

Report of the auditor-general to Gauteng Provincial Legislature and council of Sedibeng District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Sedibeng District Municipality set out on pages xx to xx, which comprise the statements of financial position as at 30 June 2025, statement of net assets, cash flow statement and statement of comparison of budget information with actual amounts information for the year the 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 Sedibeng District Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the SA Standards of Generally Recognised Accounting Practices(Standards of GRAP) and the requirements of the Municipal Financial Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (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 district 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.

Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 36 to the financial statements, which indicates that a net deficit of R 4 345 982 was incurred during the year ended 30 June 2025 and, as of that date the total liabilities exceeded its total assets by R 31 767 089. As stated in note 36, these events or conditions, along with other matters as set forth in note 36, indicate that a material uncertainty exists that may cast significant doubt on the district municipality's ability to continue as a going concern.

Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter.
9. As disclosed in note 35 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the district municipality's at, and for the year ended, 30 June 2025.

Other matter

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

Unaudited disclosure notes

11. In terms of section 125(2) of the MFMA, the particulars of non-compliance with MFMA should be disclosed in the financial statements. This disclosure requirements 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

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
13. In preparing the financial statements, the accounting officer is responsible for assessing the district 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 district municipality or to cease operations, or has not realistic alternative but to do so.

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

14. 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.
15. 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 to xx forms part of my auditor's report.

Report on the annual performance report

16. 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.
17. I selected the following material performance indicators related to transport, infrastructure and environment presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the district municipality's performance on its primary mandated functions and that are of significant national, community or public interest.
- Number of temporary job opportunities created through EPWP and submit a report
 - Number of engagements held with Public Transport stakeholders, that is, Minibus transport, Meter taxi, Learner Transport and Bus transports and reports submitted by 30 June 2025
 - Number of quarterly reports on the assessment of roads, bridges, inventory on road furniture and traffic count conducted by June 2025
 - Number of quarterly reports on the Driver licenses processed by 30 June 2025
 - Number of quarterly reports on Learner Drivers' Licenses processed by 30 June 2025
 - Number of quarterly reports on PRDP processed by 30 June 2025
 - Number of quarterly reports on Vehicle Roadworthy certificates processed by 30 June 2025
 - Number of quarterly reports on operations of ambient air quality monitoring stations (Meyerton and Vanderbijlpark) and their reporting to SAAQIS Vanderbijlpark by 30 June 2025
 - Number of inspections conducted to license industries and submitted reports by 30 June 2025
 - Number of Environmental Awareness Campaigns, that is, Arbor Day, World Wetlands Day and World Environmental Day held by 30 June 2025
 - Number of quarterly reports on Municipal Health Services such as food premises inspection, ECD's centres and funeral parlours inspections, rendered across three (3) Local Municipalities' areas.
18. 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 district municipality's planning and delivery on its mandate and objectives.

19. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the district municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the district 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 the reasons provided for any measures taken to improve performance

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

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

Various indicators

22. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and I could not verify the methods and processes used to measure the achievements. Consequently, I could not confirm the reliability of the reported achievements.

23. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

Reported indicators per APR	Planned targets per APR	Reported actual achievement per APR
Number of temporary job opportunities created through EPWP and submit a report together signed contracts of the beneficiaries.	55 temporary job opportunities created by 30 June 2025	Although a quarterly EPWP report was provided, the report does not indicate whether the 55 opportunities were created. It only makes mention of 24 personnel who participated in training.
Number of engagements held with Public Transport stakeholders, that is, , Mini bus transport, Meter taxi, Learner Transport and Bus transport and reports submitted by 30 June 2025.	Four quarterly ITP stakeholder engagement reports by 30 June 2025	100% Target Achieved
Number of quarterly reports on the assessment of roads, bridges, inventory on road furniture and traffic count conducted by June 2025.	Four quarterly reports on the assessment of roads, bridges, inventory on road furniture and traffic counting by 30 June 2025	100% Target Achieved
The indicator was not reported on on the APR	The indicator was not reported on on the AR - therefore no planned target as per the APR	The indicator was not reported on.
Number of quarterly reports on the Driver licenses processed by 30 June 2025.	Process 18744 Drivers' License applications and submit quarterly reports, thereof.	100% Target Achieved
Number of quarterly reports on Learner Drivers' Licenses processed by 30 June 2025.	Process 26632 Learners' Drivers' License applications and submit quarterly reports, thereof.	100% Target Achieved
Number of quarterly reports on PRDP processed by 30 June 2025.	Process 7220 PRDP applications and submit quarterly reports, thereof.	100% Target Achieved
Number of quarterly reports on Vehicle Roadworthy certificates processed by 30 June 2025.	Conduct 2494 vehicles roadworthy testing, and submit quarterly reports, thereof.	100% Target Achieved
Number of quarterly reports on operations of ambient air quality monitoring stations (Meyerton and Vanderbijlpark) and their reporting to SAAQIS Vanderbijlpark by 30 June 2025.	Ensure compliance to Ambient Air Quality through Monitoring Stations in both Vanderbijlpark and Meyerton and produce report	3/4 quarters target were achieved. Quarter 3 target were not met due to incorrect PoE submitted.

Reported indicators per APR	Planned targets per APR	Reported actual achievement per APR
Number of inspections conducted to license industries and submitted reports by 30 June 2025.	Ensure compliance by all industries operating in the region and produce quarterly reports	3/4 quarters target were achieved. Quarter 3 target were not met due to incorrect PoE submitted.
Number of Environmental Awareness Campaigns, that is, Arbor Day, World Wetlands Day and World Environmental Day held by 30 June 2025.	Conduct three (3) Environmental Awareness Campaigns and Report in Quarter 1, 3 & 4 e.g.- Environmental awareness campaigns such as education on wetlands and Air quality waste management	100% Target Achieved
Number of quarterly reports on Municipal Health Services such as food premises inspection, ECD's centres and funeral parlours inspections.	Render four (4) quarterly Municipal Health Services inspections such as food premises inspection, ECD's centres and funeral parlours inspections within Emfuleni, Lesedi & Midvaal areas, and report	100% Target Achieved

Other matter

24. I draw attention to the matter below.

Achievement of planned targets

25. The annual performance report includes information on reported achievements against planned targets and provides measures to improve performance. This information should be considered in the context of the material findings on the reported performance information.

Material misstatements

26. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for transport, infrastructure and environment. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

27. 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 district municipality's compliance with legislation.

28. 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.
29. 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 district 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.
30. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of revenue from non-exchange transactions 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

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

Expenditure management

33. Reasonable steps were not taken to prevent irregular expenditure amounting to R 2 389 393 as disclosed in note 40 to the annual financial statements, as required by section 62(1)(d) of the MFMA.

Consequence management

34. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
35. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Human resource management

36. The municipal manager and/ or senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.

Procurement and contract management

37. The performance of some of the contractors or providers was not monitored monthly, as required by section 116(2)(b) of the MFMA.

38. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.
39. Construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the CIDB Act and CIDB Regulations 17 and 25(7A). Similar non-compliance was also reported in the prior year.

Other information in the annual report

40. 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 programme presented in the annual performance report that have been specifically reported on in this auditor's report.
41. 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.
42. 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.
43. 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

44. 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.
45. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual financial statements, selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.
46. The accounting officer and senior management developed and monitored the implementation of action plans to address identified internal control deficiencies; however, these were not effective as repeat findings were identified.
47. The accounting officer did not exercise adequate oversight over internal controls relating to the applicable laws and regulations and the annual performance report. This resulted in non-compliance with key legislation and material findings on the annual performance report.

48. Senior management did not ensure adequate controls were implemented for the preparation of the annual financial statements and the performance reports. In addition, management did not regularly monitor compliance with the applicable laws and regulations.

Auditor - General

Johannesburg

30 November 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 and the procedures performed on reported performance information for selected material performance indicators and on the district 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 district 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 district 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 district 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 they represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting 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	Section or regulation
1	Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)a, 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 171(4)(b)
2	MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
3	MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
4	MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
5	MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
6	Construction Industry Development Board Act 38 of 2000	Section: 18(1)
7	Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
8	Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)

9	Municipal Property Rates Act 6 of 2004	Section: 3(1)
10	Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
11	MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
12	MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)
13	MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), 27(4)(a)(i)
14	MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
15	MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
16	MSA: Municipal Systems Regulations, 2001	Regulation: 43
17	Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
18	Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
19	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), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
20	Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)