



AUDITOR-GENERAL
SOUTH AFRICA

MANAGEMENT REPORT

Dipaleseng Local Municipality

2024-25

Date: 11 December 2025

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INTRODUCTION

1. The purpose of this management report is to communicate the outcomes of the audit for the financial year ended 30 June 2025, as well as the insights and significant matters that require the attention of the accounting officer. The report should be read with the engagement letter, which sets out our responsibilities as well as the standards and processes we apply in performing our audits.
2. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report has been signed.
3. We communicated our audit findings and recommendations for improvement to management and obtained their responses throughout the audit. This report is a comprehensive summary of what we shared with management. In annexure D, we provide a summary of detailed findings communicated to management.
4. The management report is structured as follows:
 - In **section 1** we share the overall audit outcomes and the status of material irregularities. We also summarise the material irregularities in annexure F.
 - In **section 2** we provide the most significant matters from the audit and their impact, which we detail further in the annexures. Where appropriate, we also include the following:
 - o Significant deficiencies in internal control that caused the findings we report. Significant deficiencies occur when internal controls do not exist; are not appropriately designed or implemented; or are not operating as intended to prevent – or to promptly detect and correct – material misstatements, non-compliance or non-performance. In **annexure C** we expand on the state of internal control.
 - o Key recommendations and the responses received from management on implementing the recommendations.
 - In **section 3** we include observations on the overall internal control environment and the role of the accountability ecosystem. Key recommendations and responses from management are also included.
 - In **section 4** we provide our view of the root causes of deficiencies in the overall internal control environment and provide recommendations for the accounting office to address the root causes.
 - We end the report with a **conclusion**.
5. We trust the insights and recommendations in this report will be of value in your pursuit towards building and leading a municipality that is accountable and transparent, has institutional integrity and performs at a level that has a positive impact on the lives of South Africans.

SECTION 1: AUDIT OUTCOMES AND MATERIAL IRREGULARITIES

OVERALL AUDIT OUTCOMES

6. The overall audit outcome of the municipality is unqualified with findings. This is an improvement from the previous year's audit outcome.

Audit results per outcome area

Outcome area	Movement	2024-25	2023-24	2022-23
Financial statements				
Annual performance report				
<ul style="list-style-type: none"> SFA 1: Basic service delivery 				
Compliance with legislation				
<ul style="list-style-type: none"> Procurement and contract management 				
<ul style="list-style-type: none"> Expenditure management 				
<ul style="list-style-type: none"> HR Management 				
<ul style="list-style-type: none"> Governance and oversight 	New			
<ul style="list-style-type: none"> Consequence management 				
<ul style="list-style-type: none"> Annual Financial Statements 				
<ul style="list-style-type: none"> Asset Management 				
<ul style="list-style-type: none"> Revenue Management 				
<ul style="list-style-type: none"> Conditional grants 				

	Unqualified/No material findings		Qualified		Adverse/Pervasive material findings		Disclaimed/Pervasive material limitation		Material findings		Not audited
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	Improvement		Regression		Unchanged
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7. The municipality has improved to an unqualified audit opinion with findings for the 2024/25 financial year, which is a commendable achievement. However, it is important to note that material adjustments were required to ensure the Annual Financial Statements (AFS) were fairly presented. This underscores the ongoing need for sustainable implementation of internal controls throughout the year across the entire accountability ecosystem. Strengthening these controls will help establish a robust and sustainable control environment.
8. Although there are material findings on the audit of predetermined objectives (AOPO) we have seen improvement in the municipality starting to define processes and TIDs to assist with better reporting. There is still work to be done but we commend the efforts that have started, and these should not be left in progress but should be seen to completion.
9. While compliance issues in identified areas remain a concern, there has been improvement in conditional grant management.
10. We provide further insight into the audit outcomes, the root causes of weaknesses and our recommendations in the rest of this report.
11. **Annexure E** lists matters that will affect future financial statements, annual performance reports and compliance with legislation.

MATERIAL IRREGULARITIES

12. Since the implementation of the material irregularity process, we have identified seven material irregularities at the municipality.

Status of material irregularities

Year of notification	Total	Resolved	Appropriate actions	Following up actions taken	AGSA further actions	Notification response not yet due	Assessing response
2024	4	0	0	0	4	0	0
2023	2	1	0	0	1	0	0
2022	1	1	0	0	0	0	0

13. Seven material irregularities (MIs) were issued as indicated above. The ESKOM MI notified in 2023 was resolved in current year adding onto the disclaimer MI that was resolved in prior years. The MI on ESKOM was resolved based on the action plan committed by the accounting officer regarding the implementation of the financial recovery plan. It is with this action plan we would like to see the municipality reducing fruitless and wasteful expenditure and those charged with governance should monitor this closely. Five of the Environmental MIs have been referred for further investigation, and we await the conclusions.
14. The five MIs are on: Two wastewater treatment works – Substantial harm to the public due to non-compliance with the environmental acts and well as the water act and
15. Three landfill sites - Substantial harm to the public due to non-compliance with the environmental acts and well as the water act.

16. We are continuing with the MI process, and we will be issuing recommendations to the accounting officer.
17. The auditor's report will detail all material irregularities. **Annexure F** lists the material irregularities that will be included in the auditor's report.
18. AGSA approvals on further actions are expected to take place after audit report date.

SECTION 2: SIGNIFICANT MATTERS

FINANCIAL STATEMENTS

Audit results

19. The financial statements were submitted to us for auditing on 31 August 2025.
20. We identified material misstatements in the financial statements submitted for auditing. The material misstatements could have been prevented or detected by effective internal controls. It constitutes non-compliance with MFMA and will be reported as a material finding in the auditor's report.

Material misstatements corrected

Accounting standard/legislation	Nature	Value	Description	Prior-year misstatements	
Cash and cash equivalents					
GRAP MFMA	Over/Under statement	FNB cheque account – (R36 173 355) FNB – Current account (R4 888 085) FNB – Call account (-R41 061 441)	Misclassifications on the balances of cash and cash equivalents between bank accounts in the presentation and disclosure note 12		
Prior period error					
GRAP MFMA	Over/understatement	Interest received on exchange transactions-R24 440 711 Interest received on non-exchange transactions-(R24 440 711)	Prior period error on interest reclassification not disclosed on the prior period error note 46		
Receivables from exchange transactions					
GRAP MFMA	Understatement	R187 726 903	Understatement of receivables from exchange transactions		
Payables from exchange transactions					
GRAP MFMA	Understatement	R161 044 940	Understatement of payables from exchange transactions		
Contingencies					
GRAP MFMA	Understatement	R5 921 503	Understatement of prior year contingent liabilities balance		

Accounting standard/ legislation	Nature	Value	Description	Prior-year misstatements	
Budget statement					
GRAP MFMA	Budget misstatements	Several misstatements to the budget statement	Several misstatements to the budget statement		
Unauthorised expenditure					
GRAP MFMA	Overstatement	R251 480 118	Overstatement of unauthorized expenditure		
Irregular expenditure					
GRAP MFMA	Understatement	R2 264 244	Understatement of irregular expenditure		
Fruitless expenditure					
GRAP MFMA	Understatement	R9 314 542	Understatement of fruitless expenditure		
Cashflow statement					
GRAP MFMA	Misstatements in cashflow	Several misstatements	Several cashflow misstatements		
VAT payable					
GRAP MFMA	Overstatement	R8 901 359	Overstatement of the VAT payable account		
Overstatement of the debt impairment movement					
GRAP MFMA	Overstatement	R6 390 521	Overstatement of the impairment movement in the income statement		
Segment reporting					
GRAP MFMA	Differences identified	Several line items	All assets and liabilities		
Property, plant and equipment					
GRAP MFMA	Prior year additions recorded in current year	R7 375 608	Overstatement of asset additions		

	Uncorrected		Corrected		No prior-year misstatement
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21. The message on material misstatement has not changed from prior years. Management needs to implement a culture of implementing controls throughout the period. This discipline needs to be strengthened within management if the status quo is to improve. The accountability ecosystem plays a major role in the root cause of the misstatements as each level of responsibility needs to effectively fulfil its role as the final output of the AFS and AOPO ultimately compliance would be a reflection of the input.
22. Impact: Correcting these misstatements indicates that the initial AFS were not complying with the Municipal Finance Management Act (MFMA) and may lead to deficiencies in in-year reporting. Such deficiencies could undermine the reliability of reported information, thereby reducing the effectiveness of accountability mechanisms, posing risks to financial management, the audit process, and the usefulness of financial statements and interim reports for stakeholders.
23. Corrections that needed to be done were done as agreed upon in the engagement letter. Improvement in responding to COMAFS were observed and this should be commended.

Internal control and recommendations

24. We identified significant internal control deficiencies in financial recordkeeping and the financial statement preparation and related business processes, which caused the misstatements or could cause misstatements in future.

Significant internal control deficiencies – financial records and financial statements

Deficiency	Prior years reported	
Management did not review and monitor compliance with applicable laws and regulations.	√	√
Management did not adequately implement controls over daily and monthly processing and reconciling of transactions	√	√
Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting	√	√
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	√	√
Those charged with leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.	√	√
Management did not adequately develop and monitor the implementation of action plans to address internal control deficiencies.	√	√

25. The deficiencies identified above are key and the impact can be seen in the audit outcome. If regular implementation of the key controls are not addressed, the municipality's control environment will not improve.

26. We made recommendations to improve the financial records and the financial statement preparation process to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – financial records and financial statements

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management should ensure daily transactions are processed and reviewed by appropriate individuals. Once correct information is captured management should ensure regular reconciliations are performed timeously to ensure discrepancies are detected and corrected before financial information is reported to users.</p> <p>Response: Management agreed on the different findings raised throughout the audit,</p>	2020-21	In process – behind schedule
<p>Recommendation: Management should ensure interim reporting is implemented through producing credible interim AFS which have gone through adequate checks and balances as this would assist in year-end reporting. Internal audit must be provided with financial statements for review timeously as this would assist the oversight committees to also have time to provide adequate oversight.</p> <p>Response: Management agrees, and have indicated the- preparation of interim reporting has started however, management must still ensure that the interim AFS are produced timeously and have gone through the adequate reviews required</p>	2020-21	In process – behind schedule
<p>Recommendation: Management should ensure that the control checklists that have been put in place are adhered to and deliberate non-compliance to the controls should be probed and dealt with accordingly.</p> <p>Response: Management agrees to the above recommendation where the findings were valid.</p>	2020-21	In process – behind schedule
<p>Recommendation: The accounting officer through the assistance of the district municipality should find solutions to be able to attract candidates with the required skills to the area. The accounting officer should appoint timeously all the critical vacancies in the Municipality</p> <p>Response: Management agrees to the above recommendation</p>	2020-21	In process – behind schedule, however we commend the appointments of Section 56 Managers
<p>Recommendation: Management should ensure daily transactions are processed and reviewed by appropriate individuals. Once correct information is captured management should ensure regular reconciliations are performed timeously to ensure discrepancies are detected and corrected before financial information is reported to users.</p> <p>Response: Management agreed on the different findings raised throughout the audit,</p>	2020-21	In process – behind schedule

27. Dipaleseng Municipality should improve the timeliness of implementing the action plans they have established. As reflected in the table above, a significant number of actions remain open. While the municipality has clearly identified the necessary steps within their plans, execution has been slow and inconsistent. Strengthening follow-through and ensuring timely completion of these actions is critical to achieving the intended outcomes.

Information to be included in auditor's report

28. We may communicate matters relating to the audit, the auditor's responsibilities and the auditor's report in the auditor's report that are important for users of the financial statements to know about. The following matters will be included as 'other matters' in the auditor's report:
- 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.
29. We will include an 'emphasis of matter' paragraph in the auditor's report to draw the attention of users of the financial statements to the following matters which we deem to be fundamental to their understanding of the financial statements:
- Material impairment – Receivables from exchange transactions - As disclosed in note 10 to the financial statements, material impairment of R574,68 million (2023-24: R489,40 million) was incurred as a result of the municipality not being able to recover monies owed by consumers, and the debt was impaired.
 - Material impairment – Receivables from non-exchange transactions - As disclosed in note 11 to the financial statements, material impairment of R93,75 million (2023-24: R84,43 million) was incurred as a result of the municipality not being able to recover monies owed by consumers, and the debt was impaired.
 - Restatement of corresponding figures - As disclosed in note 46 to the financial statement, the corresponding figures for 30 June 2024 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2025.
 - Material electricity losses - As disclosed in note 52 to the financial statements, material electricity losses of R 28,19 million (2023-24: R34,73 million) were incurred, which represented 26.20% (2023-24: 35.05%) of total electricity purchased.
 - Material water losses - As disclosed in note 52 to the financial statements, material water losses of R27,65 million (2023-24: R52,24million) were incurred, which represented 39% (2023-24: 72%) of total water purchased.

FINANCIAL MANAGEMENT AND PERFORMANCE

Going concern

30. Our audit included an evaluation of the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements of the municipality and whether any material uncertainties exist about their ability to continue as a going concern.
31. We did not identify any events and conditions that cast significant doubt on the municipality's ability to continue as a going concern.

Budget management

32. We performed tests to identify budget overspending or budgets not spent for their intended purpose and tested compliance with the legislative requirements for budget management. We identified findings to highlight in this area of financial management.

Budget spending

Nature	Description	Rand value		
		2024-2025	2023-24	2022-23
Budget overspent	The unauthorised expenditure was due to overspending on some vote accounts	R303 465 267	R240 522 181	R260 030 040

Findings on budget management

Finding	Prior years reported	
	2023-24	2022-23
Reasonable steps were not taken to prevent unauthorised expenditure amounting to R303,47 million as disclosed in note 49 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 votes.	√	√
The municipality did not budget appropriately resulting in the municipality receiving a letter from National Treasury declaring their budget as unfunded.	√	√
During the audit of budget management, we identified that the municipality did not make public the adjusted budget within 10 working days after the approval of the municipal council.	x	x
During the audit of budget management, we identified that the Mayor did not notify the MEC with regards to the financial problems that the municipality is facing.	x	x

33. Management did not adequately monitor the budget spending throughout the year and prior years to ensure votes are not exceeded.
34. Treasury's recommendation on unfunded budgets are in progress, however, the municipality has identified the need to engage further with Treasury to be assisted where they could be going wrong as they believe actions implemented should have addressed the concern.
35. The Mayor should formally communicate to the MEC of Dipaleseng's financial problems
36. Impact: Unauthorised spending can lead to the municipality being unable to honour payables and commitments which will negatively impact on service delivery. Non-payments of creditors will lead to incurrence of interest which results in fruitless and wasteful expenditure.
37. The unauthorised expenditure incurred constitutes non-compliance with section 62(1)(d) of the MFMA. The non-compliance will be reported as a material finding in the auditor's report.
38. The unauthorised expenditure incurred was disclosed in the financial statements as required.

39. We also tested compliance with the legislative requirements for the preparation and approval of the budget for the next 2025-26 financial year. We did not identify findings on these budget processes.

Financial assessment and compliance

40. Our audit included a high-level assessment of the financial position and key financial indicators of the municipality based on its financial results to assess its ability to continue as a going concern (as detailed earlier), and to highlight those issues that may require corrective action to maintain financial stability. The financial indicators used for the assessment include those that the users of the financial statements would typically apply to assess financial performance. The assessment is intended to complement, rather than substitute, the municipality's own financial assessment.

41. The detailed assessment is included in annexure A. We used the amounts and information in the financial statements to perform the assessment.

42. We changed the way our financial assessment of municipalities and municipal entities is performed to improve the relevance and consistency thereof. Our assessment is now based on the indicators that the National Treasury uses in identifying municipalities in financial distress. The indicators were also calculated for the previous year to enable comparability.

43. We concluded that the financial health of the municipality is concerning which is the same as the previous year.

44. The key matters identified through the assessment that require attention to improve the financial health of the municipality are summarised next.

Financial assessment – key matters

Revenue management
<p>The municipality's debt collection period in the current financial year is 459 days after impairment which is a regression from prior year of 441 days. However, the number of days are significant and indicate that the municipality is still taking longer to collect revenue from debtors, which is exposing the municipality to financial health difficulties due to the significant cash tied up in customer debtors. There has been a slight increase in the provision for bad debts, with debtor's impairment provision accounting for 70% (2023-24: 70%) of debtors. The low collection rate is worsened by external economic conditions which have impaired the municipality's debtor's ability to pay. Management is also not taking measures as per their policy to collect debts e.g. issuing out letters of demand. Lack of collection hinders the advancement of service delivery.</p>
Asset and liability management
<p>The municipality's current liabilities exceed current assets by R458 848 413 (2023-24 R291 889 444). This ratio indicates that the current assets cannot cover the current liabilities. Once again this is a negative ratio showing that in the short term the municipality cannot cover for its short-term liabilities, and this has an impact on service delivery as it is an indicator of not being able to pay liabilities when they become due. Eskom debts as well DWS debt continue to increase and the municipality has not been able to honour the debt of Eskom per the debt relief plan. This shows significant concern as these efforts are designed to assist the municipality to manage its debt.</p>
Expenditure management
<p>The municipality is taking 708 days to pay its creditors. This shows a significant cash deficiency and has a negative impact on service delivery as it can slow down the completion of projects. Non-payment of creditors also results in the incurrence of interest which can lead to fruitless and wasteful expenditure. This ratio has not improved as in prior year the creditors' days were 647 days.</p>
Asset Maintenance and renewal

Repairs and Maintenance as a % of Property, Plants and Equipment. The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. Repairs and maintenance of municipal assets is required to ensure the continued provision of services. The norm is 8% however, the municipality's ratio is -6% (2023-24 3%) indicating a significant shortfall in monies being committed to repairs and maintenance of the municipality which shows a high risk of asset breakdowns.

Cash Management

The municipality had a positive bank balance in the current financial year of R772 794. When compared to monthly expenses, estimated at R38.34 million, the municipality is not able to cover costs with the cash on hand. This shows there are inadequate cash flows to manage the expenditure, liability and cash of the municipality.

45. We identified non-compliance with legislation and other requirements applicable to financial management at the municipality. The findings on material non-compliance with legislation will be reported in the auditor's report.

Financial management – non-compliance

Finding	Material non-compliance	Prior years reported	
Expenditure Management			
Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA.	Yes	√	√
Reasonable steps were not taken to prevent irregular expenditure amounting to R64,13 million as disclosed in note 51 as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM prescript	Yes	√	√
Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R43,29 million as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on payments made after 30days	Yes	√	√
Reasonable steps were not taken to prevent unauthorised expenditure amounting to R303,47 million as disclosed in note 49 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 votes.	Yes	√	√
Consequence management			
Some of the 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.	Yes	√	√
Some of the 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.	Yes	√	√

Finding	Material non-compliance	Prior years reported	
Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.	Yes	√	√
Authorisation of unauthorised expenditure amounting to R303,47million was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.	Yes	x	x
Annual financial statements			
The financial statements submitted for auditing were not fully 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, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.	Yes	√	√
Assets management			
An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2) (c) of the MFMA.	Yes	√	√
Budget management			
During the audit of budget management, we identified that the municipality did not make public the adjusted budget within 10 working days after the approval of the municipal council.	No	No	No
The municipality did not immediately (within three months) alert the MEC for local government in the province of its financial problems	No	No	No
The performance of the municipality during the first half of the financial year was not assessed by 25 January of this year by the accounting officer, taking into account the monthly statements referred to in section 71 for the first half of the financial year as required by section 72(1)(a)(i) of the MFMA.	No	No	No

46. The concerning financial assessment analysis together with the non-compliance identified above indicates that management need to develop and implement an action plan that addresses the financial health and compliance issues of the municipality.

Indigents

47. The management of municipal indigents is key to appropriate service delivery and financial management within local government. Services to indigent households is encompassed within the Constitution of South

Africa, as such it is important to ensure that funds budgeted for indigent households reach the intended beneficiaries through appropriate service delivery. Mismanagement of indigents can financially cripple municipalities and service delivery, while proper management of indigents will assist municipalities with financial health.

Findings on services to indigent households

Finding	Number of instances identified (2024-25)	R-Value of instances identified (2024-25)	Prior years reported	
Individuals were marked as deceased on the NPR database, yet their ID numbers were registered as indigents in the municipality's records. Upon reviewing the Indigent support agreements, it was found that the applicants failed to provide adequate documentation proving their status as heirs of the deceased	16	R887 057	√	√
Individuals applied for indigent support and were granted the indigent support on more than one property contrary to the municipality's indigent policy.	6 (3 unique IDs)	R106 240	√	√
Individuals applied for indigent support and was granted the indigent support, but their ID Numbers could not be found on the NPR database	2	R110 206	x	x
Spouses of individuals who are indigent who are employed by one or another government department or organisation	2	R480 569	x	x

1.

48. Although not significant findings were noted management needs to look into measures of undertaking verifications to mitigate continuous use of indigents rebates where an individual is deceased.
49. The municipality has awareness campaigns to communities to raise awareness and enable applications to indigent households. This should continue to be done to reach more people as the number of indigents that apply is not significant compared to the data per Treasury.
50. Impact: From the identified exceptions the municipality suffered a loss of R1 584 072 through providing subsidy to individuals that should not be indigents for reasons stated above.
51. The identified exceptions were due to; (i) Lack of adequate verification processes being followed by the municipality to confirm that applicants are entitled to indigent support on the deceased' property, (ii) oversight during the application process by the municipality which led to approval of indigent support to the same individual applying for more than one property and (iii) oversight during the application process by the municipality which led to the approval of individuals whose ID numbers may not be valid. Lack of policies to assist the municipality on how to treat certain scenarios of applications.
52. The municipality has awareness campaigns for communities to raise awareness and enable applications to indigent households. This is done through public announcements and going to the communities to assist qualifying individuals to apply for indigent support, however the municipality does not have stringent

measures on the vetting of indigents and due diligence is not exercised during capturing of the applications as errors were identified.

2. Recommendations

53. We made recommendations to improve the delivery processes to the accounting officer. [Some of these recommendations were also made in prior years.]
54. The key recommendations and responses for services to indigent households were as follows:

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management should put controls in place to be able to ensure deceased individuals have been updated as such in the Municipal records by verifying the individuals during application.</p> <p>Response: Management responses not received formally</p>	2023-24	Not started
<p>b) Recommendation: Management should ensure that there are controls in place that do not allow individuals to apply for indigent status on more than one property.</p> <p>Response: Management responses not received formally</p>	2023-24	Started
<p>c) Recommendation: Management should update the indigent policy to set out requirements/ criteria for different scenarios when applying for indigent support.</p> <p>Response: Management responses not received formally</p>	2023-24	Not started

55. Prior-year recommendations are being implemented as there are no significant exceptions that were noted during the audit.

Losses

56. It is crucial for the municipality to implement the necessary disciplines to ensure that value is derived from money spent and that assets and resources are safeguarded. We identified findings to highlight in this area of financial management. The findings on material non-compliance with legislation will be reported in the auditor's report.

Disclosures on losses

Nature	Description	Rand value		
		2024-25	2023-24	2022-23
Fruitless and wasteful expenditure	Interest/penalties on outstanding payments to suppliers	R43 285 920	R 29 923 868	R29 086 179
Electricity Losses	Distribution losses	R28 193 491	R34 732 737	R25 180 938
Water losses	Distribution losses	R27 649 120	R52 236 925	R52 324 831

Findings on losses

Finding	Material non-compliance	Prior years reported	
		2023-24	2022-23
Money owed by the municipality was not always paid within 30 days, as required by section 65(2) (e) of the MFMA thus incurring interest on overdue debts.	Yes	√	√
Water and electricity losses exceeded the norm in terms of NT MFMA Circular 71	Yes	√	√

57. The municipality has been experiencing legacy financial issues and has not managed to pay creditors when due.
58. The losses on both water and electricity indicate significant deficiencies in the network infrastructure of the municipality's key service delivery assets.
59. Impact: The above losses continue to strain the municipality financially and have a negative impact on how much work can be done on service delivery as some payments are going into the payment of interest.
60. Losses in water and electricity hamper the effective service delivery to the community which has an impact on their day-to-day operations. Municipality experiences significant costs as they have to incur more costs if most of the electricity and water is lost in the process.
61. The fruitless and wasteful expenditure incurred constitutes non-compliance with MFMA. The findings on material non-compliance with legislation will be reported in the auditor's report.
62. The fruitless and wasteful expenditure incurred was disclosed in the financial statements and annual report as required.

Grant management

63. The municipality received grants totaling R37 820 000 to fund its programmes and projects in the current year. We audited compliance with the Division of Revenue Act and the use of the Municipal Infrastructure Grant (MIG) and Integrated National Electrification Programme Grant (INEP).
64. We did not identify findings to highlight in this area of financial management.

Utilisation of grants

Grant received	Grant spending		
	Funding received (R '000)	Amount spent (R '000)	Unspent is cash backed (Yes / No)
Local government financial management grant(LGFMG)	R2 800 000	R2800 000	N/A
Municipal Infrastructure grant(MIG)	R21 151 000	R21 151 000	N/A

65. The municipality submitted the MIG and INEP reports to the transferring departments reporting on the business plans submitted for grants, status of multi-year projects and performance. However, the reporting needs to be improved to include the specific targets rather than in progress. The grants were spent on the infrastructure and financial management projects which is what the grant is intended for.
66. The MIG budget per the business plan was the construction of landfill in Balfour/Siyathemba, the upgrading and rehabilitation of Charles Street, upgrading of the sewer pipeline and procurement of yellow fleet. Per the year end report on the MIG the progress per the allocated funds had been reached.
67. For the LGFMG the business plan was to hire interns, preparation of munsoft schedules, MFMA & MFMP Training and the preparation of GRAP 17 asset register and per reports submission the above was done.

PERFORMANCE PLANNING, MANAGEMENT AND REPORTING

Overall performance planning and management

68. We tested whether the municipality's performance planning and management processes integrated development plan (IDP) and service delivery and budget implementation plan (SDBIP) complied with the key requirements from legislation and the revised framework for strategic and annual performance plans.
69. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on performance planning and management

Finding	Material non-compliance	Prior years reported	
The SDBIP for the year under review did not include monthly operational and capital expenditure by vote as required by section 1 of the MFMA.	Yes	√	√
The performance management system and related controls were not adequately maintained as it did not describe how the performance planning, monitoring, measurement, review, reporting, improvement processes should be conducted and organised and managed at the indicator level, as required by municipal planning and performance management regulation 7(1).	Yes	√	√
The mid-year budget assessment was done outside the legislated timelines	No	x	x
The municipality reported the distribution losses under the Strategic Focus Area Financial management instead of Basic Service Delivery both in the SDBIP and APR.	No	x	x

70. Management has started addressing the issues of business processes, technical indicator definitions etc. however the process is in its infant stages and need to be fast tracked to ensure adequate documented processes are in place. Consideration to develop an individual or a Performance monitoring and evaluation unit should be considered.
71. Impact: Performance is a key division within the municipality as it is the hub of service delivery. The above deficiencies need to be addressed to ensure accountability in service delivery.

Audit of annual performance report

72. The SDBIP and annual performance report were submitted to us for auditing on 31 August 2025 , respectively
73. As detailed in the engagement letter, we undertook a findings engagement on specific indicators selected for auditing. We will report only the material findings in the auditor's report and not the audit opinion as included in section 1.
74. We selected the following indicators for auditing:
- # of existing formal households provided with potable water by 30 June 2025
 - # of existing formal households provided with sanitation services by 30 June 2025
 - # of existing formal households provided with electrical services by 30 June 2025
 - # of existing formal households provided with solid waste services by 30 June 2025
 - % of registered indigent formal h/h with access to free basic water by 30 June 2025
 - % of registered indigent formal h/h with access to free basic sewer services by 30 June 2025
 - % of registered indigent formal h/h with access to free basic electricity by 30 June 2025
 - % of registered indigent formal h/h with access to free basic solid waste services by 30 June 2025
 - # of new formal households provided with new water service connections (Balfour North) by 30 June 2025
 - # of new formal households provided with new sewer service connections (Balfour North) by 30 June 2025
 - # of new formal households provided with new electricity service connections (Balfour North) by 30 June 2025
 - # of new formal households provided with new solid waste services connections (Balfour North) by 30 June 2025
 - # of External Audits of the Landfill Site conducted by 30 June 2025
 - % of water quality compliance levels as per analysis certificates, (SANS 241) - Blue Drop
 - % of waste water quality compliance levels as per analysis certificates, (SANS 241) - Green Drop
 - # of KM of gravel roads maintained by 30 June 2025
 - # of m2 of tarred roads maintained by 30 June 2025
75. The indicators were selected as they link to the core function of the municipality which is to provide basic services to the public.
76. We evaluated the reported performance information for the selected indicators against the criteria developed from the performance management and reporting framework. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users of the report on the municipality auditee's planning and delivery on its mandate and objectives.
77. We performed procedures to test whether:

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

Audit results

78. We identified findings on the completeness of the indicators used for planning and reporting on performance.

Findings on completeness of indicators

Finding	Prior years reported	
The local Municipality is responsible for ensuring the provision of services such as provision of landfill sites, water supply and electricity supply projects to communities in a sustainable manner in terms of the Dora. However, an indicator to measure performance on this objective was not included in the approved planning documents. The Accounting Officer indicated that this was because of an oversight by management. Consequently, the achievement of this objective was not planned or accounted for, which is likely to result in it not being delivered. It further undermines transparency and accountability on the progress towards achievement of the allocated funds	N/A	N/A

79. The municipality did not apply themselves when preparing the SDBIP as key project indicators were not concluded.

80. Impact: Findings on service delivery, transparency and accountability of key service delivery projects are not reported to key stakeholders and do not promote effective oversight of key mandates.

81. We identified material findings on the overall presentation of performance information in the annual performance report.

82. We identified material misstatements in the reported performance information in the annual performance report submitted for auditing. Some of these misstatements were reported in the previous year.

Material misstatements not corrected

Description	Prior-year misstatements	
% waste water quality compliance levels as per analysis certificates, (SANS 241) - Green Drop		
An achievement of 0% against a target of 60% was reported for the indicator: % of wastewater quality compliance levels as per analysis certificates, (SANS 241) – Green Drop. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.		
Measures taken to improve performance were not disclosed on the APR.		
% water quality compliance levels as per analysis certificates, (SANS 241) - Blue Drop		
Reasons for underachievement and measures taken to improve performance were not disclosed on the APR.		
# of existing formal households provided with solid waste services by 30 June 2025		
Reasons for underachievement and measures taken to improve performance were not disclosed on the APR.		
There is an inconsistency in how the indicator "# of existing households provided with solid waste services" per SDBIP is written in the APR. The APR uses refuse instead of solid waste.		
# of existing formal households provided with potable water by 30 June 2025		
The measure disclosed to improve performance is not supported by corroborating evidence. Therefore, we could not verify whether measures were indeed taken.		
# of existing formal households provided with sanitation services by 30 June 2025		
The measure disclosed to improve performance is not supported by corroborating evidence. Therefore, we could not verify whether measures were indeed taken.		
# of existing formal households provided with electrical services by 30 June 2025		
The measure disclosed to improve performance is not supported by corroborating evidence. Therefore, we could not verify whether measures were indeed taken.		
# of new formal households provided with new water service connections (Balfour North) by 30 June 2025		
The measure disclosed to improve performance is not supported by corroborating evidence. Therefore, we could not verify whether measures were indeed taken.		
# of new formal households provided with new sewer service connections (Balfour North) by 30 June 2025		
The measure disclosed to improve performance is not supported by corroborating evidence. Therefore, we could not verify whether measures were indeed taken.		
# of new formal households provided with new electricity service connections (Balfour North) by 30 June 2025		
The measure disclosed to improve performance is not supported by corroborating evidence. Therefore, we could not verify whether measures were indeed taken.		
# of new formal households provided with new solid waste services (Balfour North) by 30 June 2025		

Description	Prior-year misstatements	
The measure disclosed to improve performance is not supported by corroborating evidence. Therefore, we could not verify whether measures were indeed taken.		
# of external audits of the landfill site conducted by 30 June 2025		
An achievement of 1 was reported against a target of 1 for the indicator: # of external audits of the landfill site conducted by 30 June 2025. However, the audit evidence showed the actual achievement to be 12. Consequently, the achievement against the target was more than reported.		

	Uncorrected		Corrected		No prior-year misstatement		Indicator not audited/ included in prior-year annual performance report
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83. The material misstatements that were not corrected will be reported in the auditor's report. These misstatements formed the basis for the material findings.

Material misstatements corrected

Description	Prior-year misstatements	
# of existing formal households provided with potable water by 30 June 2025		
Identified differences between the billing report for consumers and the reported achievement on the APR		
#of existing formal households provided with sanitation services by 30 June 2025		
Identified differences between the billing report for consumers and the reported achievement on the APR		
#of existing formal households provided with electrical services by 30 June 2025		
Identified differences between the billing report for consumers and the reported achievement on the APR		
#of existing formal households provided with solid waste service by 30 June 2025		
Identified differences between the billing report for consumers and the reported achievement on the APR		
% of water quality compliance levels as per analysis certificates, (SANS 241) - Blue Drop		
Identified differences between the listing for samples tested and the reported achievement on the APR		

Uncorrected	Corrected	No prior-year misstatement	Indicator not audited/included in prior-year annual performance report
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84. Findings were identified in the previous year on indicators where no measures were taken to improve performance as well as limitation of scope findings as information was not provided to test reliability of the reported information. These findings have recurred in the current year and this is an indication that the action plan has not been adequately implemented.
85. Impact: Due to supporting information not being provided for auditing, we were unable to confirm reliability of some of the reported information on the Annual Performance Report. Furthermore, discrepancies identified on consistency and presentation undermines the transparency and accountability.

Information to be included in auditor's report

86. We may communicate matters about the audit, the auditor's responsibilities and the auditor's report in the auditor's report that are important for users of the annual performance report to know about. We will include information on preventable material misstatements in the submitted annual performance report in the 'other matters' section in the auditor's report.

Internal control and recommendations

87. We identified significant internal control deficiencies, which caused the weaknesses in the performance planning, management and reporting processes as reported.

Significant internal control deficiencies – performance planning, management and reporting

Deficiency	Prior years reported	
Management did not exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.	√	√
Those charged with leadership did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.	√	√
Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.	√	√
Management did not review and monitor compliance with applicable laws and regulations	√	√
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information	√	√
Those charged with leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place to address performance information	√	√
Management did not implement controls over daily and monthly processing and reconciling of transactions to ensure amounts recorded agree to listings.	√	√
Those charged with leadership did not monitor the implementation of action plans to address internal control deficiencies	√	√

88. We made recommendations to improve the performance planning, management and reporting process to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – performance planning, management and reporting

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Consider having a monitoring performance and management unit or restructure the existing structures to include a unit with the required competencies to perform AOPO monitoring and evaluation</p> <p>Response: Management agrees with recommendation</p>	2024-25	Not started
<p>Recommendation: Adequate reviews and reconciliations are performed by the respective managers in the units and reviewed by the Directors</p> <p>Response: Management agrees with recommendation</p>	2020-21	In process – behind schedule
<p>Recommendation: Management should ensure that all the indicators as per the MTSF, MIG and INEP approved plan and SOPA are included in the SDBIP for the users to be aware of what projects the municipality is doing.</p> <p>Response: Management did not respond</p>	2024-25	Not started
<p>Recommendation: Management should implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support performance reporting through having an AOPO records management system</p> <p>Response: Management did not respond.</p>	2020-21	In progress behind schedule
<p>Recommendation: Reconciliations between the APR and the quarterly reports should be performed and reviewed by the appropriate official to ensure accurate information is reported and this can assist in compiling accurate year end reports.</p> <p>An AOPO file should be created for year-end where listings are agreed to reported information, and this file is reviewed by a senior official.</p> <p>Response: Management did not respond.</p>	2020-21	In progress behind schedule
<p>Recommendation: Those charged with leadership should timeously appoint all key vacancies in AOPO and where management is struggling the assistance of the District can be sought.</p> <p>Response: Management did not respond.</p>	2020-21	In progress behind schedule
<p>Recommendation: Management should develop standard operating procedures for implementing the indicators as well as develop technical indicator definitions and use Treasury guidelines and templates to ensure reporting is aligned.</p> <p>Response: Management did not respond.</p>	2020-21	In progress – started in 24/25

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management to implement consequence management where implementation of responsibilities is not adhered to.</p> <p>Response: Management did not respond.</p>	2020-21	In progress behind schedule

89. Prior year's recommendations have not been fully implemented. These should be included in the action plan for the next financial year and tracked regularly to prevent reoccurrence of findings.

PLANNED TARGETS NOT ACHIEVED

90. As disclosed in the annual performance report, not all the planned targets were achieved for the indicators we selected for auditing.

91. We will draw the attention of oversight to the non-achievement of key indicators by including the table that follows in the 'other matters' section in the auditor's report, with reference to the pages in the annual performance report measures taken to improve performance are included.

Targets for key indicators not achieved

Targets achieved: 57%		
Budget spent: Not provided		
Key service delivery indicators not achieved	Planned target	Reported achievement
# existing formal households provided with solid waste services by 30 June 2025	14750	11 153
# of existing formal households provided with potable water by 30 June 2025	14750	12 363
# of existing formal households provided with sanitation services by 30 June 2025	14750	12 612
# of existing formal households provided with electrical services by 30 June 2025	14750	6 752
# of new formal households provided with new water service connections (Balfour North) by 30 June 2025	343	0
# of new formal households provided with new sewer service connections (Balfour North) by 30 June 2025	343	0
# of new formal households provided with new electricity service connections (Balfour North) by 30 June 2025	343	0
# of new formal households provided with new solid waste services (Balfour North) by 30 June 2025	343	0
% of Water Quality Compliance Levels as per analysis certificates (SANS 241) - Blue Drop	60%	0%
% of water quality compliance levels as per analysis certificates, (SANS 241) - Green Drop	60%	0%

92. Only 57% of the planned targets were achieved. We were unable to assess the % of the budget spent as there is no alignment between the budget and planned strategic focus areas. Therefore, we are unable to link the spending of the votes to the Strategic Focus Area in the SDBIP. The way the budget template is designed does not cater for budgets as per Strategic Focus Area. The budget limitations could result in underachievement of targets.

OTHER INFORMATION IN ANNUAL REPORT

93. We did not receive the annual report.
94. However, the auditing standards require us to read the unaudited information and consider whether it is materially inconsistent with the information we audited or the knowledge we obtained during the audit, or otherwise appears to be materially misstated.
95. The annual report was not received in time for us to perform this procedure. We will report this in the auditor's report and indicate that any material misstatements identified when we receive the annual report and that are not corrected might result in us retracting the auditor's report and reissuing an amended report.

DELIVERY OF WATER AND SANITATION

96. Our audit included an assessment on the delivery of water and sanitation.
97. We identified significant findings on the delivery of the service.
98. Impact: Harm to the public
99. Similar findings have been noted from prior years, and not much significant progress has been made in addressing the respective issues.
100. There was no evidence provided that there are no backlogs in the provision of water and sanitation services therefore root causes for backlogs also could not be determined.
101. There was no evidence that was provided by management to determine that there is no backlog in the provision of water/sanitation services mainly due to:
102. The Backlogs for the provision of water / sanitation services are not planned for in the IDP and/or SDBIP.
103. The municipality does not have an approved Water Service Development Plan that addresses the time frame for the plan, including the implementation programme for the following five years
104. Deviations from the implementation of the Water service development plan could not be ascertained as there was no approved WSDP
105. The municipality did not complete a Water service development plan (WSDP) as part of the integrated development plan of the municipality as required in terms of paragraphs 14 and 15 of the Water Services Act, Act No 108 of 1997 and paragraph 5.2.1 of the Strategic framework for Water Services.
106. Due to the absence of a WSDP the municipality did not report on the implementation of the WSDP during the financial year under review
107. The municipality does not have a water and sanitation maintenance plan (including preventative maintenance) for water and sanitation infrastructure of the municipality.
108. Per the maintenance ratios calculated (Refer to Annexures in the MR) the municipality does not have adequate maintenance budget. There is no WSDP to assess if there is an adequate maintenance plan

109. There are insufficient qualified engineers/technical staff to conduct the condition assessments and/or meet project needs and/or oversee the work performed by consulting engineers in relation to water infrastructure due to vacancies in the technical department

110. The root cause for the lack of adequate skills/insufficient skills available are:

- Inability to attract staff to municipality
- Salaries offered are not market related
- Lack of budget/sufficient budget available to appoint staff

111. The municipality did not provide a conditional assessment of water infrastructure to inform the water infrastructure maintenance plan for the year under review.

112. The municipality does not have an appropriate complaint reporting mechanism exist to identify and respond to complaints from water users.

113. The Municipality had material findings on AOPO in regard to the reliability on water and sanitation indicators. Refer to findings reported under AOPO

114. The municipality did not provide the action plan that addresses key areas of concern as included in the blue drop report and the watch report therefore we cannot confirm that the action plan was submitted to the Department of Water and sanitation by the due date as per request from the Department.

115. There was no approved action plan prepared in responses to water losses for year under review that was submitted.

116. The municipality does not meet the blue drop or green drop set standards

Recommendations

117. We made recommendations to improve the delivery processes to the senior management.

Key recommendations and responses

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management should ensure that the filing system of documents is adequate for easy retrieval and that employees are taking responsibility for their function and where this is evident consequence management must be exercised.</p> <p>Response: Management did not respond</p>	2021/2022	In progress behind schedule
<p>Recommendation: Management needs to ensure there is compliance with applicable legislation thus being able to supply water to the community as intended</p> <p>Response: Management did not respond</p>	2021/2022	In progress behind schedule
<p>Recommendation: Management should Implement recommendations from the blue and green drop report as well as recommendations provided by the AGSA Environmental Specialist communicated to management in prior years.</p> <p>Response: Management did not respond</p>	2021/2022	In progress behind schedule
<p>Recommendation: The municipality should ensure the proper implementation, management, monitoring and continual improvement on their developed and updated environmental policies, plans and</p>	2021/2022	In progress behind schedule

Recommendation and management response	Year originally recommended	Status of implementation
<p>strategies to effectively manage, operate and safeguard their assets (including the environmental resource base);</p> <p>Resource needs (funding – sourced operational- and capital budget, vehicles, equipment and work force) should be addressed and or escalated to the relevant governance levels in order to ascertain effective and continual service delivery, response and repair of blockages, overflows and pollution into the environment and or sensitive water sources;</p> <p>All the measures to treat, process and dispose of waste as provided in legislation be complied with and implemented through properly constructed management action plans that should be monitored and steered by dedicated officials;</p> <p>Management should ensure that all legislative requirements to operate, water- and wastewater treatment facilities (and infrastructure) are in place and processes established to ensure timeous refurbishment, rehabilitation, continual maintenance and repair thereof;</p> <p>Recommendations from the Regulator (based on the Blue Drop Results 2021/22 to be implemented);</p> <p>Current monitoring and enforcement towards material environmental legislative non-compliances and criminality (vandalism and theft of infrastructure and assets) should be improved on to curb the trend of misconduct and or communal ignorance;</p> <p>Contingency plans should be in place to limit the impacts of load shedding and other externalities (that may cause improper treatment and disposal of wastewater / water treatment and flow)</p> <p>Management should continually identify, address and monitor all general- and control weaknesses relating to environmental activities that may impact on the environment and AFS;</p> <p>The budget should be adequately funded to address the environmental resource constraints and priorities listed in the IDP, SDBIP and other environmental related plans at provincial-, district-, and local authority level.</p> <p>Response: Management did not respond</p>		
<p>Recommendation • Management needs to prepare a root cause analysis to identify root causes for significant water and electricity losses.</p> <ul style="list-style-type: none"> • Where losses are attributed to a lack of maintenance, this should be appropriately planned for in the maintenance plan and be appropriately budgeted for. • The WSA should implement an appropriate water conservation and demand plan (Water losses) • The plan should cover the key areas of concern as included in the root cause analysis. • The plan should set out timelines for significant milestones and that allocation of responsibility is allocated to responsible persons. • The action plan is regularly tracked by appropriate governance committees to ensure monitoring thereof. <ul style="list-style-type: none"> • Monitor the action plan to ensure it has been effective <p>Response: Management did not respond</p>	2021/2022	In progress behind schedule

Recommendation and management response	Year originally recommended	Status of implementation
<ol style="list-style-type: none"> 1. The municipality should conduct a comprehensive assessment to identify and quantify backlogs in the provision of water and sanitation services, as required by WSA Section 13(g) and 13(h) (iii) (i). This assessment must be documented and approved by management 2. Management should analyze and document the root causes of backlogs in water and sanitation services. This will enable targeted interventions and resource allocation to address service delivery gaps. 3. The municipality must ensure that identified backlogs are incorporated into the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP), with clear timelines and budget allocations. 4. The municipality should prepare a WSDP that includes: <ul style="list-style-type: none"> • A defined time frame and implementation programme for the next five years • Strategies to address existing water services and industrial water use • Plans for future provision of water services, industrial water use, and disposal of industrial effluent 5. The municipality should prepare and publish a summary report on the implementation of the WSDP to promote transparency and accountability. 6. The municipality must be aligned with the annual water infrastructure maintenance plan to ensure consistency in planning and execution. 7. Management must address under-expenditure by improving planning and monitoring of maintenance activities. 8. The municipality should perform conditional assessments of water infrastructure annually to inform maintenance planning and budgeting. 9. A formal mechanism should be implemented to capture, monitor, and respond to complaints from water users promptly. 10. The municipality must prepare and implement an action plan to address key areas of concern identified in the Blue Drop Report and Watch Report. 11. The municipality should include a detailed maintenance strategy to prevent water losses and ensure sustainable service delivery 12. Critical vacancies should be filled 	2024/2025	Not started

118. Management has not made significant strides in addressing the above from prior year's findings

3. FISCAL PRESSURE THEME – 2024/25 MFMA INSIGHTS

ESKOM DEBT RELIEF

119. Dipaleseng Local Municipality remains non-compliant with the Eskom Debt Relief Programme during the 2024/25 financial year, despite partial implementation of prior recommendations and continued participation in the programme. Key compliance requirements have not been met due to weak financial management, poor revenue collection, operational inefficiencies, and inadequate accountability structures. While Provincial Treasury provides monthly oversight, persistent non-compliance threatens the Municipality's eligibility for future debt relief and raises the risk of financial penalties, including potential revocation of its electricity license.

120. Although initiatives such as smart meter installations, improved debt recovery processes, and cost containment measures are underway, progress has been slow to address underlying revenue and operational control weaknesses. The Municipality's inability to stabilize its financial position continues to exacerbate Eskom debt challenges. Urgent action is required to strengthen governance, enhance

financial systems, and build staff capacity to prevent further deterioration. Without decisive intervention, the municipality faces escalating financial risks and operational instability, undermining service delivery and long-term sustainability.

FINANCIAL RECOVERY PLANS (FRPs)

121. The municipality continues to implement its voluntary Financial Recovery Plan in response to ongoing financial constraints, with oversight provided by the accounting Officer and Council. While the municipality remains compliant with grant conditions and has maintained overall solvency, severe liquidity challenges persist, contributing to rising irregular, fruitless, and wasteful expenditure—mainly from interest on overdue payments and infrastructure losses.
122. The FRP has driven some improvements, including enhanced monitoring, the appointment of a service provider for meter audits and debt management, and targeted revenue-collection initiatives, though issues such as illegal reconnections and staffing shortages continue to hinder progress. These financial pressures also have an impact on the municipality adequately maintaining its infrastructure assets which sees the municipality having consistent breakdowns on its WTW and WWTW. Strengthening internal controls, improving revenue performance, and fully executing FRP actions remain essential to achieving long-term financial sustainability and ensuring the Municipality's ability to meet its obligations without compromising service delivery.

Revenue Strategy

123. The municipality's additional revenue streams outside equitable share includes Sale of Goods, Service Charges, rental of facilities and equipment, fines, penalties and forfeits, licenses and permits and interest received. However, over the last 4 years the Municipality has not had additional revenue streams. The sub-revenue streams that have a small growth (except equitable share) in the past 3 years are
- Sale of Goods
 - Service Charges
124. The municipality needs to find ways to increase revenue on the streams that are already existing as well as find other streams to grow revenue within the prescripts of local government where possible.
125. Delays in smart meter implementation and late initiation of the LED strategy have hindered billing accuracy and economic diversification. Weak execution and poor monitoring continue to undermine financial sustainability. Accelerated smart meter rollout and fast-tracked LED activities are critical to strengthen revenue resilience and growth.

UNFUNDED BUDGET

126. Per report from Treasury the Municipality had an unfunded budget in 2022, in 2023, 2024 and Those charged with leadership should through setting realistic expectations and adequate reviews ensure the budget is funded. Those charged with governance (Council) should be trained on how to assess whether a budget is funded or not so that they are able to give value add recommendations. Management also needs to engage with Treasury to understand the root causes of the budget as they deem to have followed the Treasury recommendations however, their budget was deemed to be unfunded

HUMAN RESOURCE MANAGEMENT

127. We audited compliance with legislation on human resource management and assessed the processes in place to ensure that adequate and sufficiently skilled resources are in place.
128. We did not identify findings.

USE OF CONSULTANTS

129. The municipality spent R11 962 239 on consultants to support the current-year management and reporting processes. an increase from the R8 986 180 spent in the previous year.

130. Our audit included an assessment of the effective use of consultants and compliance with local government requirements for the appointment and management of consultants.

131. We identified findings on the use of consultants.

Findings on use of consultants

Finding	Prior years reported	
	2023-24	2022-23
<p>Inadequate Gap Analysis Prior to Consultant Appointment, as does not cover the following:</p> <ul style="list-style-type: none"> Evidence of method/tools used: The form does not show how the gap was assessed (e.g., surveys, audits, checklists). Cost-effectiveness comparison: It lacks analysis comparing the cost of hiring consultants vs. building internal capacity. Frequency analysis of required skills: It does not assess how often the skills are needed (e.g., once-off vs. recurring). Long-term strategic alignment: There's no indication that the analysis considers long-term municipal objectives or whether the service is core or non-core. Documented conclusions: While the form includes a declaration, it lacks a detailed summary of Consideration of future resource needs and long-term staffing solutions. A detailed description of the causes of the gap 	√	√
<p>Furthermore, the municipality does not have a formal tracking or monitoring procedure for the transfer of skills to the municipality that is documented and evaluated.- MFMA 116(2)(b)</p>	√	√
<p>There are no formalised contract monitoring procedures in place to ensure that services delivered by consultants are effectively tracked, evaluated, and aligned with contractual obligations</p>	√	√

132. Impact: The process of using consultants is not formally followed up on. In the absence of gap need analysis and a consultants reduction plan there is a risk that the municipality could have a dependency on consultants and not develop internal capacity and processes for financial reporting.

133. We made recommendations to improve the use of consultants to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – use of consultants

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Leadership should monitor the controls in place to appoint consultants to ensure that they are implemented adequately and that performance is monitored.</p>	2024-25	Not started

Recommendation and management response	Year originally recommended	Status of implementation
Response: No response received from management		
<p>Recommendation: Management should develop and implement a formal tracking and evaluation framework for skills transfer, including:</p> <ul style="list-style-type: none"> • Clear objectives and deliverables. • Monitoring tools (e.g., checklists, progress reports). • Evaluation criteria and reporting mechanisms. <p>Response: No response received from management</p>	2021-22	Not started
<p>Recommendation: Management should develop and implement a comprehensive gap analysis framework to be completed before appointing consultants, the framework should:</p> <ul style="list-style-type: none"> • Specify the methods and tools to assess internal capacity (e.g., competency assessments, checklists, or staff surveys). • Include a cost-benefit and cost-effectiveness comparison between using consultants and developing internal capacity. • Evaluate the frequency and duration of required skills to distinguish between once-off and recurring needs. • Assess alignment with long-term municipal strategic objectives, including whether the service is core or non-core. • Require documented conclusions, detailing causes of the identified gaps and future staffing or capacity-building considerations. <p>This process should be formally approved and integrated into the Municipality's recruitment and procurement procedures for consultancy services.</p> <p>Response: No response received from management</p>	2024-25	Not started

134. There is a dependency on consultants at the municipality. Internal capacity is not fully utilised in the areas where the consultants are being used, specifically relating to financial reporting processes. A gap analysis could assist the municipality in ascertaining the cost vs benefit of utilising consultants

SKILLS, CAPACITY AND CAPABILITY [

135. Refer to the findings below:

Organizational structure

136. Non-compliance with Municipal Staff Regulations delayed submissions to the MEC and missing evidence of onward submission to the Minister resulted in late finalisation of the staff establishment and slowed recruitment. Weak compliance tracking, poor intergovernmental coordination, and inadequate recordkeeping contributed to the delays. Strengthening compliance systems, improving communication with both the MEC and Minister, enhancing administrative capacity, and enforcing oversight will support timely staffing decisions, improve organisational stability, and enhance service delivery in critical areas.

Vacancies and reasons

137. The municipality continues to face high vacancy levels across most departments, mainly due to unfunded posts resulting from inadequate salary budget allocations. Although some service delivery units maintain performance, persistent underfunding particularly in Water, Electricity, Sanitation, Finance, and Technical Services limits operational capacity, increases workloads, and poses long-term service delivery risks. While vacancies have not yet caused widespread service failure, the municipality's ability to sustain service standards, respond to community needs, and expand operations is increasingly constrained. Prioritising funding for critical posts is essential to protect future service delivery stability.

Funding for training

138. The municipality received R650 000 in LGSETA mandatory grant funding for training process controllers and electricians but spent only R355 000, leaving R295 000 unutilised. Although the training provided mainly practical, in-person skills development for lower-level operational staff supports critical service delivery functions in water, wastewater, and electricity, under-spending indicates delays in implementing planned interventions. Improved planning, timely procurement, and stronger coordination with training providers are needed to ensure full utilisation of training funds and to strengthen technical capacity essential for reliable service delivery.

Skills councillors

139. The municipality did not allocate funding for councillor training; instead, the budget for the Councillor Induction Programme (CIP) is provided by SALGA. All Mayoral Committee members and the MPAC Chairperson attended induction programmes covering governance, legislation, planning, and ethics. Councillors possess adequate experience and qualifications for their roles, with strong attendance levels (94–100%) indicating active engagement in oversight and decision-making processes. While current skills levels appear sufficient, the lack of a municipal budget for ongoing councillor development limits opportunities to further strengthen leadership, legislative compliance, and the municipality's overall governance capacity.

Professionalization

140. The municipality substantially complies with the legislative requirements for professionalization having established systems for recruitment, performance management, capacity planning, skills development, and promotion processes. Structured learning programmes and aligned training plans are in place, and screening, vetting, and misconduct record-keeping requirements are met. However, gaps remain: no staff received RPL certification in the period, and the municipality has not adopted the Code of Ethical Leadership as required by the 2024 circular. Addressing these gaps will strengthen professional standards, ethical governance, and alignment with national public-sector professionalisation objectives.

Capabilities

141. The municipality complies with most Municipal Staff Regulations relating to skills planning, recruitment systems, training budgets, Workplace Skills Plans, and Personal Development Plans. However, a key non-compliance was identified: supervisors did not submit annual PDP progress reports as required, and no evaluations of PDP implementation were conducted. This reflects weak monitoring and limited oversight within Corporate Services. While the overall skills development framework is in place, improving enforcement, reporting discipline, and follow-up mechanisms is necessary to ensure meaningful employee development and full compliance with MSR requirements.

INFORMATION SECURITY MANAGEMENT

142. Our audit included an assessment of the effectiveness of information technology (IT) security controls that should prevent unauthorised access to key information systems and safeguard the municipality against business interruptions.

143. We identified significant control deficiencies in the IT security controls.

Significant internal deficiencies – IT security controls

Deficiency	Prior years reported	
Management did not establish and communicate policies and procedures to enable and support understanding and execution of internal control objectives, processes and responsibilities.	√	√
Management did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.	√	√
Council did not ensure that: <ul style="list-style-type: none"> · the draft framework is approved for the past three years to enable and support understanding and execution of IT internal control objectives, processes and responsibilities to be adequately implemented. · there is an effective HR management to ensure that adequate and sufficiently skilled resources are in place as for the past three years the vacancy for IT manager has not been filled to date. · there is an acting official appointed to assume the responsibilities associated with the vacant position, as the process of filling the vacancy is still underway. · prioritise filling of vacant posts for the past three years. 	√	√

144. Impact: Negative effect on the operations and effectiveness of the municipality's IT systems and division within the municipality and create a weak control environment.

145. The internal control deficiencies relating to IT security are re-occurring. The root cause is due to vacancies in the IT department and lack of policies to manage the processes. Next, we summarise our key recommendations for senior management and their responses. Some of these recommendations were also made in prior years.

Key recommendations and responses – information security management

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation: Management should ensure that system activities for administrators are monitored Response: Management agrees with the findings	2022-23	Not started
Recommendation: Management should formally approve a list of privileged access users (super-users) for the system to ensure that such access is limited to selected specific individuals	2022-23	Not started

Recommendation and management response	Year originally recommended	Status of implementation
<p>Response: Develop and implement user access management procedures to ensure system access is properly authorised, reviewed, and revoked upon employee termination.</p> <p>Introduce change management standards and establish a separate testing environment for Munsoft, VIP, and OnTech systems.</p>		
<p>Recommendation: User access management processes should be adhered to and documents adequately kept for an audit trail</p> <p>Response: Management agrees</p>	2023-24	Not started
<p>Recommendation: Management should ensure adequate resources at the right levels within the IT department</p> <p>Response: Will priorities the recruitment of ICT personnel to provide leadership and oversight on ICT governance , risk management and systems administration.</p>	2022-23	Not started
<p>Recommendation: Management should include in the IT security policy controls for change management.</p> <p>Response: Management agrees</p>	2023-24	Not started

146. The IT system has not improved from prior year mainly due to a vacancy of an IT manager and other vacancies within the IT unit. Those charged with leadership need to address the significant IT control deficiencies as a matter of priority.

PROCUREMENT AND CONTRACT MANAGEMENT

147. Section 217(1) of the Constitution envisages supply chain management systems that are fair, equitable, transparent, competitive and cost effective to achieve optimal value for public money spent and ensure equitable opportunities for suppliers to participate in government business. Meticulous contract management and rigorous payment control mechanisms should be in place to ensure that payments are made only upon the supplier's timely delivery, agreed-upon pricing is adhered to and specified quality standards are complied with.

148. We continued to focus on procurement and contract management processes, recognising that public procurement is the area at greatest risk of fraud, financial loss and irregular practices. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

149. Next, we summarise the areas in procurement and contract management processes where we identified findings – these are the areas at greatest risk of fraud and financial loss. Details on the findings, significant internal control deficiencies and our recommendations are included in annexure B.

Findings on procurement and contract management

Area	Findings		
	2024-25	2023-24	2022-23
Audit limitations			
Deviations			
Conflict of interest			

Area	Findings		
	2024-25	2023-24	2022-23
Non-compliance: competitive bidding process			
Non-compliance: quotation process			
Contract management			

	Material non-compliance with legislation		Findings		No findings
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150. Impact: The findings identified on procurement and contract management result in non-compliance with laws and regulations
151. There was no improvement in contract management and deviations noted in the testing of procurement and contract management.
152. There was a limitation of scope mainly on contract management that led to material non-compliances which has been reported for the past three years.
153. There were material non-compliance on quotations and there were no instances of conflicts of interest identified.
154. The overall results on procurement and contract management are no significant improvements also noting that the municipality did not issue any new tenders in 24/25

IRREGULAR EXPENDITURE

155. Non-compliance with legislation resulted in irregular expenditure of R89 842 300. The irregular expenditure incurred constitutes non-compliance with Municipal Finance management Act (MFMA). The non-compliance will be reported as a material finding in the auditor's report, as the previous year's transgression re-occurred despite being preventable, resulting in significant amount of irregular expenditure in the current year.
156. The irregular expenditure incurred was disclosed in the financial statements.

CONSEQUENCE MANAGEMENT

157. Legislation stipulates that matters such as incurring unauthorised, irregular, and fruitless and wasteful expenditure; the possible abuse of the supply chain management system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of these investigations. Our audit included an assessment of the municipality's management of consequences.
158. Some of the 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.
159. Some of the 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.
160. Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.

161. Authorisation of unauthorised expenditure amounting to R303,47million was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.

FRAUD RISK

162. Our auditing standards define fraud as an intentional act by one or more individuals who are employees, management, those charged with governance or third parties, and that involves the use of deception to obtain an unjust or illegal advantage.

163. We are required to evaluate whether the information obtained during our audit indicates whether there are any fraud risk factors present at the municipality and consider its impact on audit.

164. Fraud risk factors are events or conditions that indicate an incentive or pressure or pressure to commit fraud or that provide an opportunity to commit fraud (e.g. inadequate controls to prevent or detect fraud)

165. We did not identify fraud risk factors.

SECTION 3: CONTROL ENVIRONMENT

OVERALL CONTROL ENVIRONMENT

166. The significant internal control deficiencies as reported in section 2 were caused by weaknesses in the overall control environment, for which the accounting officer and senior management are responsible.

167. The following are the main weaknesses that need urgent attention to improve the overall control environment:

Significant internal control deficiencies – overall control environment

Deficiency	Prior years reported	
Management did not adequately develop and monitor the implementation of action plans to address internal control deficiencies.	√	√
Those charged with leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.	√	√
Management did not review and monitor compliance with applicable laws and regulations.	√	√
Management did not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.	√	√
Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	√	√
Implement controls over daily and monthly processing and reconciling of transactions	√	√
Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.	√	√
Those charged with leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.	√	√

4.

168. The internal control environment does have some processes in place in terms of ensuring that there is implementation of key controls to prevent, detect and correct misstatements. The municipality should ensure that the implementation of these key controls is in place to achieve a better overall audit outcome, ensure proper financial administration, and improve accountability and transparency.

169. In annexure C we provide a more detailed view of the overall state of internal control.

ACCOUNTABILITY ECOSYSTEM

170. The accountability ecosystem is the collection of role-players that have a part to play in enabling and institutionalising a culture of performance, transparency, accountability and institutional integrity at the municipality. These role-players include the officials, senior management and accounting officer, supported by the internal audit unit and the audit committee.

171. We observed strengths and weaknesses in the contributions to the ecosystem by leadership, management and the governance structures of the municipality. We share our assessments and compliance findings with the intention to contribute to strengthening the overall control environment, performance and accountability.

Accounting officer and senior management

172. The municipality has been stable with the accounting officer and the CFO posts being filled.

173. All six (6) director (senior management) positions were filled in the current year as at year end. This will positively impact on the effectiveness of the operation of the various departments with the municipality and on performance reporting and financial reporting.

174. The action plan is a good tool that the accounting officer and senior management use to address key significant deficiencies. However, this action plan needs to be improved as recurring findings are noted, and gaps identified in the plan were identified in the body of the report which management needs to improve on to yield results. Management needs to also speed up the implementation of the action plan.

175. The unit of infrastructure is a key concern as the vacant positions have seen the unit not performing adequately. The infrastructure assets of the municipality, especially the Waste Water Treatment Works are not functioning/adequately functioning. The non-functioning of the new Fortuna Treatment Works is concerning.

176. The accounting officer and senior managers must take ownership of the above issues and prioritize the implementation of effective internal controls, accurate financial reporting, and developing the necessary skills and knowledge within the organization to ensure long-term sustainability.

Audit committee

177. We assessed the operations and impact of the audit committee and the responsiveness by leadership to its reports and recommendations.

178. The Audit committee constitutes qualified members with an adequate diversity of experience to impact on the municipality's processes positively. The Audit committee was able to meet for an adequate number of times as required by its charter to enable oversight. However, despite this, the municipality's internal control has not significantly improved. We have noted that management does not respond to internal audit requests, which then hampers the audit committee to adequately advise the municipality.

179. The audit committee further ensured that they perform a review of the annual financial statements to ensure compliance with GRAP.

180. However, the IA unit has not had an external assessment for a significant period as required by the internal audit standards therefore, those charged with governance do not have an adequate view of the IA control environment to know which areas need to be improved on by IA to assist AC with the oversight role.

181. The audit committee should continue to sustain current efforts and simultaneously identify new avenues to drive and shift change in the internal control environment of the municipality as despite the efforts the internal control environment needs significant improvement.

Internal audit unit

182. We assessed the operations and impact of the internal audit unit and responsiveness by leadership to its reports and recommendations.

183. The internal audit function is generally functioning, with the team demonstrating a strong commitment to their roles and responsibilities. However, despite their efforts, they are currently operating with one less resource than desired. With a smaller team the IA cannot plan for more oversight activities. Internal audit is also hindered by the limitations they receive from management; the Accounting officer will need to intervene to ensure internal audit is provided with the support it needs
184. The IA unit has not had an external assessment for a significant period as required by the internal audit standards. IA might not be aware of significant areas where improvements need to take place in the absence of an independent reviewer as recommended.
185. The internal audit committee should continue to sustain current efforts and simultaneously identify new avenues to drive and shift change in the internal control environment of the municipality as despite the efforts the internal control environment needs significant improvement.
186. The auditing standards allow us to use the work of internal audit units for external audit purposes and for direct assistance. We have used internal audit work as follows: In performing risk assessment in planning by reviewing the work performed per the internal audit reports prepared in the current year. The work of internal audit was only limited to risk assessment, and no direct assistance was obtained from the municipality as the control environment of the unit needs to be improved on before reliance can be placed on IA work, i.e. the external assessment.
187. The accountability ecosystem of the municipality does have a positive impact on the audit outcomes. More measures should be taken at senior management level to ensure that clean administration is ensured.
188. The auditing standards allow us to use the work of internal audit units for external audit purposes and for direct assistance. We have used internal audit work for detail on reports used for risk identification and to amend nature, timing and extent of audit procedures

OVERALL ACCOUNTABILITY ECOSYSTEM

189. The accounting officer and the team have areas where improvement can be noted and implemented as identified throughout the report. The significant areas of concern on financial viability and infrastructure assets that are deteriorating needs to be an area of concern for the Council to drive aggressive solutions. Audit Committee should continue to ensure these areas are closely monitored and continue to escalate significant findings.

SECTION 4: OVERALL RECOMMENDATIONS

190. We provided audit recommendations to senior management in the current and previous year to rectify weaknesses identified during the audit. Management is still in progress on most of the findings.

191. Our recommendation for the accounting officer is to focus on addressing the underlying root causes of these weaknesses, which stem from deficiencies in the overall control environment and failures in the accountability ecosystem.

192. The root causes and recommendations we provide next are based on our preliminary views. It will be further discussed and agreed after the audit.

193. In our view, the main root causes that need attention are as follows:

- There is a significant lack of implementation of proper record keeping to ensure that information is submitted for audit in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support reported performance information.
- There is lack of implementation on controls over daily and monthly processing and reconciling of transactions
- Those charged with leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
- Management did not review and monitor compliance with applicable laws and regulations.

Overall recommendations

	Recommendation	Year originally recommended	Status of implementation
1.	Recommendation: The Accounting officer should ensure that there is consequence management for contraventions with applicable laws and regulations and for deviations from internal control systems	2022-23	In process – behind schedule
2.	Recommendation: The accounting officer should ensure that ALL Senior managers are appointed as well as key vacancies within the Municipality	2022-23	Completed
3.	Recommendation: The accounting officer should ensure management implements controls over daily and monthly processing and reconciling transactions as well as implementation of interim reporting. AOPO reporting should be reported with listings and support for the achievements.	2022-23	In process – behind schedule
4	Recommendation: Management should fill most critical posts	2020-21	In process – behind schedule

194. Addressing the root causes and implementing the overall recommendations as well as audit recommendations require a focused and systematic approach.

CONCLUSION

195. We commend the municipality's management for their positive attitude to the audit process and wish to show appreciation for their cooperation during the 2024-25 audit cycle. As a team and everyone playing their role the municipality can take the community of Dipaleseng to a place where service delivery is achieved.

Yours sincerely



Vusi E Gcaba

Senior manager

11 December 2025

Enquiries: Jennifer Mutavayi

Phone: 013 756 0800

Email: JenniferM@agsa.co.za

ANNEXURE A: FINANCIAL ASSESSMENT

1. We included a summary of the financial assessment we did as part of the audit in the section on financial performance. This annexure includes the detailed ratios and information used for the assessment.
2. The indicators of municipal financial health used by the National Treasury were used for the assessment – they are shown in the table in bold with a tickmark ✓. We also include additional ratios and information which does not directly impact the assessment but provide insight on the financial results.
3. The determination whether the financial health of a municipality is concerning is based on either the solvency or current ratio or more than 50% of all the indicators used for the assessment being adverse.
4. Indicators with adverse results in the previous or current year are shown as follows:

	Adverse results
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Financial assessment MFMA

		Current year	Previous year
Expenditure management			
1	Employee-related costs and remuneration of councillors as percentage of operating expenditure	13%	19%
	<ul style="list-style-type: none"> Employee-related costs Remuneration of councillors Operating expenditure 	R98 306 309 R7 064 215 R793 446 368	R84 696 035 R6 993 098 R480 874 724
2.1	Deficit was realised for the year (total expenditure exceeded total revenue)	Yes	No
2.2	Deficit for the year exceeds 5% of total revenue	Yes	N/A
2.3	Accumulated deficit realised for two consecutive years	No	No
	<ul style="list-style-type: none"> Total revenue Total expenditure Surplus/ (Deficit) for the year Deficit as a percentage of total revenue Accumulated surplus/ (deficit) 	R555 861 045 (R700 323 257) (R144 462 212) 26% (R507 927 909)	R499 780 831 (R478 867 889) R20 912 942 N/A R652 390 119
3	✓ Creditor days	708	647
	<ul style="list-style-type: none"> Accounts payable Total credit purchases 	R635 402 420 R327 797 395	R472 423 041 R266 825 858
4	Third-party deductions overdue	No	No

		Current year	Previous year
	<ul style="list-style-type: none"> Medical aid contribution UIF contributions 	R0 ; 0months R6 582 0 months	R67 068;0 months R0 ; 0months
Revenue management			
5.1	√ Debtors days	458.89	440.99
5.2	Debtors days – consumer debtors	470.57	455.02
5.3	Debtors days – other receivables	127.24	64.32
	<ul style="list-style-type: none"> Consumer debtors before impairment Other receivables due within normal payment terms before impairment Revenue from services charges, property rates and levies Other revenue 	R954 965 720 R13 972 543 R223 677 299 R7 872 136	R822 294 057 R12 097 372 R200 606 188 R7 469 140
6	Debt-impairment provision as a percentage of total accounts receivable	70%	70%
	<ul style="list-style-type: none"> Debt-impairment provision – consumer debtors Debt-impairment provision – other receivables Total accounts receivable 	R666 595 639 R11 228 245 R968 938 263	R572 213 882 R10 781 203 R834 391 429
7	Percentage distribution losses – electricity	26%	35%
	<ul style="list-style-type: none"> Units purchased Units sold to consumers 	R107 387 138 (R79 193 646)	R114 043 401 (R74 066 020)
8	Percentage distribution losses – water	39%	73%
	<ul style="list-style-type: none"> Units purchased Units sold to consumers 	4 050 912 000 (2 465 859 000)	4 161 000 000 (1 137 931 000)
Asset maintenance and renewal			
9	√ Repairs and maintenance expenditure level	(6%)	3%
	<ul style="list-style-type: none"> Expenditure on repairs and maintenance Carrying value of property, plant and equipment Carrying value of investment property 	R65 418 951 R1 117 208 349 R38 250 905	R31 482 863 R1 068 543 583 R39 356 091
10.1	√ Capital expenditure as percentage of operating and capital expenditure	3%	9%
10.2	Existing assets renewal and rehabilitation expenditure as percentage of:		
10.3	√ Capital expenditure	75%	75%
	√ Depreciation and asset impairment	13%	108%
	<ul style="list-style-type: none"> Capital expenditure Operating and capital expenditure 	R24 315 692 R817 762 060	R48 885 870 R529 760 594

		Current year	Previous year
	<ul style="list-style-type: none"> Existing asset renewal and rehabilitation expenditure Total depreciation and asset impairment 	R18 288 511 R135 953 986	R36 509 000 R33 815 775
Asset and liability management			
11	√ Current ratio	0.49	0.58
	<ul style="list-style-type: none"> Total current assets Total current liabilities Net current [asset / (liability)] position 	R445 620 573 R904 468 986 (R458 848 413)	R401 504 596 R693 394 040 (R291 889 444)
12	√ Solvency ratio	1.46	1.76
	<ul style="list-style-type: none"> Total assets Total liabilities Net [asset / liability] position 	R1 601 165 136 R1 093 237 220 R507 927 916	R1 509 493 138 R857 103 020 R652 390 118
13	√ Debt (total borrowings) as percentage of total operating revenue	0%	0%
	<ul style="list-style-type: none"> Debt (total borrowings) Total operating revenue 	R0 R252 603 041	R0 R231 598 413
14	Current liabilities (excluding unspent conditional grants) as percentage of next year's budgeted resources	282%	201%
	<ul style="list-style-type: none"> Current liabilities (excluding unspent conditional grants) Budgeted income for next year (excluding employee costs and remuneration of councillors) 	R904 468 986 R321 075 000	R693 394 040 R345 471 000
Cash management			
15.1	√ Cash and cash equivalents position	No	No
15.2	√ Cash plus investments less cash applications	(R325 481 342)	(R193 060 975)
15.3	√ Liquidity ratio (cash ratio)	0	0.01
	<ul style="list-style-type: none"> Cash and cash equivalents Bank overdraft Short-term investments Long-term investments Application of cash and investments 	R772 794 R0 R0 R38 250 905 (R364 505 041)	R4 374 631 R0 R0 R39 356 091 (R236 791 697)
16	Unspent conditional grants as percentage of cash and cash equivalents position	No unspent conditional grants	No unspent conditional grants
	<ul style="list-style-type: none"> Unspent conditional grants 	No	No
17	√ Cash coverage (excluding unspent conditional grants)	1 months	1 months
	<ul style="list-style-type: none"> Fixed monthly cash expenditure 	R38 336 996	R29 875 043
* The amount has not been adjusted for the uncorrected misstatements as reported in section 2.			

ANNEXURE B: PROCUREMENT AND CONTRACT MANAGEMENT

1. We included a summary of our findings and their impact on the section on procurement and contract management. This annexure provides the detailed findings.

Audit limitations

2. Not all information we required to perform our audit of contract management was received.

Information not provided for auditing

Item selected for auditing	Information not provided	Value	Reason provided by management	Material non-compliance
Contract management	Contracts with suppliers and progress reports	Unknown	Not provided	Yes

3. Impact: This is a limitation of scope resulting in non-compliance.
4. For the past 3 years contract management information has not been provided by management.

Deviations

5. Supply chain management legislation and policy prescribe the processes that apply for procuring specific goods and services as well as their threshold values, including competitive bidding, obtaining quotations or participating in transversal contracts. It also defines the requirements for deviating from the prescribed processes. We identified deviations where the stipulated requirements for such deviations were not complied with.

Findings on deviations from prescribed procurement processes

Contract/quotation	Value and date of award	Finding	Material non-compliance
Hiring of Ashtruck for 21 days	Value: R243 000 Date: 2025	Emergency procurement not justifiable non-compliance with SCM Regulation 36(1)(a)	No
Repairing of a water truck that was due for service	Value: R112 776 Date: 2025	Emergency procurement not justifiable non-compliance with SCM Regulation 36(1)(a)	No
Supply and delivery of Water Materials	Value: R 242 200 Date: 2025	Emergency procurement not justifiable non-compliance with SCM Regulation 36(1)(a)	No
Four tyres and balancing for GZ Grader were urgently procured under Regulation 36 to restore operations.	Value: R 114 550 Date: 2025	Emergency procurement not justifiable non-compliance with SCM Regulation 36(1)(a)	No

Contract/quotation	Value and date of award	Finding	Material non-compliance
Repairs of CAT TLB	Value: R 162 150 Date: 2025	Emergency procurement not justifiable non-compliance with SCM Regulation 36(1)(a)	No

6. Impact: The above results in non-compliance with SCM regulation 36.
7. The root cause of the non-compliance is due to lack of consistent monitoring of compliance with regulations. The municipality has had a history of findings for deviations and the findings indicated above are caused mainly by deficiencies in the SCM policies and monitoring of compliance with applicable SCM laws and regulations.

Internal control and recommendations

8. We identified significant internal control deficiencies, which caused the weaknesses in the procurement and contract management processes as reported.

Significant internal control deficiencies – procurement and contract management

Deficiency	Prior years reported	
Management did not ensure that the SLA was finalized and signed prior to service commencement, indicating ineffective controls over: <ul style="list-style-type: none"> · Contract approval workflows · Document verification and authorization 	No	No
Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.	No	No
Lack of timely and accurate assessment of what constitutes an emergency as per SCM regulations. Inadequate documentation and justification for deviation from standard procurement procedures.	No	No

9. We made recommendations to improve the procurement and contract management process for the positions in senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – procurement and contract management

Recommendation and management response	Year originally recommended	Status of implementation
Recommendation: Management must ensure that emergency procurement requests are supported by verifiable evidence of an actual emergency as defined in SCM regulations.	2024-25	Not started

Recommendation and management response	Year originally recommended	Status of implementation
<p>Response: Procurement within that range will need a competitive bidding which was impractical process to undertake at that point.</p>		
<p>Recommendation: Review and, if necessary, regularize or recover any expenditure incurred through unjustified emergency procurement to ensure accountability</p> <p>Response: Management did not respond</p>	2024-25	Not started
<p>Recommendation: Management should ensure that the filing system of documents is adequate for easy retrieval and that employees are taking responsibility for their function and where this is evident consequence management must be exercised.</p> <p>Response: : Procurement within that range will need a competitive bidding which was impractical process to undertake at that point.</p>	2024-25	Not started

Annexure C: Assessment of internal control




- This annexure provides our assessment of the main internal controls in the areas of leadership, financial and performance management and governance that should enable credible financial statements and performance reports and compliance with legislation.
- The assessments are rated as follows:

	The required preventative or detective controls were in place.
	Progress was made in implementing preventative or detective controls, but improvement is still required, or actions taken were not sustainable.
	Internal controls were not in place, were not properly designed, were not implemented or were not operating effectively. Intervention is required to design and/or implement appropriate controls.

- Movement from the previous year is shown as follows:

	Improvement		Regression		Unchanged
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Internal control assessment

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
Leadership						
Provide effective leadership based on a culture of honesty, ethical business practices and good governance, and protect and enhance the interests of the entity						
Exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls						
Implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored						
Establish and communicate policies and procedures to enable and support the understanding and execution of						

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
internal control objectives, processes and responsibilities						
Develop and monitor the implementation of action plans to address internal control deficiencies						
Establish and implement an information technology governance framework that supports and enables the business, delivers value and improves performance						
Financial and performance management	⬅️		⬆️		⬅️	
Implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting						
Implement controls over daily and monthly processing and reconciling of transactions						
Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information						
Review and monitor compliance with applicable legislation						
Design and implement formal controls over information technology systems to ensure the reliability of the systems and the availability, accuracy and protection of information relating to user access management, programme change control and service continuity			N/A	N/A	N/A	N/A
Governance	⬅️		⬅️		⬅️	

	Financial statements		Performance reporting		Compliance with legislation	
	Current	Previous	Current	Previous	Current	Previous
Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of information technology risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored						
Ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively						
Ensure that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation						

ANNEXURE D: SUMMARY OF DETAILED AUDIT FINDINGS

1. We communicated 90 findings to management during the audit, and 100 findings in the previous year.
2. This annexure summarises the findings that were communicated. The detailed findings are available on request.
3. The findings are rated as follows:

	Matters that will be reported in the auditor's report and should be addressed urgently
	Matters that should be addressed to prevent material misstatements in the financial statements or material findings on the annual performance report and compliance with legislation in future; also includes matters that significantly affected auditee performance
	Matters that do not have a direct impact on the audit outcome or a significant impact on auditee performance, but were communicated to assist with improving processes and mitigating risks

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	Expenditure							
		[Colour]	[√]	[√]	[√]	[√]	[√]	[Number]
1	Lack of Acknowledgement of Receipt for Goods/Services and use of Purchase Orders-		√			√		2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	Inability to Confirm Occurrence - COMAF 69							
Property Plant and Equipment								
2	Long outstanding infrastructure projects therefore impeding service delivery - COMAF 15						√	2
3	Differences noted between the AFS and the Fixed Asset Register - COMAF 18		√				√	2
4	Landfill Sites deficiencies (Grootvlei, Greylingstad, Balfour Landfill Site) - COMAF 46				√	√	√	2
5	Greylingstad – Old Reservoir not adequately protected - COAMF 48					√	√	1
6	WTW: Fortuna deficiencies noted - COMAF 49					√	√	2
7	WWTW: Old Balfour WWTW not functioning and other deficiencies - COMAF 50					√	√	2
8	Physical verification of the movable asset - Misstatements on movable assets and other deficiencies - COMAF 51		√			√	√	2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
9	New WWTW - Balfour Wastewater Treatment Works not operating - COMAF 52					√	√	2
10	WWTW: Grootvlei Wastewater Treatment Works - COMAF 53					√	√	2
11	WTW- Fortune – Water treatment works not functioning - COMAF 54					√	√	2
12	WWTW: Nthoroane not functioning - COMAF 55					√	√	2
13	MV mini substations at Lily Street not adequately safeguarded and maintained - COMAF 56					√	√	2
14	Landfill site deficiencies - COMAF 57					√	√	2
15	Differences noted between the AFS and the Fixed Asset Register - COMAF 67		√			√		2
16	Monthly reconciliation between fixed asset register, trial balance and general ledger is not performed on a monthly basis as per the asset management policy - COMAF 6		√			√		2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
17	Procurement of assets was done without proper assessment of available budget (computer equipment) - COMAF 7							
18	Expired landfill site licences – COMAF 45				√	√		2
	Investment Property							
19	Misstatements on presentation and disclosure - COMAF 63		√			√		2
	Receivables from exchange							
20	Debt impairment misstatements - COMAF 58		√			√		2
21	Communication with debtors' deficiencies as well as implementing the credit control policies - COMAF 60					√	√	2
22	RECEIVABLES: VAT incorrectly included in the debt impairment amount in the Statement of Financial Performance - COMAF 74		√			√		1

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
23	Indigents: Exceptions noted using CAATs - COMAF 82		√			√		2
24	RECEIVABLES: Incorrect Present and Disclosure - COMAF 86		√			√		2
Receivables from non-exchange								
25	Receivables presentation and disclosure misstatements - COMAF 59		√			√		2
26	Indigents: Exceptions noted using CAATs - COMAF 82		√			√		2
27	Indigents: Provision of Free Basic Services significantly below Funded Levels not explained in the DLM Final Budget Report – COMAF 89				√		√	2
Cash and cash equivalents								
28	Cash and cash equivalents several internal control deficiencies - COMAF 9		√			√		2
29	Cash and Cash equivalents: Difference between cash book balance reported in the AFS and GL and the Cash		√			√		2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	book balance on the reconciliation and other deficiencies/misstatements - COMAF 47							
	Cashflow Statement							
30	Errors noted in the cash flow statement - COMAF 76		√				√	2
	Contracted Services/Expenditure							
31	Deficiencies in contracted services and inventory consumed – COMAF 69						√	2
32	Late payment of suppliers beyond 30 days – COMAF 27/68		√		√			2
33	Deficiencies noted in the MPAC investigation processes – COMAF 29						√	2
	Employee Benefits							
34	Employee benefit obligation misstatement - COMAF 85		√				√	2
35	No performance agreements & evaluations for managers and other employees who are not senior managers- COMAF 65				√		√	2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	Consumer Deposits							
36	Consumer deposit differences between GL and schedules - COMAF 5		√			√		2
	Payables from exchange							
37	Payables from exchange transactions – Agency fees misstatements on listings and not paying the Department of Safety the agency fee - COMAF 71					√	√	2
	VAT							
38	VAT classified incorrectly (netted off) COMAF 12		√			√		2
	Interest receivable prior period error							
39	Prior period error on interest not disclosed - COMAF 11		√			√		1
	Irregular expenditure							
40	Incorrect disclosure of prior period error for irregular and unauthorised - COMAF 14		√			√		2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
41	Internal Control deficiencies – No proof of review of Unauthorised, irregular, fruitless and wasteful expenditure registers and litigation register - COMAF 20	Yellow				√		2
42	Non-compliance -UIFW Not reported to AG and National Treasury - COMAF 16	Yellow			√			2
43	Failure to prevent irregular expenditure - COMAF 24	Red			√			2
44	Non-compliance with PPR 2022 COMAF 61	Red	√		√			2
45	Incomplete and unsigned MBD 4 declarations submitted by the Supplier - COMAF 62	Yellow			√			2
46	Transactions not included in the irregular expenditure register - COMAF 64	Yellow	√		√			2
47	Allocation of work – Panel of contractors not adequate - COMAF 44/66	Yellow	√		√			2
48	At least 3 written quotations were not obtained - COMAF 66	Yellow			√	√		2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
Fruitless and wasteful expenditure								
49	Fruitless and wasteful expenditure misstatements – COMAF 33		√			√		2
50	Internal Control deficiencies – No proof of review of Unauthorised, irregular, fruitless and wasteful expenditure registers and litigation register - COMAF 20					√		2
51	Unauthorised, Fruitless and wasteful expenditure written off by Council inconsistencies with the AFS and other - COMAF 21		√		√			2
Contingencies								
52	Difference between the disclosure of contingencies in the prior year signed AFS and the current year's opening balance - COMAF 34		√			√		2
Unauthorised expenditure								
53	Non-compliance -UIFW Not reported to AG and National Treasury - COMAF 16				√			2
54	Internal Control deficiencies – No proof of review of					√		2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	Unauthorised, irregular, fruitless and wasteful expenditure registers and litigation register - COMAF 20							
55	Reasonable steps not taken to prevent unauthorised expenditure - COMAF 25		√		√			2
56	Unauthorised expenditure not done through an adjustment budget - COMAF 25	√	√		√			1
57	Misstatements in the unauthorised expenditure disclosed - COMAF 43		√					2
	Statement of Comparison of budget and actual amounts							
58	Statement of Comparison of Budget and Actual Amounts – Inaccurate and Incomplete disclosure - COMAF 36		√			√		2
	Additional disclosures							
59	Understanding the entity and its environment: Significant vacancies within the Municipality - COMAF 8						√	2
60	Unfunded budget - COMAF 22				√	√	√	2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
61	No evidence of financial difficulties being tabled to Council and reported to the MEC for local government - COMAF 22/91				√	√	√	1
62	Adjustment budget not made public - COMAF 91				√	√	√	1
63	Internal control deficiencies identified in managements processes in the use of consultants - COMAF 23 and 92					√	√	2
64	Investigation on the stadium information outstanding to the HAWKS – COMAF 26				√	√	√	1
65	Prior period error – Accumulated surplus misstatement- COMAF 81		√			√		2
66	Segment reporting Differences - COMAF 88		√			√		2
67	Interest incurred by the municipality on Eskom, Auditor General South Africa, Munsoft and Department of water and sanitation due to non-payment of invoices within 30 days – COMAF 32				√		√	2

No	Finding	Rating	Classification					Number of times reported in previous two years	
			Financial	Performance	Compliance	Internal control	Delivery		
68	Differences on additional disclosures PAYE, UIF, Medical and pension COMAF 87		√				√		2
69	Adverse going concern considerations not included in the going concern assumption - COMAF 93		√				√	√	1
70	Overall water and sanitation findings - COMAF 94				√		√	√	2
	Distribution Losses								
71	Distribution losses are above the allowable threshold by National Treasury - COMAF 75/90				√		√	√	2
	Procurement and Contract Management								
72	Deviation for emergency procurement not justifiable - COMAF 41		√		√				2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
73	Contract management information not submitted – COMAF 37				√			2
AOPO								
74	Mid-year performance assessment not conducted as required by the Act (Conducted late). - COMAF 2			√		√		2
75	Aopo several deficiencies - COMAF 79/83			√	√	√		2
76	AOPO – MTSF Deliverables that relate to service delivery are not included in the Municipality's SDBIP - COMAF 80			√		√	√	1
77	During the review of the municipality's service delivery budget and Implementation plan (SDBIP) we noted the SDBIP for the year under review did not include the monthly operational expenditure by vote as required by section 1 of the MFMA. – COMAF 84			√	√	√		2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
78	Performance information listings not submitted/not tying – COMAF 1			√		√		22
79	Information not provided – COMAF 31			√		√		
Internal control deficiency								
80	Internal Audit – Internal Control deficiencies - COMAF 35					√		2
81	Internal control deficiencies identified in Information Systems - COMAF 19					√		2
Other Non-compliance								
82	Municipality failed to pay PAYE, SDL, and UIF within seven days after the end of the month - COMAF 73				√	√		2
83	Late submission of documents – COMAF 10, 13, 30, 38, 40, 42 and 70 and others					√		2
84	Instruments to report fraud not adequate – COMAF 17				√	√		2

No	Finding	Rating	Classification					Number of times reported in previous two years
			Financial	Performance	Compliance	Internal control	Delivery	
	Focus areas findings (MYAPP)							
85	Deficiencies in skills, capacity and capability focus areas identified – COMAF 39					√	√	2
86	Water and sanitation – COMAF 94					√	√	2
87	Fiscal pressure -					√	√	2

ANNEXURE E: UPCOMING CHANGES

1. This Annexure lists upcoming changes and events that will potentially affect the preparation of financial statements and annual performance report and compliance with legislation.
2. The municipality should ensure that systems and controls are in place to implement upcoming changes in the accounting standards / frameworks / pronouncements / circulars / legislation that could have an impact on future audit outcomes.
3. **Upcoming changes**

Description	Audit outcome area	Effective date
GRAP 1 on Presentation of Financial Statements (amended 2022)	Financial statements	To be determined
GRAP 103 on Heritage assets (amended)	Financial statements	To be determined
GRAP 104 Financial instruments	Financial statements	Financial years beginning on or after 1 April 2025
GRAP 105 on Transfer of Functions Between Entities Under Common Control (amended)	Financial statements	To be determined
GRAP 106 on Transfer of Functions Between Entities Not Under Common Control (amended)	Financial statements	To be determined
GRAP 107 on Mergers (Amended)	Financial statements	To be determined
Improvements to Standards of GRAP (2023)	Financial statements	To be determined
Performance reporting		
MFMA budget circular No 129 paragraph 7	Annual performance report	1 July 2025 (For 2025-2026 reporting period)

ANNEXURE F: MATERIAL IRREGULARITIES

This annexure lists the material irregularities (MIs) that will be included in the auditor's report.

Notified	Type	MI description	Status description	
			Actions taken	Actions planned / in progress
Resolved				
09-May-22	Disclaimer	Full and proper records not kept	Resolved	Resolved
Follow up action taken				
12-Jun-23	Financial loss	Eskom not paid within 30 days of receiving the relevant invoice or statement	Decision for further actions to be taken in progress.	Resolved
Follow up action taken				
24-Nov-23	Substantial harm to general public	Poor management of the Balfour waste landfill site	Referral to the Department of Water Sanitation for further investigation.	In progress
Follow up action taken				
27-Jun-24	Substantial harm to general public	Pollution of water resources not prevented at the Grootvlei (Extension 1) mine Wastewater Treatment Plant	Referral to the Department of Water Sanitation for further investigation.	In progress
Follow up action taken				
14-Mar-24	Substantial harm to general public	Poor management of the Grootvlei waste landfill site	Referral to Department of Forestry, Fisheries and Environment further investigation.	In progress
Follow up action taken				
25 Jan-24	Substantial harm to general public	Poor management of the Balfour (Greylingstad) waste landfill site	Referral to Department of Forestry, Fisheries and Environment further investigation.	In progress
Follow up action taken				

11 April-24	Substantial harm to general public	Pollution of water resources not prevented at the Balfour Wastewater Treatment Plant	Referral to Department of Forestry, Fisheries and Environment further investigation.	In progress
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