

# Report of the auditor-general to the Mpumalanga Provincial Legislature and the council of the Dipaleseng Local Municipality

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Dipaleseng Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, the cash flow statement and statement of comparison of budget and actual amount for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Dipaleseng local municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.
7. 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.

8. 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.
9. 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.
10. 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.
11. 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.

### **Other matter**

12. I draw attention to the matter below. My opinion is not modified in respect of this matter.
13. 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.

### **Responsibilities of the accounting officer for the financial statements**

14. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
15. In preparing the financial statements, the accounting officer is responsible for assessing the Municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the Municipality or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the auditor-general for the audit of the financial statements**

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

17. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xx, forms part of my auditor's report.

### Report on the annual performance report

18. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof; I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

19. I selected the following material performance indicators related to basic service delivery presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- # 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 solid waste services by 30 June 2025
- # of new formal households provided with new water services connections (Balfour North) by 30 June 2025.
- # of new formal households provided with new sewer services connections (Balfour North) by 30 June 2025.
- # of new formal households provided with new electricity services 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

20. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

21. I 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, as well as verifiable so that I 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 those 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
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance

22. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

23. The material findings on the reported performance information for the selected material indicators are as follows:

#### **Various indicators**

24. For some indicators, measures aimed at improving performance against the target were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

Description
# 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 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 (Balfour North) by 30 June 2025

25. Measures taken to improve performance against the underachieved targets were not reported for some indicators in the annual performance report. Information was thus not provided to help with understanding the actions taken by the Accounting Officer to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target.

Description
% water quality compliance levels as per analysis certificates, (SANS 241) - Green Drop
% waste water quality compliance levels as per analysis certificates, (SANS 241) - Blue Drop
26. # of existing formal households provided with solid waste services by 30 June 2025

27. 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.

28. 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.

29. 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

## Other matters

30. I draw attention to the matters below.

### Achievement of planned targets

31. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under- achievements and measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

32. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets / measures taken to improve performance are included in the annual performance report on pages xx to xx

### Basic service delivery

<i>Targets achieved: 57%</i>		
<i>Budget spent: Not Provided</i>		
<b>Key basic service delivery indicator not achieved</b>	<b>Planned target</b>	<b>Reported achievement</b>
# of existing formal households provided with potable water by 30 June 2025	14 750	12 363
# of existing formal households provided with sanitation services by 30 June 2025	14 750	12 612
# of existing formal households provided with electrical services by 30 June 2025	14 750	6 752
# of existing formal households provided with solid waste services by 30 June 2025	14 750	11 153
# 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	343	0

30 June 2025		
# of new formal households provided with new solid waste service connections (Balfour North) by 30 June 2025	343	0
# of new formal households provided with new solid waste service connections (Balfour North) by 30 June 2025	343	0
% of water quality compliance levels as per analysis certificates, (SANS 241) - Blue Drop	60%	0%
% of waste water quality compliance levels as per analysis certificates, (SANS 241) - Green Drop	60%	0%

### Material misstatements

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

### Report on compliance with legislation

34. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

35. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

36. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

37. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

## **Expenditure management**

38. 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.
39. 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.
40. 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
41. 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.

## **Procurement and contract management**

42. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5. Similar limitation was also reported in the prior year.
43. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. Similar limitation was also reported in the prior year.
44. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was also reported in the prior year.
45. The preference point system was not applied on some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.

## **Consequence Management**

46. 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.
47. 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.
48. Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.
49. 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.

## Asset management

50. An effective system of internal control for assets (including an adequate asset register) was not in place, as required by section 63(2)(c) of the MFMA.

## Annual Financial Statements

51. 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.

## Strategic planning and performance management

52. The performance management system and related controls were not 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).

53. 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.

## Other information in the annual report

54. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements the auditor's report and those selected material indicators in the scoped-in development priority presented in the annual performance report that have been specifically reported on in this auditor's report.

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

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

57. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

58. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
59. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.
60. Management did not review and monitor compliance with applicable laws and regulations.
61. Management did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information
62. Management did not implement controls over daily and monthly processing and reconciling of transactions.
63. Those charged with leadership did not adequately monitor the implementation of action plans to address internal control deficiencies

## Material irregularities

64. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report

### Status of previously reported material irregularities

#### Poor management of the Balfour waste landfill site

65. The Municipality has been operating the Balfour waste landfill site in a manner that is not in compliance with its license conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control, Improper or lack of compacting and cover to limit gas emission impacting on air quality, Burning of waste posing safety risks and air pollution, lack of storm water management and leachate detection to prevent continued contamination of the soil and groundwater, Site erosion was evident near and around the site bodies and on monitoring and sampling of surface / groundwater / gas monitoring.
66. The municipality consequently did not dispose and treat waste in an environmentally sound manner that does not endanger health or the environment as required by section 16(1) of the National Environmental Management Waste Act 59 of 2008. The municipality further did not take reasonable measures to prevent pollution or degradation from occurring, continuing or recurring as required by section 28(1) of NEMA. The municipality also did not ensure that any other situation exists, which causes, has caused or is likely to cause pollution of a water resource, must take all reasonable measures to prevent any such pollution from occurring, continuing or recurring as required by section 19(1) of the NWA. The non-compliance is likely

to cause substantial harm to the community members utilising the landfill site and communities adjacent to the landfill site and to the environment dependent on the affected air, soil and water resources.

67. The accounting officer was notified of this material irregularity on 24 November 2023 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity.
68. I referred the material irregularity to the Department of Forestry, Fisheries and the Environment (DFFE) on 14 April 2025 for investigation as provided for in section 5(1A) of the PAA. On 21 May 2025, DFFE sub-referred the material irregularity to the Mpumalanga Department of Agriculture, Rural Development, Land & Environmental Affairs (DARDLEA) for further investigation. The referral was accepted by DESTEA on 30 July 2025 and the investigation is currently in progress.

#### Poor management of the Greylingstad landfill site

69. The Municipality has been operating the Greylingstad waste landfill site in a manner that is not in compliance with its license conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control to the site, serious illegal waste dumping / disposals on roads to and from the site and immediate surroundings, improper or lack of compacting and cover to limit gas emission impacting on air quality, burning of waste posing safety risks and air pollution, no control over water runoff or leachate management, encroachment of dwellings – housing developments incur in and around the site, the site is close to communal developments and related activities, no monitoring and sampling of surface / groundwater / gas monitoring, wind-blown waste was evident, particularly along the access road around the waste body, no dust management / suppression on the site.
70. The municipality consequently did not dispose and treat waste in an environmentally sound manner that does not endanger health or the environment as required by section 16(1) of the National Environmental Management Waste Act 59 of 2008. The municipality further did not take reasonable measures to prevent pollution or degradation from occurring, continuing or recurring as required by section 28(1) of NEMA. The municipality also did not ensure that any other situation exists, which causes, has caused or is likely to cause pollution of a water resource, must take all reasonable measures to prevent any such pollution from occurring, continuing or recurring as required by section 19(1) of the NWA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site and communities adjacent to the landfill site and to the environment dependent on the affected air, soil and water resources.
71. The accounting officer was notified of this material irregularity on 25 January 2024 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity.
72. I referred the material irregularity to the Department of Forestry, Fisheries and the Environment (DFFE) on 14 April 2025 for investigation as provided for in section 5(1A) of the PAA. On 21 May 2025, DFFE sub-referred the material irregularity to the Mpumalanga Department of Agriculture, Rural Development, Land & Environmental Affairs (DARDLEA) for further

investigation. The referral was accepted by DESTEA on 30 July 2025 and the investigation is currently in progress.

### **Poor management of the Grootvlei waste landfill site**

73. The municipality has been operating the Grootvlei waste landfill site without a valid licence or permit. A closure licence was issued to the municipality in the year 2014 to restore and rehabilitate the site and surrounds. The Municipality has been operating the landfill site in a manner that is not in compliance with license conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control to the site, serious illegal waste dumping / disposals on roads to and from the site and immediate surroundings, improper or lack of compacting and cover to limit gas emission impacting on air quality, burning of waste posing safety risks and air pollution, encroachment of dwellings – housing developments incur in and around the site. The site is close to communal developments and related activities, no monitoring and sampling of surface/ gas monitoring, wind-blown waste was evident, particularly along the access road around the waste body, no dust management / suppression on the site.
74. The municipality consequently did not dispose and treat waste in an environmentally sound manner that does not endanger health or the environment as required by section 16(1) of the National Environmental Management Waste Act 59 of 2008. The municipality further did not take reasonable measures to prevent pollution or degradation from occurring, continuing or recurring as required by section 28(1) of NEMA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site and communities adjacent to the landfill site and environment dependent on the affected air and soil.
75. The accounting officer was notified of this material irregularity on 14 March 2024 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity.
76. I referred the material irregularity to the Department of Forestry, Fisheries and the Environment (DFFE) on 14 April 2025 for investigation as provided for in section 5(1A) of the PAA. On 21 May 2025, DFFE sub-referred the material irregularity to the Mpumalanga Department of Agriculture, Rural Development, Land & Environmental Affairs (DARDLEA) for further investigation. The referral was accepted by DESTEA on 30 July 2025 and the investigation is currently in progress.

### **Pollution of water resource not prevented at the Balfour wastewater treatment plant**

77. The Balfour wastewater treatment works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spilling and discharge of raw/untreated sewage into the adjacent environment, including the groundwater, Blesbokspruit River and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the NEMA and section 19(1) of the NWA. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resource.

78. The accounting officer was notified of this material irregularity on 11 April 2024 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity.
79. I referred the material irregularity to the Department of Water and Sanitation (DWS) on 14 April 2025 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on the same day, and the investigation is currently in progress.

#### **Pollution of water resource not prevented at the Grootvlei (Extension 1) mine wastewater treatment plant**

80. The Grootvlei (Extension 1) mine wastewater treatment works has not operated effectively. This has resulted in continued spilling and discharge of raw/untreated sewage into the adjacent environment, including the groundwater, Grootvlei Dam, the nearby Molspruit River which subsequently feeds into the Vaal and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the NEMA and section 19(1) of the NWA. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resource.
81. The accounting officer was notified of this material irregularity on 27 June 2024 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity.
82. I referred the material irregularity to the Department of Water and Sanitation (DWS) on 14 April 2025 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on the same day, and the investigation is currently in progress.

#### **Eskom not paid within 30 days of receiving the relevant invoice or statement**

83. The municipality failed to ensure that the payments due to Eskom were made within 30 days of receiving the relevant invoice or statement, in contravention of section 65(2)(e) of the MFMA. The non-compliance is likely to result in a material financial loss when the interest expense is paid. The municipality continues to incur interest on the Eskom invoices as a result of late payments. In 2024-25 financial year, interest charges of R43,29 million formed part of the disclosed amount in note 50 for fruitless and wasteful expenditure.
84. The accounting officer was notified of this material irregularity on 12 June 2023. I received the accounting officer response and substantiating documentation to the MI notification on 24 September 2024. Supplementary responses and substantiating documentation were received on 23 April 2025.
85. The following actions have been taken to resolve the material irregularity:
- Since 2024 - 25, the accounting officer is implementing the financial recovery plan under the support of the National Government Intervention. There are various revenue

enhancement programmes that the municipality is implementing to ensure improvement in the revenue collection. The implementation of the financial recovery plan is ongoing.

- Since 2024-25 the accounting officer is implementing stricter revenue collection measures, such as disconnecting tampered meters, which will force the customers to pay the municipality.
- Since 2024-25, Investigation of the prepaid meters where purchases have not been made in the significant period.
- In September 2022, the appointment of the service provider to collect debtors.
- Since 2024 -25, faulty meters for water and electricity replaced as needed to optimize revenue collection.
- Since 2024-25, the accounting office undertaken the prepaid meter audit to ensure all meters are functioning as they should to optimize the revenue collection.
- Since 2024 -25 the accounting officer is implementing measures dealing with ongoing phase-out of conventional meters, replacing with prepaid meters, to enhance efficiency of revenue collection.

86. I considered the responses of the accounting officer and substantiating documentation provided and concluded that the actions taken by the accounting officer to resolve the material irregularity are deemed appropriate and have addressed the MI and therefore the material irregularity has been resolved.

87. The AGSA will continue to monitor the actions/steps implemented and the impact thereof during the subsequent audits.

*Auditor-General*

**Auditor-General**

Mbombela

11 December 2025



**AUDITOR-GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## **Annexure to the auditor's report**

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

### **Auditor-general's responsibility for the audit**

#### **Professional judgement and professional scepticism**

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the [financial statements/ consolidated financial statements/ consolidated and separate financial statements] and the procedures performed on reported performance information for selected material performance indicators and on the municipality's compliance with selected requirements in key legislation.

#### **Financial statements**

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

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

### **Communication with those charged with governance**

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)

Legislation	Sections or regulations
Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)