

Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Richtersveld Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Richtersveld Local Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Richtersveld Local Municipality as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2020 (Act No. 4 of 2020) (Dora).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence that infrastructure assets included as part of property, plant and equipment had been properly accounted for in the current and previous year, due to the fact that these assets could not be physically verified. I could not confirm infrastructure assets by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to infrastructure assets stated at R157 950 172 (2020: 149 005 397) in note 2 in the financial statements. In addition, the municipality did not account for infrastructure assets in accordance with GRAP 17, *Property, plant and equipment*. This resulted in infrastructure assets being understated by R25 358 (2020: overstated by R427 383). Since the property, plant and equipment is included in the determination of net cash flows from investing activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from investing activities stated at R10 514 887 (2020: R10 084 611) in the financial statements.
4. I was unable to obtain sufficient appropriate audit evidence for land included in property, plant and equipment as the municipality did not have an adequate system of internal control to account for land and did not keep proper records. Consequently, I was unable to determine whether any adjustments were necessary to land of R16 186 860 as disclosed in note 2 to the financial statements.

Investment property

5. I was unable to obtain sufficient appropriate audit evidence that investment property had been properly accounted for, due to the status of the accounting records. I could not confirm whether all investment property had been recorded and could not reconcile the investment properties to the title deeds. I could not confirm investment property by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to investment property stated at R18 817 051 in note 3 of the financial statements. In addition, the municipality did not account for investment property in accordance with GRAP 16, *Investment property*. This resulted in investment property being overstated by R804 660.

Receivables from non-exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for Kai Kai Development included in receivables from non-exchange transactions for the current and previous years due to the poor status of the accounting records. I was unable to confirm the receivable and provision for debt impairment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to Kai Kai Development stated at R38 518 630 (2020: R39 855 849), in note 7 to the financial statements. Since the receivables from non-exchange transactions balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R15 355 440 (2020: R10 310 152) in the financial statements.
7. During 2020, the municipality did not recognise the provision of debt impairment included in receivables from non-exchange transactions in accordance with GRAP 104, *Financial instruments*. This is due to inadequate assessment of the customer debtors' assessment to settle debts. Consequently, provision of debt impairment included in receivables from non-exchange transactions is overstated and impairment loss on receivables in the statement of financial performance is understated with an undeterminable amount. I was unable to determine the full extent of the misstatement as it was impracticable to do so, stated at R78 713 231, in note 7 to the financial statements. Additionally, there was an impact on the deficit for the period and on the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the receivables from non-exchange for the current period.
8. During 2020, I was unable to obtain sufficient appropriate audit evidence for taxes-rates included in receivables from non-exchange transactions due to the poor status of the accounting records. I was unable to confirm the receivable by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to taxes-rates included in receivables from non-exchange transactions stated at R27 335 871 for the previous year, in note 7 to the financial statements. Since the receivables from non-exchange transactions balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R10 310 152 in the financial statements.. In addition, the municipality did not recognise the taxes-rates included in receivables from non-exchange transactions in accordance with GRAP 104, *Financial Instruments*, as the total amount did not agree to the age analysis. Consequently,

taxes-rates included in receivables from non-exchange transactions is understated by R50 538 and revenue from property rates is understated by R50 538. Additionally, there was an impact on the deficit for the period and on the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the receivables from non-exchange for the current period.

Receivables from exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence that property rentals, abeyance and other arrears had been properly accounted for, due to the poor status of the accounting records. I was unable to confirm abeyance and other arrears by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to property rentals, abeyance, other arrears and provision for debt impairment stated at R1 827 174, R1 847 986, R4 444 116 and R57 241 755 respectively, in note 6 to the financial statements. Since the receivables from exchange transactions balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R15 355 440 in the financial statements.
10. During 2020, the municipality did not recognise provision of debt impairment in accordance with GRAP 104, *Financial Instruments*. This was due to inadequate assessment of the consumer debtors' assessment to settle debts. I was unable to confirm the provision of debt impairment and impairment loss on receivables by alternative means. I was unable to determine the full extent of the misstatement as it was impracticable to do so. In addition, the municipality did not account for all debit balances adequately. Consequently, receivables from exchange transactions is overstated by R25 693, taxes is understated by R464 930. Additionally, there was an impact on the deficit for the period and on the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the receivables from exchange for the current period.
11. During 2020, I was unable to obtain sufficient appropriate audit evidence for property rentals and other arrears included in receivables from exchange transactions, due to the poor status of the accounting records. I was unable to confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to property rentals and other arrears included in receivables from exchange transactions stated at R1 964 858 and R4 169 594 respectively in note 6 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the receivables from exchange transactions for the current period.
12. During 2020, the municipality did not record receivables from exchange transactions in accordance with GRAP 104, *Financial Instruments*. The municipality did not maintain adequate and complete records of indigent debtors and sewerage removals. I was unable to determine the full extent of the understatement of receivables from exchange transactions and electricity, water, waste management and waste water management for the previous year as it

was impracticable to do so. In addition, the municipality incorrectly recognised outstanding employee cost. Consequently, receivables from exchange transactions is understated by R638 649. Additionally, there was an impact on the deficit for the period and on the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the receivables from exchange for the current period.

13. During 2020, the municipality did not recognise trade receivables included in receivables from exchange transactions in accordance with GRAP 104, *Financial Instruments*, as the total amount did not agree to the age analysis. Consequently, R53 870 776 included in receivables from exchange transactions was understated by R115 521 for the previous year. Additionally, there was an impact on the deficit for the period and on the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the receivables from exchange for the current period.

Taxes

14. During 2020, the municipality did not accurately record VAT receivables in accordance with GRAP 108, *Statutory receivables*. The municipality did not account for all VAT transactions in the financial statements. I was unable to determine the full extent of the understatement of VAT receivables and overstatement of accumulated surplus as it was impracticable to do so. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the taxes for the current period.

Employee benefits

15. The municipality did not account for the provision for post-retirement health care benefits in accordance with GRAP 25, *Employee benefits* due to incorrect input data to calculate the employee benefit obligation. I was unable to determine the full extent of the understatement for the current year and prior year as it was impractical to do so. I was unable to confirm the provision for post-retirement health care benefits by alternative means. In addition, I was unable to obtain sufficient appropriate audit evidence that the provision for post-retirement health care benefits had been properly accounted for, due to the status of the accounting records. I was unable to confirm the provision for post-retirement health care benefits by alternative means. Consequently, I was unable to determine whether any adjustment to the provision for post-retirement health care benefits at R1 888 998 as disclosed in note 11 to the financial statements was necessary.

Revenue from non-exchange transactions

16. I was unable to obtain sufficient appropriate audit evidence that property rates for the current and previous year had been properly accounted for, due to the status of the accounting records. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustment to property rates stated at R20 070 821 (2020: R19 593 640) as disclosed in note 19 to the financial statements was necessary. Since the revenue from non-exchange transactions balance is included in the determination of net cash

flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R15 355 440 (2020: R10 310 152) in the financial statements.

17. During 2020, the municipality did not record revenue earned from interest on non-exchange transactions in accordance with GRAP 23, *Revenue from non-exchange transactions* due the accounting systems of the municipality. The municipality did not record all interest transactions. In addition, there was a resultant impact on receivables from non-exchange transactions. I was unable to determine the full extent of the misstatement as it was impracticable to do so. Additionally, there was an impact on the deficit for the period and on the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the property rates for the current period.

Revenue from exchange transactions

18. I was unable to obtain sufficient appropriate audit evidence for electricity service charges, due to the status of the accounting records. I could not confirm whether all electricity service charges had been recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to electricity service charges stated at R13 392 356 in note 24 to the financial statements. Since the revenue from exchange transactions balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R15 355 440 in the financial statements.
19. The municipality did not record revenue from electricity service charges in accordance with GRAP 9, *Revenue from exchange transactions*. Service charges were not levied in terms of the approved tariffs and meter readings as electricity was not charged in accordance with meter readings. Consequently, electricity was overstated by R108 742 in the current year. In the prior year, electricity, taxes and receivables from exchange transactions were understated by R6 025 538, R903 831 and R6 929 369 respectively. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.
20. During 2020, the municipality did not record revenue from water service charges in accordance with GRAP 9, *Revenue from exchange transactions*. Service charges were not levied in terms of the approved tariffs and meter readings as water was not charged in accordance with meter readings. In addition, there was a resultant impact on receivables from exchange transactions. I was unable to determine the full extent of the misstatement as it was impracticable to do so. Additionally, there was an impact on the deficit for the period and on the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the service charges for the current period.
21. During 2020, the municipality did not record interest on exchange transactions in accordance with GRAP 9, *Revenue from exchange transactions* due the accounting systems of the municipality. The municipality did not record all interest transactions. I was unable to determine the full extent of the misstatement as it was impracticable to do so. Additionally, there was an

impact on the deficit for the period and on the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the service charges for the current period.

22. During 2020, I was unable to obtain sufficient appropriate audit evidence for water and electricity included in service charges due to the poor status of the accounting records. I was unable to confirm the amounts by alternative means. I was unable to determine the full extent of the misstatement as it was impracticable to do so. Since the revenue from exchange transactions balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R10 310 152 in the financial statements. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the service charges for the current period.
23. During 2020, the municipality did not record electricity included in service charges in accordance with GRAP 9, *Revenue from exchange transactions*. Revenue arising from the consumption of electricity was not recognised in the financial statements. I was unable to determine the full extent of the understatement as it was impracticable to do so. Additionally, there was an impact on the deficit for the period and on the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2020 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the service charges for the current period.

Inventory consumed

24. I was unable to obtain sufficient appropriate audit evidence that inventory consumed had been properly accounted for, due to the status of the accounting records. I was unable to confirm inventory consumed by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to inventory consumed stated at R2 166 774 as disclosed in note 5 to the financial statements. In addition, the municipality did not account for inventory consumed in accordance with GRAP 1, *Presentation of financial statements*. This resulted in inventory consumed being overstated by R1 931 580. Since the inventory consumed balance is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R15 355 440 in the financial statements.

Irregular expenditure

25. The municipality did not include all irregular expenditure incurred in note 49.3 to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality incurred expenditure in contravention of supply chain management (SCM) requirements, which was not disclosed. Consequently, irregular expenditure was understated in the financial statements. I was unable to determine the full extent of the understatement of irregular expenditure as disclosed in note 49.3 to the financial statements as it was impracticable to do so. In addition, I was unable to obtain sufficient appropriate audit evidence for the difference identified between the financial statements and the supporting schedule on irregular expenditure of

R701 921. I was unable to verify the difference in the amount disclosed by alternative means. Consequently I was unable to determine whether any adjustment was necessary to irregular expenditure stated at R73 006 252 under note 49.3

Correction of error in terms of GRAP 3

26. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figures. As described in note 43 to the financial statements, the restatement was made to rectify a previous year misstatement, 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 adjustments were necessary to the property, plant and equipment, creditors and accumulated deficit as disclosed in the correction of error in terms of GRAP 3 note in the financial statements.

Total expenditure

27. The total expenditure were materially misstated by R907 757 due to the cumulative effect of individually immaterial uncorrected misstatements in employee related cost, bad debts written off, contracted services, depreciation and amortisation, finance cost, operating leases, operational cost:

Total expenditure:

- Contracted services stated at R5 508 613 was understated by R1 226 668
- Depreciation and amortisation stated at R10 818 883 was understated by R3 569
- Operating cost states at R8 831 372 was overstated by R322 481

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

Total expenditure for the current year:

- Employee related cost, bad debts written off, contracted services, depreciation and amortisation, finance cost, operating leases and operational cost of R64 962 095 as included in the disclosed balance of R86 057 039.

Consequently, I was unable to determine whether any further adjustment was necessary to total expenditure. Since the expenditure is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R15 355 440 in the financial statements.

Total revenue

28. The total revenue were materially misstated by R54 400 due to the cumulative effect of individually immaterial uncorrected misstatements in revenue from exchange transactions and revenue from non-exchange transactions:

Total revenue:

- Revenue from exchange transactions stated at R25 848 593 was overstated by R54 400

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

Total revenue:

- Revenue from exchange transactions and revenue from non-exchange transactions of R89 004 520 as included in the disclosed balance of R89 004 520.

Consequently, I was unable to determine whether any further adjustment was necessary to total revenue. Since the revenue is included in the determination of net cash flows from operating activities reported in the statement of cash flows, I was unable to determine whether any adjustments were necessary in the cash flows from operating activities stated at R15 355 440 (2020: R10 310 152) in the financial statements.

Context for the opinion

29. 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 my report.
30. 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.
31. 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/ financial sustainability

32. I draw attention to the matter below. My opinion is not modified in respect of this matter.
33. I draw attention to note 60 to the financial statements, which indicates that the municipality is experiencing difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceed the current assets with R44 149 857 (2020: R34 322 424). As stated in note 60, these events or conditions, along with the other matters as set forth in note 60, 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

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

Restatement of corresponding figures

35. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2020 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2021.

Events after the reporting period

36. As indicated in note 61 in the financial statements, the municipality has signed a three-year agreement to transfer Alexander Bay into the Richtersveld Municipality. The municipality has also indicated that at this stage there are no financial implications.

Material impairments – receivables from exchange transaction

37. As disclosed in note 6 to the financial statements the municipality reported a material impairment of R57 241 755 (2020: R50 636 315) as result of a debt impairment of receivables from exchange transactions, due to non-collection of outstanding balance owned to the municipality.

Material impairments – receivables from non-exchange transactions

38. As disclosed in note 7 to the financial statements, the municipality reported a material impairment of R89 452 205 (2020: R78 713 231) as a result of a debt impairment of receivables from non-exchange transactions, due to non-collection of outstanding balance owned to the municipality

Other matters

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

Unaudited disclosure notes

40. 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 on it.

Unaudited supplementary schedules

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

Responsibilities of the accounting officer for the financial statements

42. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and DORA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
43. 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

44. 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.
45. 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

46. I was unable to audit the usefulness and reliability of the selected strategic objectives listed below as the annual performance report was presented without accurate and complete underlying (performance) records. This placed limitation on the scope of my work as I was unable to obtain sufficient and appropriate audit evidence and to audit the reported performance information by alternative means.

- Strategic Objective: To provide and maintain superior decentralized consumer services (Water, sanitation, roads, storm water, waste management and electricity)

Other matter

47. I draw attention to the matter below.

Achievement of planned targets

48. Refer to the annual performance report on pages X to X for information on the achievement of planned targets for the year of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 46 of this report.

Introduction and scope

49. 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.

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

Annual financial statements

51. 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 revenue and receivables identified by the auditors in the submitted financial statements were not adequately corrected, which resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

52. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with the supply chain management regulations in the acquiring of services above R200 0000.

53. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R20 050 050,00, as disclosed in note 49.1 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 on the operating votes.

Revenue management

54. An adequate management, accounting and information system which accounts for revenue, debtors and receipt of revenue was not in place, as required by section 64(2)(e) of the MFMA.

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

Asset management

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

Strategic planning and performance management

57. The Service Delivery and Budget Implementation Plan (SDBIP) for the year under review did not include monthly revenue projections by source of collection, the monthly operational and

capital expenditure by vote and the service delivery targets and performance indicators for each quarter, as required by section 1 of the MFMA.

58. The Integrated Development Plan (IDP) did not reflect the key performance indicators and targets as required by sections 26(i) of the Municipal systems act of South Africa, 2000 (Act No. 32 of 2000) and municipal planning and performance management reg 2(1)(e).
59. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.
60. Amendments to the IDP were made without consultation with the district municipality, as required by municipal planning and performance management reg 3(6)(a)
61. The performance management system and related controls were not maintained or were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting, improvement processes should be conducted and managed, as required by municipal planning and performance management reg 7(1).

Procurement and contract management

62. 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).
63. 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). Similar non-compliance was also reported in the prior year.
64. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.
65. The performance of 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.

Utilisation of conditional grants

66. 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 the Division of Revenue Act (Act 4 of 2020).
67. Performance in respect of programmes funded by the Water Services Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 4 of 2020).

Consequence management

68. 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.

69. Irregular expenditure and fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Other information

70. 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 objectives presented in the annual performance report that have been specifically reported in this auditor's report.
71. 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.
72. 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 objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
73. 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

74. 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.
75. The accounting officer did not evaluate whether management has implemented effective internal controls by gaining an understanding of how senior management has met its responsibilities relating to performance evaluation, supply chain management, financial and reporting and asset, liability, revenue and expenditure management.
76. The municipality did not develop an effective plan to address internal and external audit findings relating to financial, performance and compliance matters.
77. Controls over daily and monthly processing and reconciling of transactions were not performed on a regular basis, contributing to material misstatements not being prevented or detected in the financial statements.

78. The municipality does not have an adequate performance management system for the planning, collection, collation, monitoring, reviewing and reporting of performance information. The municipality does not have specific business processes that details how its performance management system works from setting objectives, indicators and targets through to reporting on objectives, indicators and targets.
79. The municipality did not review and monitor compliance with applicable laws and regulations.
80. The municipality did not implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.

Other reports

81. 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.
82. The Directorate for Priority Crime Investigations (Hawks) are investigating allegations of irregularities in the supply chain management processes applied in the prior years by the municipality as well as theft. These investigations were in progress at the date of this report.

Auditw - General

Kimberley

30 November 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 selected objectives 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 Richtersveld 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 provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and

other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.