

Report of the auditor-general to Limpopo Provincial Legislature and Council on Mopani District Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Mopani District Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2019, statement of [financial performance, statement of changes in net assets, statement of cash flow and the 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. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Mopani District Municipality as at 30 June 2019 and its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework and the requirements of the South African General Recognised Accounting Practice (SA Standards of GRAP), Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (DoRA).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not recognise all infrastructure as infrastructure assets in accordance with GRAP 17, *Property, plant and equipment*. Completed infrastructure assets were incorrectly recognised as work in progress. Consequently, infrastructure assets were understated and work in progress was overstated by R149 475 933 (2018: R40 464 254) in the financial statements. Additionally, there was an impact on the surplus for the period and on the accumulated surplus in the financial statements.
4. I have identified infrastructure assets amounting R29 226 312 that were not recorded in the assets register. The municipality did not have adequate internal controls in place to ensure that all infrastructure assets are accounted for. Consequently, infrastructure assets stated at R3 841 172 415 as disclosed in note 3 to the financial statements are understated by R29 226 312. There is a consequential impact on surplus for the year.

Receivables from exchange transactions

5. GRAP 104, *Financial Instruments* requires, an entity to assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. The municipality did not assess whether there was any objective evidence that the consumer debtors for Ba-Phalaborwa local municipality amounting to R803 665 909 were impaired. The allowance for impairment of R691 738 932 remained unchanged from the prior year. I was unable to determine whether any adjustment was necessary to the allowance for impairment stated at R977 839 993 as disclosed note 8 to the financial statements.

6. I identified a difference amounting to R187 725 561 between the financial statements and the underlying records for consumer debtors as disclosed in note 8 to the financial statement. Consequently, consumer debtors stated at R1 164 484 576 is overstated by R187 725 561.
7. I have identified journals amounting to R42 101 459 that were recorded against the Ba-Phalaborwa local municipality's receivables in the accounting records. The journals processed were not adequately supported by the underlying records. Consequently, I was unable to determine whether any adjustment was necessary to the Ba-Phalaborwa receivable stated at R257 776 978 (2018: R235 457 563) in note 7 to the financial statements.

Value added taxation (VAT)

8. The municipality did not reconcile its year-end VAT receivable balance amounting to R82 881 633 (2018: R81 285 754). The municipality did not implement internal control systems to reconcile the VAT suspense accounts. I have identified several control accounts that contained un-cleared balances. I identified a difference of R57 756 968 between the amount as disclosed in note 7 to the financial statements and the underlying records. Consequently, VAT receivable stated at R82 881 633 (2018: R81 285 754) is overstated by R57 756 968. I was unable to determine the effect of this overstatement on other account balances and classes of transactions as it was impracticable to do so.

Revenue from non-exchange transactions

9. Included in revenue from conditional grants of R596 763 202 is revenue in respect of the Water Services Infrastructure Grant (Drought relief) amounting to R5 741 921 that was incorrectly recognised due to duplicate payments, payments not in accordance with the conditions of the grant and payments without evidence of work done. Management did not have adequate internal controls in place to ensure that the grant was only spent for its intended purpose and that revenue was correctly recognised. Consequently, revenue from conditional grants is overstated by R5 741 921. There is a resultant impact on the surplus for the period, irregular expenditure and unspent conditional grants liability.

Revenue from exchange transactions

10. I identified a difference of R8 546 416 between service charges of R186 874 720 and the amount of R195 421 135 as per the underlying accounting records. I further identified a difference of R12 020 772 between interest on overdue accounts of R37 026 615 and the amount of R49 047 386 as per the underlying accounting records. Consequently, revenue from exchange transactions stated at R259 724 397 is understated by R20 567 187. There is a consequential impact on surplus for the period.

Expenditure

11. I identified a difference of R13 379 780 between the operating expenditure incurred by the local municipalities on behalf of the district municipality as per the municipality's accounting records and underlying accounting records of the local municipalities. Consequently, expenditure is overstated by R13 379 780. There is a consequential impact on surplus for the period.
12. I was unable to obtain sufficient appropriate audit evidence for bulk purchases, as the municipality did not keep records to confirm the receipting of water from the water service

providers. Consequently, I could not confirm the validity of the kilolitres received by alternative means. Consequently, I was unable to determine whether any adjustment was necessary for bulk purchases stated at R172 303 250 in the financial statements.

Cash flow statement

13. The municipality did not prepare the cash flow statement in accordance with GRAP 2, *Cash flow statements*. I have identified a material difference of R17 886 673 between amounts as per the cash flow and the recalculations I performed. The cash flow statement is not a true reflection of the cash movement during the year.

Commitments

14. I was unable to obtain sufficient appropriate audit evidence for commitments, due to the non-submission of information that I requested for the audit. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to capital commitments stated at R320 668 812 and operational commitments stated at R73 272 460 in note 27 of the financial statements.
15. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for commitments. Capital commitments was restated from R648 278 973 to R760 197 358 and operational commitments was restated from R11 589 010 to R18 495 286 in the current year. The restatement was made to rectify previous year misstatements, but the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the corresponding figures for capital and operational commitments stated at R760 197 358 and R18 495 286 respectively in note 27 of the financial statements.
16. I identified a number of contracts which were still effective as at 30 June 2019 that were not disclosed as commitments in the financial statements. Management did not implement adequate internal controls for identifying and recording commitments. I was not able to determine the full extent of the understatement of capital and operational commitments stated at R320 668 812 (2018: R760 197 358) and R73 272 460 (2018: R18 495 286) respectively in note 27 to the financial statements as it was impracticable to do so.

Material losses

17. The municipality did not have adequate systems in place to determine water distribution losses. There were no systems in place to determine water losses that occurred during distribution. I was unable to obtain sufficient appropriate evidence for water losses stated at R41 529 482 (2018: R29 283 992) due to the non-submission of the underlying records used to determine the water distribution losses. I was unable to verify the water distribution losses by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the distribution losses for the current and prior year as disclosed in 34 to the financial statements.

Irregular expenditure

18. The municipality did not include the particulars of all irregular expenditure in the notes to the financial statements as required by section 125(2)(d)(i) of the MFMA. Furthermore, the municipality did not implement adequate internal control systems to identify and record all instances of irregular expenditure in both the current and prior years. This resulted in the irregular expenditure disclosure being understated. The full extent of the misstatement of irregular expenditure could not be quantified as it was impracticable to do so. Consequently, I was unable to determine the extent of adjustments necessary to the opening and closing balance of irregular expenditure disclosure stated at R 710 729 505 (2018: R509 932 066) in note 33 to the financial statements.
19. Management did not maintain a comprehensive register that detail all instances of irregular expenditure disclosed in comparative in note 33 to the financial statements. I was unable to obtain sufficient appropriate evidence for irregular expenditure amounting to R159 431 681. I was unable to verify the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure stated at R710 729 505 (2018: R509 932 066) in note 33 to the financial statements.

Context for the opinion

20. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
21. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* and, parts 1 and 3 of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
22. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Restatement of corresponding figures

24. As disclosed in note 41 to the financial statements, some corresponding figures for 30 June 2018 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Significant uncertainties

25. With reference to note 28 to the financial statements, the municipality is currently involved in litigation with various third parties. The ultimate outcome of the matters cannot presently be

determined and no provision for any liability that may result has been made in the financial statements.

Unauthorised expenditure

26. As disclosed in note 31 to the financial statements, the municipality incurred unauthorised expenditure amounting to R135 986 237, due to overspending in various votes of the approved budget.

Fruitless and wasteful expenditure

27. As disclosed in note 32 to the financial statements, the municipality incurred fruitless and wasteful expenditure amounting to R75 179 147 mostly due to interest and penalties on long outstanding payables.

Material uncertainty related to going concern

28. I draw attention to note 30 to the financial statements, which indicated that the municipality's current liabilities exceeded its current assets by R1 007 512 959 as stated in note 30. Furthermore, the municipality is experiencing challenges of collecting own revenue from water and sanitation. These events or conditions, along with other matters as set forth in note 30, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Other matter

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

Unaudited supplementary schedules

30. The supplementary schedule set out on pages xx to xx does not form part of the financial statement and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Responsibilities of accounting officer for the financial statements

31. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards GRAP and the requirements of the MFMA, 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.
32. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

33. 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.
34. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

35. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected [programmes/ objectives/ development priorities] presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
36. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
37. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2019:

Development priorities	Pages in the annual performance report
KPA 5 – Local economic development	x – x
KPA 6 – Basic service delivery	x – x

38. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and

related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

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

KPA 5 – Local Economic Development

Various indicators

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

Indicator description	Reported achievement	Audited value
Coordination of District LED Fora sittings quarterly	7	5
Four Training of Small Medium and Macro Enterprises conducted within the district quarterly	6	4

Various indicators

41. The performance indicators listed below did not have a clear unambiguous definition:

- Quarterly engagements with municipal Partners and stakeholders
- Sessions conducted in supporting key economic sectors i.e. Agriculture, mining manufacturing and tourism quarterly
- Agri Expo in supporting emerging farmers in the district held in September
- Letaba Show Exhibition in August/September

Various indicators

42. The performance indicators listed below were not defined so that data will be collected consistently:

- Sessions conducted in supporting key economic sectors i.e. Agriculture, mining manufacturing and tourism quarterly
- Quarterly engagements with municipal Partners and stakeholders

Various indicators

43. The reported target in the annual performance report was not consistent with the planned target in the SDBIP for the indicators listed below. The SDBIP indicated that the targets of these indicators were as follows:

Indicator description	Reported target	Planned target
Quarterly engagements with municipal Partners and stakeholders	4	1
Coordination of 1 District EPWP Forum per quarter	15	4

To promote economic sectors of the district

44. The strategic objective approved in the integrated development plan and the service delivery budget implementation plan was to promote economic sectors of the district. However, the objective was not reported in the annual performance report.

Number of EPWP Beneficiaries employed

45. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of target 674 beneficiaries employed. This was due to limitations placed on the scope of my work due lack of underlying records that agreed to the recorded performance information and lack of adequate performance management systems. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 674 beneficiaries employed as reported in the annual performance report.

Quarterly engagements with municipal Partners and stakeholders

46. The systems and processes that enable reliable reporting of achievement against the indicator were not adequately designed no documentation and information is available on the performance measurement processes and systems, including technical indicator descriptions (TIDs) or data definitions, no documented policies and standard operating procedures (SOPs) and management is unable to explain the core elements that are necessary to understand how the indicator is measured.

Assistance to 150 SMMEs to market their products through trade shows

47. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of 195 SMMEs assisted. Sufficient appropriate audit evidence could not be provided in some instances while in other cases, the underlying records provided were not accurate. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the achievement of 195 SMMEs assisted as reported in the annual performance report.

KPA 2 – Basic service delivery

Strategic objectives not included in the annual performance report

48. The following strategic objectives approved in the Service Delivery Budget Implementation Plan (SDBIP) were not reported in the annual performance report:

- To accelerate sustainable infrastructure and maintenance in all sectors of development.
- To have integrated infrastructure development.
- To improve community safety, health and social well-being

Indicators not well-defined

49. The source information, evidence and method of calculation for achieving the planned indicators was not clearly defined for the indicators below:

Indicator description	Target
Percentage of operation and maintenance allocation spent on water services ytd	100%
Development of the Disaster Management annual report and submission to PDMC and Council before end of September	1
Development of the water Safety plan by end of June	1
Approved District water Master Management Plan by council by end of June	1

Targets and indicators not consistent and changes not approved

Various indicators

50. The targets for the indicators listed below as per the annual performance report are not consistent with the approved targets as per the SDBIP. The targets were changed without obtaining the necessary approval.

Number	Indicator	Planned target per SDBIP	Planned target per APR
1	Construction of 381 VIP toilets in Ba-Phalaborwa	100%	150%
2	Percentage progress with Jopie to Mawa Ramothsinyadi Phase 1A	21%	100%
3	Percentage Progress with Jopie to Mawa Ramothsinyadi Phase 1B	28%	100%
4	Percentage progress with the Borehole Development	100%	60%
5	Percentage progress with the Hlaneki Reticulation	100%	60%
6	Percentage progress with the Bismark water Reticulation	100%	60%
7	Percentage progress with the Butswana Source Development	100%	60%
8	Percentage progress with the Noblehoek Upgrading	100%	60%
9	Percentage progress with the Namaila Booster pump	100%	60%
10	Percentage progress with the Drought Relief (WSIG)	100%	60%
11	Percentage progress with the Mopani Rural household sanitation	100%	60%

Number	Indicator	Planned target per SDBIP	Planned target per APR
14	Conducting 6 of inspections and community awareness on chemical safety facilities	6	7
12	Provision of 15 furniture for fire stations & satellite by end of June	15	35
13	Procurement of AFIS Dashboard for fire risk assessments by end of December	1	1%

51. The performance indicators listed below were reported in the annual performance report however they were not in the approved SDBIP.

Indicator	Target
District community safety Fora sittings	4
2 Arrive alive campaigns	2

Percentage progress with Kampersrus Sewage Plant Phase 1

52. The indicator approved in the SDBIP was Percentage progress with Kampersrus Sewage Plant Phase 1. However, the indicator reported in the annual performance report was Percentage progress with Kampersrus Sewage Plant Phase 2.

Comparison between actual performance of the year under review and previous year performance

Various indicators

53. A comparison between actual performance of the year under review and previous year was not included in the annual performance report for the following indicators:

Indicator	Reported achievement
Percentage contractors with progress and performance that conform to the contract Requirements ytd	20%
Percentage of contractors who are behind schedule	49%
Number of completed MIG funded VIP ablution facilities for provision of sanitation in the District	547
Percentage of assessment activities completed related to the implementation of infrastructure maintenance plan ytd	50%
Number of activities completed towards a Functional water Infrastructure ytd	24
Improved level of services of water supply to communities ytd	14
Approved District Water Master Management Plan by council by end of June	0,5
Percentage of operation and maintenance allocation spent on water services ytd	80%
Dzumeri Upgrading of Internal Water Reticulation network	100%
Namakgale Replacement and resizing of Bulk line	93%
Iketleng Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	100%
Mokwasela Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	100%
Mabjebilong Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	100%
Mariveni Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	95%

Indicator	Reported achievement
Hoedspruit Rehabilitation and upgrading of Emergency Sewer Storage Dam and booster pump station	100%
Construction of 381 VIP toilets-Maruleng	98%
Namakgale Replacement of Asbestos Pipes	93%
Percentage progress with Mapuve, refurbishment of package plant and Internal water reticulation	92%
Percentage progress of Makgakgapatse upgrading of internal water reticulation network	91%
Percentage progress of Erection of perimeter fence in Lenyenye	100%
Percentage progress with Jopie to Mawa Ramothesinyadi Phase 1A	100%
Percentage Progress with Jopie to Mawa Ramothesinyadi Phase 1B	100%
Percentage progress with Jopie to Mawa Ramothesinyadi Phase 2A	90%
Percentage progress with Jopie to Mawa Ramothesinyadi Phase 2B	97%
Percentage progress with Jopie to Mawa Ramothesinyadi Phase 2C	98%
Percentage progress with Tours Water Scheme: Bulk Lines refurbishment and Reticulation	100%
Percentage progress with Tours Water Scheme: Bulk Lines refurbishment and Reticulation	100%
Percentage progress with Tours Bulk Water Scheme (Treatment Plant)	99%
Progress with Hoedspruit Bulk Water Supply	87%
Percentage progress with Kampersrus Sewage Plant Phase 1	98%
Percentage progress with Kampersrus Sewage Plant Phase 2	95%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply (Ramoroka Village)	99%
Percentage progress with Lenyenye Sewage Works and Outfall Sewer	99%
Percentage progress with the Lephephane Bulk Water Supply	95%
Percentage progress with Upgrading of Ba-Phalaborwa Sewage Plant	88%
Percentage progress with the Mopani Rural household sanitation	100%
Development of the Integrated Waste Management Plan and approval by Council by end of June	0
Number of samples taken on the Water Quality monitoring system	157
Number of Food safety control done (Inspection, sampling and lab analysis)	290
Number of Food safety control done (Inspection, sampling and lab analysis)	344
Number of Surveillance/investigations conducted on reported cases of communicable disease.	28
Number of inspections conducted on refuse disposal sites	5
Conducting 6 of inspections and community awareness on chemical safety facilities	11
Number of inspections conducted on funeral parlours and mortuaries	2
Conducting of 4 Environmental Health pollution control	38
Coordination of the District Health council sitting	104
Quarterly Vector control (Inspection of pests and vermin)	4
Conducting of 5 Health and hygiene awareness campaigns	6
Quarterly Support to K2C biosphere reserve	108
Report on the Repairs and Maintenance of the Air quality station	1
Reports on Rural waste Management projects – EPWP	94
Conducting of 30 fire awareness campaigns	63
Provision of fire services uniform & protective clothing to 35 employees by end of December	15
Development of a fire plan by end of June	1

Indicator	Reported achievement
Provision of 15 furniture for fire stations & satellite by end of June	0
20 Disaster Management awareness campaigns	32
% Budget spent on Disaster Relief Support by end of June	83%
Review of Disaster Management Plan vulnerable risk hazard analysis by end of June	0
Report on the Upgrading of the security system in the DMC by end of March	1
Disaster Management seminars in June	1
Report on the installation of emergency number sign board in the district by end of June	2
Procurement of the drone for disaster risk assessment by end of June	0
Procurement of the solar light in 5 Locals municipalities by end of December	1
Procurement of AFIS Dashboard for fire risk assessments by end of December	1%

Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlati Bulk and Reticulation Phase 2A

54. The planned target for this indicator was not specific in clearly identifying the nature and required level of performance.

Various indicators

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

Performance indicator	Planned target	Reported achievement
Number of Regional Infrastructure Grant reports submitted to DWS YTD	10	10
Percentage contractors with progress and performance that conform to the contract Requirements ytd	90%	20%
Percentage of contractors who are behind schedule	10%	49%
Percentage of assessment activities completed related to the implementation of infrastructure maintenance plan ytd	60%	50%
Number of activities completed towards a Functional water Infrastructure ytd	5	24
Improved level of services of water supply to communities ytd	15	14
Alignment of the Water Master Plan with the provincial master plan by end of June	1	15

Performance indicator	Planned target	Reported achievement
Functionality assessment and infrastructure audit by end of June	2	2,5
Quarterly reports on Full SANS 241 Water quality assessments	4	4
Construction of 381 VIP toilets-Maruleng	100%	98%
Percentage progress with the Borehole Development	100%	100%
Percentage progress with the Drought Relief (WSIG)	100%	94%
Percentage of informal health and hygiene education /workshops conducted ytd	100%	100%
Number of Food safety control done (Inspection, sampling and lab analysis	84	290
Number of Food safety control done (Inspection, sampling and lab analysis	84	344
Conducting of 5 Health and hygiene awareness campaigns	4	6
Quarterly Support to K2C biosphere reserve	4	108
Reports on Rural waste Management projects - EPWP	4	94
Provision of fire services uniform & protective clothing to 35 employees by end of December	35	15
Disaster Management seminars In June	1	1
Report on the installation of emergency number sign board in the district by end of June	1	2

56. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of indicators below. This was due to limitations placed on the scope of my work due lack of underlying records that agreed to the recorded performance information and lack of adequate performance management systems. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements in the annual performance report of the indicators listed below:

Performance indicator	Planned target	Reported achievement
Number of completed water projects towards the provision of water to the District	15	15
Number of WSIG funded VIP ablution facilities for provision of sanitation in the District	500	50
Mageva Refurbishment, rehabilitation and upgrading of Internal Water Reticulation Network and Boreholes	100%	87%

Performance Indicator	Planned target	Reported achievement
Makoxa B9 Upgrading of Internal Water Reticulation network-	100%	100%
Giyani Bulk Water Scheme cleaning of reservoirs and installation of bulk meters	100%	100%
Zava Upgrading of Internal Water Reticulation network	100%	98%
Dzumeri Upgrading of Internal Water Reticulation network	100%	100%
Namakgale Replacement and resizing of Bulk line	100%	93%
Lulekani Replacement and resizing of Bulkline	100%	99%
Construction of 381 VIP toilets in Ba-Phalaborwa	100%	100%
Iketleng Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	100%	100%
Mokwasela Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	100%	100%
Mabjebilong Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	100%	100%
Mariveni Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	100%	95%
Khujwana Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	100%	100%
Hoedspruit Rehabilitation and upgrading of Emergency Sewer Storage Dam and booster pump station	100%	100%
Refurbishment of Thabina water works	100%	95%
Ba-Phalaborwa refurbishment of sewer network & booster pump	100%	80%
Dzingidzingi and Bode Water Reticulation	100%	100%
Lulekani to Matiko-Xikaya Bulk Pipeline	100%	99%
Namakgale Replacement of Asbestos Pipes	100%	93%
Percentage progress with Mapuve, refurbishment of package plant and internal water reticulation	100%	92%
Percentage progress with Metz refurbishments, rehabilitation of water reticulation network	100%	100%
Percentage progress of Makhuva upgrading of internal water reticulation network	100%	100%
Percentage progress of Makgakgapatse upgrading of internal water reticulation network	100%	91%

Performance indicator	Planned target	Reported achievement
Percentage progress of Erection of perimeter fence in Lenyenye	100%	100%
Percentage progress of Makhubidung refurbishment of internal water reticulation	100%	65%
Percentage progress of Giyani Sand Water Abstraction	100%	30%
Percentage progress of Construction of Sewer Emergency Dam at Tshelang Gape sewer booster station	100%	80%
Percentage progress with Jopie to Mawa Ramothisinyadi Phase 1A	21%	100%
Percentage Progress with Jopie to Mawa Ramothisinyadi Phase 1B	28%	100%
Percentage progress with Jopie to Mawa Ramothisinyadi Phase 2A	100%	90%
Percentage progress with Jopie to Mawa Ramothisinyadi Phase 2B	100%	97%
Percentage progress with Jopie to Mawa Ramothisinyadi Phase 2C	100%	98%
Percentage progress with Jopie to Mawa Ramothisinyadi Phase 2D	100%	98%
Percentage progress with Tours Water Scheme : Bulk Lines refurbishment and Reticulation	100%	100%
Percentage progress with Tours Water Scheme : Bulk Lines refurbishment and Reticulation	100%	100%
Percentage progress with Thapane Bulk Water Scheme (Upgrading of Water and Extensions)	100%	96%
Percentage progress with Thapane Bulk Water Scheme (Upgrading of Water and Extensions) Phase 2A	100%	23%
Percentage progress with Thapane Bulk Water Scheme (Upgrading of Water and Extensions) Phase 2B	100%	23%
Percentage progress with Thapane Regional Water Scheme ; Upgrading & Extension	100%	98%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlatsi Bulk and Reticulation Phase 2A	0%	98%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlatsi Bulk and Reticulation Phase 2B	100%	95%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlatsi Bulk and Reticulation Phase 2C	100%	90%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlatsi Bulk and Reticulation Phase 2D	100%	60%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlatsi Bulk and Reticulation Phase 2E	100%	50%
Percentage progress with Tours Bulk Water Scheme (Treatment Plant)	100%	99%

Performance indicator	Planned target	Reported achievement
Progress with Hoedspruit Bulk Water Supply	100%	87%
Percentage progress with Kampersrus Sewage Plant Phase 1	100%	98%
Percentage progress with Kampersrus Sewage Plant Phase 1	25%	98%
Percentage progress with Sefofotse to Ditshosine Bulk Water Supply (Ramoroka Village)	100%	98,90%
Percentage progress with Lenyenye Sewage Works and Outfall Sewer	100%	99%
Percentage progress with Upgrading of Ba-Phalaborwa Sewage Plant	100%	88%
Percentage progress with the Lephephane Bulk Water Supply	100%	95%
Monthly Reports on Rural Road Asset Management System	12	12
Number of formal health and hygiene education/workshops conducted ytd	12	13
Number of samples taken on the Water Quality monitoring system	84	157
Number of Surveillance/Investigations conducted on reported cases of communicable disease.	84	28
Number of inspections conducted on refuse disposal sites	8	5
Conducting 6 of inspections and community awareness on chemical safety facilities	6	11
Number of inspections conducted on funeral parlours and mortuaries	2	2
Conducting of 4 Environmental Health pollution control	4	38
Quarterly Vector control (Inspection of pests and vermin)	4	4
Conducting of 30 fire awareness campaigns	30	63
20 Disaster Management awareness campaigns	20	32

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

Indicator description	Reported achievement	Audited value
Approved District water Master Management Plan by council by end of June	0.5	0
Development of the water Safety plan by end of June	1	0
Coordination of the District Health council sitting	104	3
Development of a fire plan by end of June	1	0
Report on the Upgrading of the security system in the DMC by end of March	1	0
Procurement of the solar light in 5 Locals municipalities by end of December	1	0
Procurement of AFIS Dashboard for fire risk assessments by end of December	1%	0
Number of MIG reports submitted to COGHSTA ytd	12	10
Number of completed MIG funded VIP oblation facilities for provision of sanitation in the district	547	315
Percentage of operation and maintenance allocation spent on water services ytd	80%	180%
Percentage progress with the Mopani Rural household sanitation	100%	7.5%

Measures taken to improve performance not supported

58. I was unable to obtain sufficient appropriate audit evidence to support the measures taken to improve performance against the following targets as reported in the annual performance report. This was due to limitations placed on the scope of my work as no corroborating evidence was provided. I was unable to confirm the reported measures taken by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported measures taken to improve performance.

Indicator	Planned target	Reported achievement
Number of activities completed towards a Functional water Infrastructure ytd	5	24
Improved level of services of water supply to communities ytd	15	14
Percentage of operation and maintenance allocation spent on water services ytd	100%	80%
Mageva Refurbishment, rehabilitation and upgrading of Internal Water Reticulation Network and Boreholes	100%	87%
Namakgale Replacement and resizing of Bulk line	100%	93%
Lulekani Replacement and resizing of Bulkline	100%	99%

Indicator	Planned target	Reported achievement
Construction of 381 VIP toilets in Ba-Phalaborwa	100%	100%
Refurbishment of Thabina water works	100%	95%
Ba-Phalaborwa refurbishment of sewer network & booster pump	100%	80%
Percentage progress with Mapuve, refurbishment of package plant and internal water reticulation	100%	92%
Percentage progress of Makgakgapatse upgrading of internal water reticulation network	100%	91%
Percentage progress of Makhubidung refurbishment of internal water reticulation	100%	65%
Percentage progress of Giyani Sand Water Abstraction	100%	30%
Percentage progress with Jopie to Mawa Ramothisinyadi Phase 2C	100%	98%
Percentage progress with Thapane Bulk Water Scheme (Upgrading of Water and Extensions)	100%	96%
Percentage progress with Thapane Bulk Water Scheme (Upgrading of Water and Extensions) Phase 2A	100%	23%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlati Bulk and Reticulation Phase 2B	100%	95%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlati Bulk and Reticulation Phase 2D	100%	60%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlati Bulk and Reticulation Phase 2C	100%	90%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply/Ramahlati Bulk and Reticulation Phase 2E	100%	50%
Progress with Hoedspruit Bulk Water Supply	100%	87%
Percentage progress with Kampersrus Sewage Plant Phase 1	100%	98%
Percentage progress with Kampersrus Sewage Plant Phase 2	25%	98%
Percentage progress with Sefotse to Ditshosine Bulk Water Supply (Ramoroka Village)	100%	99%
Percentage progress with Upgrading of Ba-Phalaborwa Sewage Plant	100%	88%
Number of Surveillance/investigations conducted on reported cases of communicable disease.	84	28
Number of inspections conducted on refuse disposal sites	8	5
% Budget spent on Disaster Relief Support by end of June	100%	83%
Review of Disaster Management Plan vulnerable risk hazard analysis by end of June	1	0
Percentage contractors with progress and performance that conform to the contract Requirements ytd	90%	20%
Percentage of assessment activities completed related to the implementation of infrastructure maintenance plan ytd	60%	50%
Disaster Management seminars in June	1	1
Development of a fire plan by end of June	1	1
Development of the Integrated Waste Management Plan and approval by Council by end of June	1	0
Provision of 15 furniture for fire stations & satellite by end of June	35	0
Procurement of the drone for disaster risk assessment by end of June	1	0

Measures taken to improve performance not disclosed

59. The measures taken to improve performance against target were not included in the annual performance report for the following performance indicators:

Indicator	Planned target	Actual achievement
Lulekani to Matiko-Xikaya Bulk Pipeline	100%	99%
Namakgale Replacement of Asbestos Pipes	100%	93%

Indicator	Planned target	Actual achievement
Percentage progress with Lenyenye Sewage Works and Outfall Sewer	100%	99%
Percentage progress with the Lephephane Bulk Water Supply	100%	95%
Provision of fire services uniform & protective clothing to 35 employees by end of December	35	15
Mageva Refurbishment, rehabilitation and upgrading of internal Water Reticulation Network and Boreholes	100%	87%

Other matter

60. I draw attention to the matter below.

Achievement of planned targets

61. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 40 to 59 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

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

Strategic planning and performance management

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

Annual financial statements, annual performance report and annual report

65. 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. Some of the material misstatements identified by the auditors in the submitted financial statements were not corrected and which resulted in the financial statements receiving a qualified audit opinion.

66. The council failed to adopt an oversight report containing the council's comments on the annual report within the prescribed timelines, as required by section 129(1) of the MFMA.

67. The local community was not invited to submit representations in connection with the 2017-18 annual report, as required by section 127(5)(a) of the MFMA.

Asset management

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

Conditional grants

69. The WSIG (Drought Relief) was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of the DoRA.
70. Performance in respect of programmes funded by the WSIG (Drought Relief) was not evaluated, as required by section 12(5) of the DoRA.

Procurement and contract management

71. Included below are material findings on compliance with selected specific requirements of applicable legislation, as set out in the general notice issued in terms of the PAA
72. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulation 17(a) and (c).
73. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
74. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Some deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).
75. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) and its regulations.
76. Some of the contracts and quotations were awarded to bidders based on pre-qualification criteria that were differed from those stipulated in the original invitation for bidding and quotations, in contravention of the 2017 preferential procurement regulation 4(1) and 4(2)
77. Some of the construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) and did not qualify for the contract in accordance with section 18(1) of the CIDB Act, 2000 (Act No. 38 of 2000) and CIDB regulations 17 and 25(7A).

Human resource management

78. Financial interests were not disclosed by one of the senior managers within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
79. 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 Municipal Systems Act, 2000 (Act No 32 of 2000).

Expenditure management

80. Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.
81. An adequate management, accounting and information system was not in place which recognised expenditure and accounted for creditors, as required by section 65(2)(b) of the MFMA.
82. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM laws and regulations.
83. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R65 388 377, as disclosed in note 32 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by penalties due to non-payment of bulk water purchases from the Department of Water and Sanitation.
84. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending in various votes.

Revenue management

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

Other information

86. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committees' report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
87. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
88. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
89. I had not received the other information as at the date of this report.

Internal control deficiencies

90. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
91. The accounting officer and management did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance with laws and regulations. Leadership did not exercise effective monitoring over the implementation of the audit action plan resulting in recurring prior year issues.
92. Consequence management was not implemented to deter non-performance and promote clean administration.
93. The basic accounting principles of daily and monthly accounting and reconciling of transactions have not been adequately implemented and monitored.
94. The financial statements and the annual performance report are not reviewed for accuracy and completeness by the accounting officer.
95. The accounting officer does not effectively manage and monitor the water and sanitation functions delegated to the local municipalities.
96. Finance officials lack necessary skills and competencies to fulfil their duties, this is supplemented by excessive use of consultants.
97. Internal controls for monitoring compliance with laws and regulations are ineffective as they do not detect and prevent instances of non-compliance with applicable laws and regulations.
98. The internal control monitoring mechanisms of the municipality are not functioning optimally, as many control weaknesses are only discovered during the audit of the financial statements and performance information.

Other reports

99. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

100. The Special Investigating Unit is investigating the procurement of goods and services that was in contravention of supply chain management laws and regulations. The investigation was still in progress at year end.

Auditor-General

Polokwane

17 December 2019



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

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

reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.