 – Number of new sewer connections meeting minimum standards	1 884	0
WS4.21 – Percentage of industries with trade effluent inspected for compliance	0%	0
WS5.31 – Percentage of total water connections metered	82%	0%

Material misstatements

67. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

68. 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.
69. 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.
70. 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.
71. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual reports

72. 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, liabilities, revenue, expenditure 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 and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
73. The 2021-22 annual report was not tabled in the municipal council within 7 months after the end of the financial year, as required by section 127(2) of the MFMA.
74. The council failed to adopt an oversight report containing the council's comments on the 2021-22 annual report, as required by section 129(1) of the MFMA.

Procurement and contract management

75. The preference point system was not applied for some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000.
76. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. A similar limitation was also reported in the prior year.
77. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. A similar limitation was also reported in the prior year.

Expenditure management

78. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
79. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, authorisation and payment of funds, as required by section 65(2)(a) of the MFMA.
80. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors, as required by section 65(2)(b) of the MFMA.
81. Reasonable steps were not taken to prevent irregular expenditure amounting to R198 150 623, included in note 65 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with SCM requirements and recurring expenditure from contracts that were reported as irregular in prior financial years.
82. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R140 687 848, included in note 64 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by interest paid due to late payments to suppliers.
83. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 195 214 671, as included in note 63 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending the approved budget.

Utilisation of conditional grants

84. Performance in respect of programmes funded by the informal settlement upgrading partnership grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Performance in respect of programmes funded by the neighbourhood development partnership grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Consequence management

85. 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.
86. Irregular 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.
87. 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.
88. Allegations of financial misconduct laid against officials of the municipality were not investigated by the disciplinary board, relevant treasury or an independent investigator or team of investigators appointed by council, as required by municipal regulations on financial misconduct procedures and criminal proceedings 5(4).

Strategic planning and performance management

89. The performance management system and related controls were not regarded as adequate as required by municipal planning and performance management regulation 7(1) due to the significant internal control deficiencies identified resulting in usefulness and reliability findings on indicators and targets.
90. Measurable performance targets were not set for each of the KPIs for the financial year, as required by section 41(1)(b) of the Municipal Systems Act 32 of 2000 (MSA) and municipal planning and performance management regulation 12(1).

Revenue management

91. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.
92. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

Asset management

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

Human resource management

94. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA.

95. The municipal manager and senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Environmental management

96. Bloemspruit, Dewetsdorp, North East, Soutpan, Van Stadensrus and Wepener WWTW did not have valid operating licences, as required by section 22(1)(b) of the National Water Act 36 of 1998.

97. The Bainsvlei, BloemIndustria, Bloemspruit, Botshabelo, Dewetsdorp, North-Eastern, Northern Works, Soutpan, Sterkwater, Thaba Nchu, Van Stadensrus, Welvaart, and Wepener WWTW were not safeguarded and maintained to prevent defective, depleted, malfunctioning, misused and vandalised infrastructure, as required by section 63(1)(a) of the MFMA.

98. The Northern and Wepener solid waste management facilities did not have valid operating licences, as required by section 20(b) of the National Environmental Management: Waste Act 59 of 2008.

Other information in the annual report

99. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected KPA presented in the annual performance report that have been specifically reported on in this auditor's report.

100. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

101. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

102. 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

103. 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.

104. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
105. There has been a slow response from management to address governance concerns within the municipality, caused by the frequent changes in the role of the accounting officer and the high vacancy rate within key municipal positions.
106. Senior management did not adequately monitor and enforce the implementation of the corrective measures included in the audit action plan to address inadequate internal control measures, slow response to audit matters and apply consequence management for weaknesses identified during previous years' audits.
107. The accounting officer and senior management did not prioritise, develop and apply standard operating procedures to manage performance reporting, including the safeguarding of information and effective monitoring and evaluation of reported performance information against the set indicators resulting in repeat material findings in the annual performance report for several years.
108. The accounting officer and senior management did not establish effective standard operating procedures and/or internal controls that assist them in exercising their oversight responsibility, regarding compliance with laws and regulations, resulting in repeat material non-compliance included in this report.
109. Management's lack of detailed review of the financial statements and the underlying records resulted in material misstatements, these misstatements were not detected and corrected or prevented by the municipality's internal processes. The corrected misstatements resulted in material non-compliance included in this report and the supporting records that could not be provided resulted in the qualified opinion included in this report.

Material irregularities

110. 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.

Material irregularities in progress

111. I identified a material irregularity during the audit and notified the accounting officer of this, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due for the material irregularity. This material irregularity will be included in next year's auditor's report.

Status of previously reported material irregularities

Reasonable steps not taken to safeguard zoo animals

112. The accounting officer did not ensure that all reasonable steps had been taken to safeguard the municipality's zoo animals, as required by section 63(2)(c) of the MFMA. Some of these

animals could not be located and verified during the 2021-22 year-end asset verification process, resulting in the municipality impairing these assets. The impairment resulted in a material financial loss of R1 761 416 for the municipality, which was disclosed as an impairment loss in note 46 to the 2021-22 financial statements.

113. The accounting officer was notified of this material irregularity on 3 November 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I recommend that the accounting officer should take the following actions to address the material irregularity, which should be implemented by 8 July 2024, and report progress within three (3) months:
- a) Investigate the non-compliance in terms of Chapter 15 of the MFMA, to determine if any official was responsible for the failure to safeguarding the municipal assets which lead the municipality losing custodianship of the animals, including the possible theft of the 79 animals.
 - b) Disciplinary proceeding should commence against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
 - c) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the Municipal Council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.
 - d) Reasonable steps should be taken to safeguard the biological assets in the custody of the municipality from any further losses as required by section 63(1)(a) of the MFMA.
 - e) If it appears that the municipality suffered the financial loss through theft, this should be reported to the South African Police service, as required by section 32(6)(b) of the MFMA.
114. I will follow up on the implementation of the recommendations after the due date. I am also in the process of determining additional actions available to be taken by the AGSA based on the accounting officer's response.

Construction of trunk routes for IPTN roads infrastructure network phase 1C Chief Moroka link route: Payment for extension of time not in terms of the contract

115. The municipality entered into a contract with a contractor for the construction of trunk routes for integrated public transport network (IPTN) roads infrastructure network: Phase 1C Chief Moroka link route. During November 2019 and October 2020, the contractor submitted extension of time claims totalling R2 987 553 for delays experienced on the project. The claims were however not submitted within the stipulated timeframe as outlined in the contract; consequently the contractor was not entitled to additional payment and discharging the municipality of all liability in relation with these claims. An official of the municipality recommended the claims for payment, even though the municipality had no contractual obligation to pay for the extension of time. The official consequently did not ensure the economic use of the financial resources of the municipality, as required by section 78(1)(b) of the MFMA. The payment of these claims resulted in a material financial loss of R2 987 553 for the municipality, which was disclosed as part of the fruitless and wasteful expenditure in note 63 to the 2020-21 financial statements.

116. The accounting officer was notified of this material irregularity on 29 April 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I recommend that the accounting officer take the following actions to address the material irregularity, which should be implemented by 28 January 2024:

- a) The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- b) All entities and/or person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- c) Disciplinary proceedings should commence without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- d) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- e) If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

117. I will follow up on the implementation of the recommendations after the due date.

Pollution of water resource not prevented – Botshabelo WWTW

118. The Botshabelo WWTW has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spilling and discharge of raw/untreated sewerage into the adjacent environment, including the groundwater, the Klein Modder River and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the National Environmental Management Act 197 of 1998 (NEMA) and section 19(1) of the National Water Act 36 of 1998 (NWA). The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

119. The accounting officer was notified of this material irregularity on 20 October 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I am in the process determining the most suitable action to take.

Pollution of water resource not prevented – Sterkwater WWTW

120. The Sterkwater WWTW has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spilling and discharge of raw/untreated sewerage into the adjacent environment, including the groundwater,

the Renosterspruit and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

121. The accounting officer was notified of this material irregularity on 20 October 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I am in the process determining the most suitable action to take.

Poor management of the Southern waste landfill site in Mangaung

122. The municipality has been operating the Southern waste landfill site in a manner that is not in compliance with its license conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control and inadequate separation of waste disposed at the site, improper or lack of compacting and cover to limit gas emission impacting on air quality, spontaneous combustions and fires posing safety risks and air pollution, lack of stormwater management and leachate detection to prevent continued contamination of the soil and groundwater and no proper air, water and effluent sampling points to monitor air and water pollution.

123. The municipality consequently did not dispose and treat waste in an environmentally sound manner and in a manner that does not endanger health or the environment as required by section 16(1) of the National Environmental Management Waste Act 59 of 2008. The municipality further did not take reasonable measures to prevent pollution or degradation of the environment from occurring, continuing or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site, communities adjacent to the landfill site as well as exposed to, and dependent on, the groundwater resources.

124. The accounting officer was notified of this material irregularity on 10 November 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I am in the process of determining the most suitable action to take.

Other reports

125. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

126. The Special Investigating Unit (SIU) received allegations of corruption within the metro police and IPTN at the municipality for the period starting in 2017 to date. However, the municipality has not submitted all the requested documents to the SIU. The SIU is still analysing the partially submitted information to establish the legitimacy of the allegations. These proceedings were still in progress at the date of this auditor's report.

127. An independent consultant was investigating an allegation of improper procurement of buses and appointment/ rollout of the infrastructure project for the IPTN for the period starting in the 2015-16 financial year to date. The investigation is still in progress. The outcome of the first stage of the investigation was completed and submitted to the National Treasury for assessment and tabling in the council. The investigation report is still being assessed by National, while the second stage of the investigation is still in progress.
128. The Directorate for Priority Crime Investigation (Hawks) was investigating an allegation of overtime payments to VIP bodyguards employed in the offices of the political office-bearers, which covered the period from 2017 to December 2021. These proceedings were still in progress at the date of this auditor's report.
129. The Hawks were investigating allegations of irregularities in the municipality's procurement processes regarding a security service tender awarded for the period 1 March 2019 to 28 February 2021. The outcome was unknown as the investigation report was in progress at the date of this auditor's report.
130. An independent legal firm was appointed to provide a legal opinion on allegations of the irregular appointment and payment of political staff. It is alleged that the political staff were appointed to occupy positions that were not vacant or provided for in the staff establishment for a period of two months starting in January 2022. The report was issued to the Municipal Public Accounts Committee (MPAC) on 19 April 2022; however, the MPAC has not finalised its own report on this matter. The investigation was concluded on 25 February 2022 and resulted in the salaries being disclosed as irregular expenditure.

Cape Town

14 December 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. 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

2. 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 KPA and on the municipality's compliance with selected requirements in key legislation

Financial statements

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

Communication with those charged with governance

4. 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.
5. 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	Section 1 - Paragraphs (a), (b) & (d) of the definition: irregular expenditure Section 1 - Definition: service delivery and budget implementation plan Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), Sections 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), Sections 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), Sections 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), Sections 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), Sections 133(1)(a), 133(1)(c)(i), 133(1)(c)(iii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1), 71(2), 72
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), 13(c)(i), 16(a), 17(1)(a),, Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), 29(5)(a)(ii), Regulations 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), Regulations 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act 5 of 2022	Sections 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(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), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), Regulations 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)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
National Water Act 36 of 1998	Section 22(1)(b)
National Environmental Management: Waste Act 59 of 2008	Section 20(b)
Environment Conservation Act, No. 73 of 1989	Section 20(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), Sections 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), 57(4B) Sections 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b) Sections 93B(a), 93B(b)
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), Regulations 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)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)