

Report of the auditor-general to the Free State Legislature and the council on Dihlabeng Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Dihlabeng Local Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2020, the statement of financial performance, statement of changes in net assets, cash flow statement 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 effects and the 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 Dihlabeng Local Municipality as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 16 of 2019 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for the amounts disclosed as transfers in the reconciliation of property, plant and equipment in note 11, as there was no adequate system of internal control to substantiate these transfers. In addition, I was unable to confirm the restatement of the corresponding figure for the reversal of the prior year impairment as adequate supporting evidence was not provided. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R1 786 845 070 (2019: R1 778 486 357) in the financial statements.
4. Furthermore, the municipality did not classify all fixed assets in accordance with GRAP 17 *Property, plant and equipment* due to incorrect classifications between the different classes of assets. Misstatements were identified with regard to the following classes of assets:

Class of assets	2020 overstatement/ (understatement)
Infrastructure water	R62 915 830

Infrastructure electrical	(R57 703 027)
Infrastructure sewer	(R18 427 607)
Infrastructure roads	R2 994 805
Infrastructure community buildings	R2 975 334
Infrastructure storm water	(R468 527)
Infrastructure solid waste	R7 712 922

Commitments

- The municipality did not disclose contractual commitments for the acquisition of property, plant and equipment in accordance with *GRAP 17 Property, plant and equipment* as the municipality did not maintain complete records to ensure that the value of contracts entered into where services had not been received, were recorded. This resulted in commitments being understated by R90 536 255.

Contracted services

- I was unable to obtain sufficient appropriate evidence to confirm that contracted services were only recognised where goods and services were actually received due to the status of the accounting records. I was unable to confirm contracted services by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contracted services stated at R75 360 256 in note 35 to the financial statements.

Repairs and maintenance

- I was unable to obtain sufficient appropriate evidence to confirm that repairs and maintenance was only recognised where goods and services were actually received due to the status of the accounting records. I was unable to confirm repairs and maintenance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to repairs and maintenance stated at R14 336 826 in the financial statements.

General expenditure

- I was unable to obtain sufficient appropriate evidence to confirm that general expenses were only recognised where goods and services were actually received, due to the status of the accounting records. I was unable to confirm general expenses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to general expenses stated at R65 807 007 in note 36 to the financial statements.

Government grants and subsidies

- I was unable to obtain sufficient appropriate audit evidence to confirm government grants and subsidies as the municipality did not have adequate internal controls to maintain records of project expenditure incurred. I was unable to confirm government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were

necessary to government grants and subsidies stated at R248 747 010 in note 28 to the financial statements.

Context for the opinion

10. 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.
11. 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.
12. 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

13. I draw attention to the matter below. My opinion is not modified in respect of this matter.
14. Note 49 to the financial statements indicates that the municipality incurred a net loss of R107 927 039 during the year ended 30 June 2020 and, as of that date, the municipality's current liabilities exceeded its current assets by R391 321 154. In addition, the municipality owed Eskom R404 919 251 and the Department of Water Affairs R28 956 389 as at 30 June 2020, which was long overdue. These events or conditions, along with other matters as set forth in note 49, 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

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

Irregular expenditure

16. As disclosed in note 53 to the financial statements, irregular expenditure of R129 954 049 (2019: R53 694 085) was incurred due to non-compliance with supply chain management (SCM) requirements.

Unauthorised expenditure

17. As disclosed in note 51 to the financial statements, unauthorised expenditure of R154 809 376 (2019: R241 087 377) was incurred, due to overspending of the approved budget.

Fruitless and wasteful expenditure

18. As disclosed in note 52 to the financial statements, fruitless and wasteful expenditure of R36 582 204 (2019: R12 611 666) was incurred, due to interest on arrear payments to creditors.

Restatement of corresponding figures

19. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2019 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2020.

Material uncertainty relating to claims against the municipality

20. With reference to note 44 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.

Material losses

21. As disclosed in note 34 to the financial statements, material water distribution losses of R32 020 651 (2019: R10 389 244) and electricity distribution losses of R26 236 577 (2019: R16 992 056) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.

Material impairment

22. As disclosed in notes 5 and 7 to the financial statements, receivables from non-exchange transactions and consumer debtors from exchange and non-exchange transactions were impaired by R869 729 456 (2019: R766 242 927).

Other matters

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

Service delivery

24. In May 2020, the municipality irregularly appointed three service providers from a panel of suppliers for the refurbishment of four sewer pump stations in Mashaeng / Fouriesburg at a contract value of R9 708 053. The project was approved by the National Treasury in terms of the re-allocation of uncommitted conditional grant funds to address immediate service delivery challenges caused by the Covid-19 pandemic. The contract period was planned to be from 25 May to 30 June 2020. During a site visit performed by the audit team in November 2020 the project was found to be still in progress even though the total project expenditure of R9 708 053 had been paid by 30 June 2020.

Unaudited disclosure notes

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

Unaudited supplementary schedules

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

Responsibilities of the accounting officer for the financial statements

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

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

29. 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.
30. 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

31. I was engaged to evaluate the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the municipality for the year ended 30 June 2020:

KPA	Pages in the annual performance report
KPA 1: Accelerated service delivery and infrastructure development	x – x

32. The material findings in respect of the usefulness and reliability of the selected KPA are as follows:

KPA 1 – Accelerated service delivery and infrastructure development

Various indicators

33. I was unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined nature and required level of performance and method of calculation to be used when measuring the actual achievement for indicators and targets listed below. This was due to lack of measurement definitions and processes. I was unable to test whether the target for these indicators were clearly defined by alternative means.

Indicator descriptions	Planned targets	Reported achievements
Access to water increased from 96,8% to 98,9% by 2020.	Installation of water network for 1000 sites in Metati.	95%
Caledon abstraction upgraded by 2020.	Upgrading of Caledon raw water abstraction point in Fouriesburg	Not realised.
La Province sewer pump station and rising main upgraded by 2020.	Upgrading of La Province sewer pump station and rising main completed by 2020.	100% completed.
Access to increased sanitation from 96.8% by 2020.	Installation of sewer networks for 1000 sites in Metati by 2020.	100% completed.
	Refurbishment of Bethlehem Waste Water Treatment Works.	76% completed.
32 723 & 85% of households with access to electricity.	Construction of Bakenpark Ext 5 Phase 1-bulk infrastructure, 5km feeder line.	Not realised (63%).
An adopted Spatial Development Framework that guides future planning and development applications received.	Review the current SDF and submit to council for adoption.	Not realised.
12 monthly reports on the daily maintenance and operation of registered and functional Landfill site to be submitted on or before the 10th of each month.	12 monthly reports submitted on management, operation and inspection of landfill sites.	Service provider is on site doing landfill site maintenance. The landfill is managed and operated as per the licence conditions. Inspections are done weekly to ensure compliance (realised).
Maintenance of cemeteries.	12 reports submitted on the implementation of the maintenance plan of cemeteries or before 10th of each month.	No maintenance was not done in April due to the national lockdown (Covid-19). Maintenance was done on an ongoing basis for the rest of the financial year (realised).
Urban greening.	Planting of 400 street trees in Dihlabeng.	Realised Planted 461 trees: Q1: 224 Q2: 237

Indicator descriptions	Planned targets	Reported achievements
	12 reports submitted on terms of maintenance of street trees on or before 10th of each month.	Q3: maintenance and pruning Q4: maintenance and pruning
Maintenance of nursery.	12 reports submitted on implementation of the approved maintenance plan of nursery on or before 10th of each month.	Realised. Q1: Propagated fruit trees. Q2: Transplanting of white karee trees into the bigger bags. Q3: Watering of flower, shrubs and trees at the green-house. Q4: Watering of flower, shrubs and trees at the green house.
To submit a business plan and to monitor quarterly targets.	Monitoring of implementation of conditional grants for public library services. 12 reports submitted on the implementation of approved business plan.	Business plan was submitted. Salaries for the month April, May and June were paid for 13 personnel (realised).
To promote usage and access within the libraries Host 8 library events.	8 reports submitted on library events held.	Q1: Word Festival Competition was held. (realised). Job hunting and interview skills event was successfully held. Q2: Employee capacity forum was successfully held (realised). Storytelling festival was successfully held. Q3: Report submitted on the implementation of the "Do It Yourself" & "Earn a living" @ your library (not realised). Library week event was held (realised). Q4: 1 report submitted on the implementation of the World book day event (Not realised). 1 report submitted on the implementation of the "Let's Apply Early".
A functional sport and recreation council with all sporting codes affiliated. 1 sporting event facilitated and hosted for external beneficiaries,.	2 report submitted on the implementation of the OR Tambo games.	Realised Q1: Municipal OR Tambo games was held on 21 September 2019. Q2: District OR Tambo games was held on 22 September 2019.
Sport and recreation facility constructed in Bohlokong Ward 6 by 2020. 1 completed sport and recreation facility in ward 6 by 2020.	1 upgrading of second sports and recreational facility at phase 7.	Not realised.

Indicator descriptions	Planned targets	Reported achievements
<p>A functional arts and culture council with all groupings affiliated. Established arts and culture - council.</p>	<p>10 reports submitted on the approved arts and culture events.</p>	<p>Q1: Meetings with arts and culture committees were held. (realised). Live gospel concert was held on 24 September 2019 (realised). Support x 2 arts and culture artists (Not realised).</p> <p>Q2: Meetings were held (realised) Dihlabeng arts Festival was held (realised). Public art project was held (realised).</p> <p>Q3: 1 report on quarterly meetings with arts and cultural committees (realised).</p> <p>1 report submitted on the implementation of the Schools Poetry competition (not realised). Support x 2 arts and culture artists (not realised).</p> <p>Q4: 1 report on quarterly meetings with arts and cultural committees (not realised). 1 report submitted on the implementation of the Dihlabeng clap and tap festival (not realised). 1 report submitted on the implementation of the "Battle of the DJ's" competition (not realised) 100%.</p>
<p>To capacitate stakeholders by means of public education and awareness.</p>	<p>5 reports submitted on the implementation of approved public awareness/education programmes conducted in all units on a quarterly basis.</p>	<p>Q1: Public awareness/education programme was held. (realised).</p> <p>Q2: Public awareness/education programme was held. (realised).</p> <p>Q3: The awareness was scheduled for end of March 2020 but due to the national lockdown (Covid-19), no awareness was held (not realised).</p> <p>Q4: No awareness was held due to the national lockdown (Covid-19) (not realised).</p>
<p>To establish and maintain effective institutional arrangements.</p>	<p>4 reports submitted on the Interdepartmental Disaster Risk Management Committee (IDRMC) meetings held on a quarterly basis 4 reports submitted on the Dihlabeng Disaster Risk Management Advisory forum meetings held on a quarterly basis.</p>	<p>Four (4) meetings were held during the year as follows: 1. 11 September 2019 2. 20 November 2019 3. 19 February 2020 4. 15 April 2020 (realised)</p>

Indicator descriptions	Planned targets	Reported achievements
1 multipurpose courts resealed in ward 9 by 2020. Multipurpose courts resealed in ward 9 by 2020.	Resealing of Bohlokong multipurpose courts in ward 9.	Awaiting the budget approval from MIG (not realised).
To minimise response time to reported incidents.	12 reports submitted on the functionality of emergency services on or before 10th of each month.	Q1: Responded to 173 emergency calls. (realised). Q2: Responded to 80 emergency calls. (realised). Q3: Responded to 75 emergency calls. (realised). Q4: Responded to 121 emergency calls. (realised).
To capacitate community by means of environmental education and awareness 5 public environmental education and awareness programmes held.	5 reports submitted on the implementation of approved environmental public awareness/ education programmes conducted in all four units on a quarterly basis.	Q1: 1 report submitted on the implementation of approved environmental public awareness/education programme in Bohlokong (realised). Q2: 1 report submitted on the implementation of approved environmental public awareness/education programme in Fouriesburg (realised). Q3: 1 report submitted on the implementation of approved environmental public awareness/education programme in Clarens (realised). Q4: Reports submitted on the implementation of approved environmental public awareness/education programme in Paul Roux and Rosendal (not realised).

34. I was unable to obtain sufficient appropriate audit evidence that systems and processes were established to enable the consistent measurement and reliable reporting of performance against the predetermined indicator definitions. This was due to a lack of sufficient measurement definitions and processes. I was unable to validate the existence of systems and processes by alternative means

Indicator descriptions	Planned targets	Reported achievements
Access to water increased from 96,8% to 98,9% by 2020. 1000 additional households to be provided with water connections by 2020 in Rosendal.	Installation of water network for 1000 sites in Metati.	95%
Waste treatment works upgraded from 1.1ML to 2.2ML by 2020 in Fouriesburg.	Upgrading of the 1.1ML to 2.2 ML Wastewater Treatment	51% construction in progress (not realised).

Indicator descriptions	Planned targets	Reported achievements
Upgrading progress – 100% completed by end of June 2020.	Works in Fouriesburg completed by 2020.	
Access to sanitation increased from 96.8% by 2020. 1000 additional households to be provided with sanitation connection by 2020 in Rosendal.	Installation of sewer networks for 1000 sites in Metati by 2020.	100% completed.
Fateng tse Ntsho - Construction of 1.4 km blocked paved roads and storm water completed by 2021.	Fateng tse Ntsho - Construction of 1.4 km blocked paved roads and storm water completed by 2021.	No targets for Q1-Q3. The Q4 target not realised (not realised).
Khubetswana construction of 1.6km blocked paved roads and storm water completed by 2021.	Construction of 1.6km blocked paved road and storm water channels in Khubetswana completed by 2021.	No targets for Q1-Q3. The Q4 target not realised (not realised).
32 723 & 85% of households with access to electricity. 32 723 number and 85% of HH with access.	Construction of Bakenpark Ext 5 Phase 1-bulk infrastructure, 5km feeder line.	63% (not realised)
12 monthly reports on the daily maintenance and operation of registered and functional landfill sites to be submitted on or before the 10th of each month. 12 monthly reports on the daily maintenance, operation and inspections of the landfill site in line with Minimum requirements for waste disposal by landfill.	12 monthly reports submitted on management, operation and inspection of landfill sites.	Service provider is on site doing landfill site maintenance. The landfill is managed and operated as per the licence conditions. Inspections are done weekly to ensure compliance (realised).
12 monthly submissions of data on tonnages of waste disposed at landfill site on the waste information system (WIS) on or before the 10th of each month. 12 monthly submissions of data on tonnages of waste disposed at the landfill site on the waste information system.	12 monthly submissions of data on tonnages of waste disposed at the landfill site on the waste information system (WIS) at the department of environmental affairs as required by legislation.	Waste tonnages data is captured on the SAWIS on monthly basis (realised).
12 monthly reports submitted on 46857 of HH with access to weekly refuse removal & solid waste disposal as per the approved weekly refuse removal schedule.	12 monthly reports submitted weekly refuse removal & solid waste disposal as per the approved weekly refuse removal schedule.	Refuse removal was done as per the weekly refuse removal schedule (realised).

Indicator descriptions	Planned targets	Reported achievements
12 monthly reports submitted on 55 illegal corner dumps cleaned quarterly in Bethlehem on or before 10th of each month. Report to indicate the number and areas cleaned per ward.	12 monthly reports submitted on the cleaning of 55 illegal corner bumps.	Corner dumps are cleaned on regular basis (realised).
12 monthly reports submitted on cleaning of 40 streets in the CBD on a daily basis on or before 10th of each month.	12 monthly reports submitted on cleaning of streets in the CBD.	Street sweeping is done mainly in town as per the street sweeping schedule. (realised)
Ensure that the required burial space is available. 1 170 available grave sites.	4 quarterly reports submitted on the regular digging of graves (average of 1 170 graves for the year).	Q1: Dug and prepared graves 264. Q2: Dug and prepared graves 264. Q3: Dug and prepared graves 237. Q4: Dug and prepared graves 270.
Maintenance of cemeteries. Well maintained cemeteries.	12 reports submitted on the implementation of the maintenance plan of cemeteries or before 10th of each month.	No maintenance was done in April due to the national lockdown (Covid-19). Maintenance was done on an ongoing basis for the rest of the financial year. (realised)
Maintained parks, open spaces, nursery and environmental areas. 75 parks and open spaces maintained.	12 reports submitted on implementation of approved parks maintenance plan or before 10th of each month.	Maintenance was not done in April due to the national lockdown (Covid-19). Maintenance was done on an ongoing basis for May and June 2020. Cleaning of parks, sidewalks and traffic Island. Cutting grass and trim the edges. (realised).
Urban greening. 400 Street Trees planted. Street Trees maintained.	Planting of 400 street trees in Dihlabeng. 12 reports submitted on terms of maintenance of street trees on or before 10th of each month.	Realised. Planted 461 trees: Q1: 224 Q2: 237 Q3: Maintenance and pruning. Q4: Maintenance and pruning. Maintenance was not done in April due to the national lockdown (Covid-19).
Maintenance of nursery. Well maintained nursery.	12 reports submitted on implementation of the approved maintenance plan of nursery on or before 10th of each month.	Realised. Q1: Propagated fruit trees Transplanting of Agapanthus flowers into bags. Cleaning of green House. Ongoing maintenance: watering, weeding and pruning of shrubs, flowers and trees. Fertilizing roses and other plants, Q2: Transplanting of white karee trees into the bigger bags.

Indicator descriptions	Planned targets	Reported achievements
		<p>Apply insecticides granules for control of pests. Watering of flower, shrubs and trees at the green house. Applied plant food in the green house and hot house.</p> <p>Q3: Watering of flower, shrubs and trees at the green house. Weeding and applied liquid fertiliser (organic) in the Green House. Propagation of Portulacria Afra (Spekbome). Q4: Watering of flower, shrubs and trees at the green house.</p>
<p>To submit a business plan and to monitor the quarterly targets.</p> <p>Business plan submitted. Monitoring, implementation of business plan & reporting.</p>	<p>Monitoring of implementation of conditional grant for public library services.</p> <p>12 reports submitted on the implementation of approved business plan.</p>	<p>Business plan was submitted on 15 June 2020 and 2019/20 expenditure report was submitted on 30 June 2020.</p> <p>Salaries for the month April, May and June were paid for 13 personnel (realised).</p>
<p>To promote usage and access within the libraries.</p> <p>Host 8 Library Events</p>	<p>8 reports submitted on library events held.</p>	<p>Q1: Word Festival Competition was held. (realised). Job Hunting and Interview Skills. Event was successfully.</p> <p>Q2: Employee Capacity Forum was successfully. Realised Story Telling Festival was successfully.</p> <p>Q3: Report submitted on the implementation of the " Do It Yourself" & "Earn A Living @ Your Library" (not realised). Library week event was held. (realised)</p> <p>Q4: 1 report submitted on the implementation of the World Book Day event (Not realised). 1 report submitted on the implementation of the "Let's apply early" (University online and bursary application (Not realised).</p>
<p>Sport and recreation facility constructed in Bohlakong WARD 6 by 2020.</p> <p>1 completed sport and recreation facility in ward 6 by 2020.</p>	<p>1 upgrading of 2nd sports and recreational facility at phase 7.</p>	<p>Not realised</p>

Indicator descriptions	Planned targets	Reported achievements
<p>24 well-maintained sport and recreational facilities accessible for public use.</p> <p>24 well maintained sport and recreational facilities.</p>	<p>12 reports submitted on the implementation of the approved maintenance plan for sport facilities on or before 10th of each month.</p>	<p>Q1: Facilities well maintained as per the maintenance plan (realised).</p> <p>Q2: Facilities well maintained as per the maintenance plan (realised).</p> <p>Q3: Facilities well maintained as per the maintenance plan (realised).</p>
<p>Revenue generated through the use of sport and recreational facilities.</p>		<p>Q4: No maintenance was done due to the national lockdown (Covid-19) (not realised).</p>
<p>A functional Arts and Culture Council with all groupings affiliated.</p> <p>Established Arts and Culture Council.</p>	<p>10 reports submitted on the approved arts and culture events.</p>	<p>Q1: Meetings with arts and culture committees were held in all areas (realised).</p> <p>Live gospel concert was held on 24 September 2019 (realised).</p> <p>Support x 2 arts and culture artists (not realised).</p> <p>Q2: Meetings were held from 12 – 19 December 2019 (realised).</p> <p>Dihlabeng arts festival was held on 29 – 30 November 2019 (realised).</p> <p>Public art project was held from 23 - 31 December 2019 (realised).</p> <p>Q3: 1 report on quarterly meetings with arts and cultural committees (realised)</p> <p>1 report submitted on the implementation of the Schools poetry competition (not realised).</p> <p>Support x 2 arts and culture artists (not realised).</p> <p>Q4: 1 report on quarterly meetings with arts and cultural committees (not realised).</p> <p>1 report submitted on the implementation of the Dihlabeng Clap and Tap festival. (Not realised)</p> <p>1 report submitted on the implementation of the Battle of the DJ's competition. (Not realised) 100%</p>

Indicator descriptions	Planned targets	Reported achievements
<p>To establish and maintain effective institutional arrangements.</p> <p>Hold quarterly meetings of the Inter Departmental Risk Management Committee and Advisory forum.</p>	<p>4 reports sub-mitted on the Interdepartmental Disaster Risk Management Committee (IDRMC) meetings held on a quarterly basis.</p>	<p>Q1: Meeting was held on 19 September 2019 (realised).</p> <p>Q2: Meeting was held on 12 December 2019 (realised).</p> <p>Q3: The meeting was scheduled for end of March 2020 but due to the national lockdown (Covid-19) no meeting was held (not realised).</p> <p>Q4: No meeting was held due to the national lockdown (Covid-19) (not realised).</p>
<p>1 multipurpose courts resealed in ward 9 by 2020.</p> <p>1 multipurpose courts resealed in ward 9 by 2020.</p>	<p>Resealing of Bohlokong Multipurpose courts in ward 9.</p>	<p>Awaiting the budget approval from MIG (not realised).</p>
<p>To establish and maintain effective institutional arrangements.</p> <p>Hold quarterly meetings of the Inter Departmental Risk Management Committee and Advisory forum.</p>	<p>4 reports submitted on the Dihlabeng Disaster Risk Management Advisory forum meetings held on a quarterly basis.</p>	<p>Four (4) meetings were held during the year as follows:</p> <ol style="list-style-type: none"> 1. 11 September 2019. 2. 20 November 2019. 3. 19 February 2020. 4. 15 April 2020. <p>(realised)</p>
<p>To minimise response time to reported incidents.</p> <p>Responded to reported incidences within 5 to 10 minutes in urban areas.</p>	<p>12 reports submitted on the functionality of emergency services on or before 10th of each month.</p>	<p>Q1: Responded to 173 emergency calls (realised).</p> <p>Q2: Responded to 80 emergency calls (realised).</p> <p>Q3: Responded to 75 emergency calls (realised).</p> <p>Q4: Responded to 121 emergency calls (realised).</p>
<p>To initiate community fire safety programmes.</p> <p>48 fire inspections and 48 prevention initiatives conducted and 18 Firebreaks done.</p>	<p>12 reports submitted on fire safety programmes. (Conducting 48 fire inspections and 48 prevention initiatives at schools/churches/business and do 18 Firebreaks) on or before 10th of each month.</p>	<p>Q1: 3 reports submitted on fire safety programmes (realised).</p> <p>Conducted fire inspections: 41 Conducted public awareness: 15 Firebreaks: 18</p> <p>Q2: 3 reports submitted on fire safety programmes. (realised) Conducted fire inspections: 32 Conducted public awareness: 15</p> <p>Q3: 3 reports submitted on fire safety programmes. (realised) Conducted fire inspections: 47 Conducted public awareness: 13</p>

Indicator descriptions	Planned targets	Reported achievements
		Q4: 3 reports submitted on fire safety programmes. (realised) Conducted fire inspections: 13 Conducted public awareness: 0 (not realised) Firebreaks: 10

35. The measures taken to improve performance against the targets for the following indicators were not included in the annual performance.

Indicator descriptions	Planned targets
Fateng tse Ntsho - Construction of 1.4 km blocked paved roads and storm water completed by 2021.	Construction of 1.4 km blocked Paved Road and storm water channels in Fateng-Tse-Ntsho completed by 2021.
Khubetswana construction of 1.6km blocked paved roads and storm water completed by 2021.	Construction of 1.6 km blocked Paved Road and storm water channels in Khubetswana completed by 2021.
32 723 & 85% of households with access to electricity.	Construction of Bakenpark Ext 5 Phase 1-bulk infrastructure, 5km feeder line.
To initiate community fire safety programmes. 48 fire inspections and 48 prevention initiatives conducted and 18 Firebreaks done.	12 reports submitted on fire safety programmes (Conducting 48 fire inspections and 48 prevention initiatives at schools/churches/business and do 18 Firebreaks) on or before 10th of each month).
To extend services to all areas Ensure that firefighting services are extended to units.	Satellite fire station established in Fouriesburg. 6 reports submitted of the functionality of emergency services.

36. A comparison between the planned and actual performance of the year under review and the previous year was not included in the annual performance report for all performance indicators and targets.

37. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the indicators listed below:

Indicator descriptions	Planned targets	Reported achievements	Achieved indicators per supporting evidence
			Percentage spent on projects

Waste treatment works upgraded from 1.1ML to 2.2 ML by 2020 Fouriesburg.	Upgrading of the 1.1ML to 2.2 ML wastewater treatment works in Fouriesburg completed by 2020.	51% construction in progress. Not realized	79%
Access to increased sanitation from 96.8% by 2020.	Refurbishment of Bethlehem waste water treatment works.	76% construction in progress. Not realized	69%

Other matters

38. I draw attention to the matters below.

Achievement of planned targets

39. 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 paragraph(s) 33 to 37 of this report.

Report on the audit of compliance with legislation

Introduction and scope

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

41. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual reports

42. 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, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

43. The 2018/19 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

Expenditure management

44. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

45. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2)(b) of the MFMA.
46. Reasonable steps were not taken to prevent irregular expenditure amounting to R129 654 049 as disclosed in note 53 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.
47. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R36 582 204, as disclosed in note 52 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The fruitless and wasteful expenditure was incurred due to interest payable on overdue accounts.
48. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R154 809 376, as disclosed in note 51 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the approved budget.

Procurement and contract management

49. 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(1)(a) and (c). A similar finding was identified in the prior year.
50. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.
51. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).
52. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
53. The contract performance and monitoring measures and methods were not sufficient to ensure effective contract management, as required by section 116(2)(c) of the MFMA.

Consequence management

54. 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.
55. 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.

56. 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.

Utilisation of conditional grants

57. The municipal infrastructure grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 17(1) of Dora.
58. Performance in respect of programmes funded by the municipal infrastructure grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of Dora.
59. Performance in respect of programmes funded by the integrated national electrification programme grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of Dora.

Asset management

60. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

Other information

61. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected KPA presented in the annual performance report that have been specifically reported in this auditor's report. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
62. 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 KPA presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
63. 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

64. 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.
65. Leadership and management did not implement adequate oversight over the implementation of action plans to address internal control deficiencies that resulted in misstatements to financial and performance reporting and non-compliance with laws and regulations. The corrective measures were not adequately monitored to ensure successful implementation. This was mainly due to slow response by leadership and by management.
66. Management did not implement adequate monitoring controls over monthly and daily disciplines relating to financial and performance reporting. Misstatements and omissions were thus not timely identified and corrected.
67. Management did not implement adequate oversight over compliance with laws and regulations. This was due to lack of consequence management.
68. Leadership did not provide adequate support to the internal audit function as the post of chief audit executive has not been filled. The internal control deficiencies reported and recommendations made by both internal audit function and external auditors were not adequately implemented to prevent repeat occurrence.
69. The audit committee was not appropriately constituted and did not adequately report to the municipal council on key controls, governance and risk management.

Other reports

70. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
71. The municipality was under investigation by the Directorate for Priority Crime Investigation (Hawks) on allegations of irregularities in SCM and disposal of assets. The investigation commenced during 2017/18 financial year and was still ongoing at the reporting date.
72. The special investigations unit (SIU) were investigating allegations of irregularities in the implementation of capital projects approved by the National Treasury to address emergency service delivery needs as result of the national state of disaster due to the Covid-19 pandemic. The investigations were ongoing at the reporting date.

Auditor-General

Bloemfontein

31 March 2021



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 the selected KPA and on the municipality’s compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Dhlabeng Local Municipality to continue as a going concern. If I conclude that a material uncertainty

exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also 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, the actions taken to eliminate threats or the safeguards applied.