Report of the auditor-general to Limpopo Provincial Legislature on Sekhukhune District Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of Sekhukhune District 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, statement of cash flows and the statement of comparison of budget information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Sekhukhune District Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the Standards of the Generally Recognised Accounting Practice (Standards of 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 qualified opinion

Employee benefits

3. During 2024, adequate internal controls were not in place as there were no sufficient and appropriate audit evidence for leave days taken. I was unable to confirm the leave days taken in the previous years by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the opening balance of unused leave benefit stated at R26 838 000 in note 19 to the financial statements.

Irregular expenditure

4. During 2024, not all irregular expenditure was included in note 54 to the financial statements, as required by section 125(2)(d) of the MFMA. Expenditure incurred in contravention of supply chain management requirements, which resulted in irregular expenditure of R137 549 269 was not included in note 54. In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the irregular expenditure included in note 54 to the financial statements as sufficient appropriate audit evidence was not provided. I was unable to confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the prior year irregular expenditure stated at R95 510 822.

Expenditure contract services

5. I was unable to obtain sufficient appropriate audit evidence that expenditure had been properly accounted for, due to the status of the accounting records. I was unable to confirm whether all the expenditure were recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to expenditure stated at R360 322 935 in the financial statement

Net cash flows from operating activities

6. The municipality did not correctly prepare and disclose the net cash flows from operating activities as required by Standards of GRAP 2, Cash flow statements. This was due to multiple errors identified in receipts, interest paid and suppliers paid in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities, stated at R530 592 709 and the comparative amount of R300 573 588 in the financial statements, were necessary

Net cash flows from investing activities

7. Net cash flows from investing activities were not correctly prepared and disclosed as required by the Standards of GRAP 2, Cash Flow Statements. This was due to the non-adjustment of the movement in retentions when determining cash flows from investing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from investing activities, stated at R480 577 896 for the comparative amount in the financial statements, were necessary.

Context for opinion

8. 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.

9. 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.

10. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

12. As disclosed in note 47 and 48 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 municipality at, and for the year ended, 30 June 2025

13. As disclosed in note 55 to the financial statements, material water losses of R53 807 465 (2014:R38 120 360) were incurred. The losses were due to illegal connections and pipe leakages.

14. As disclosed in note 43 to the financial statements, the municipality is the defendant in various lawsuits. The municipality opposes these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

15. As disclosed in note 15 to the financial statements, a significant provision for impairments of receivables from exchange transactions of R582 664 906(2014: R474 399 056) was made due to defaulting customers on water, wastewater, and other accounts

Other matters

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

17. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed 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.

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

Responsibilities of the accounting officer for the financial statements

19. 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 the 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.

20. 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

21. 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.

22. 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 xxx of the annexure to the auditor's report, forms part of my auditor's report.

Report on the audit of the annual performance report

23. 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 against predetermined objectives for the selected development priorities[2]presented in the annual performance report The accounting officer is responsible for the preparation of the annual performance report.

24. I selected the following development priorities presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected development priorities that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Development priority	Page numbers	Purpose
Basic service delivery and infrastructure	[XX]	Basic service delivery and infrastructure is the core mandate of the municipality. The development priorities were selected for audit because of significant importance to the public.
Local Economic Development	[XX]	Local economic development contributes to economic growth

25. I evaluated the reported performance information for the selected development priorities 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.

26. 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 and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported measures taken to improve performance.

27. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

28. The material findings on the reported performance information for the selected development priorities are as follows:

Basic Service Delivery and Infrastructure

Percentage of water incidents registered resolved within 14 days

29. The achievement of 92% of percentage of registered water incidents resolved within 14 days was reported against a target of 80% percentage of incidents resolved within 14 days in the annual performance report. However, the audit evidence showed the actual achievement to be only 59%. Consequently, the achievement against the target was lower than reported.

Various indicators

30. The reported targets 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.

Approved indicator	Approved target	Reported target
Number of km of bulk water supply inspected, tested and commissioned. Command reservoir tested and commissioned	CCTV inspection 31 km of bulk water pipeline, identify components to be refurbished or replaced	31 KM of bulk water supply inspected, tested, and commissioned. 1 Command reservoir tested and commissioned
Number of concrete reservoirs and booster pump stations constructed	0 concrete reservoir 1 Booster pump station constructed	50% of concrete reservoir concrete reservoir 1 Booster pump station constructed

Number of mechanical and Electrical {M & E} components tested and commissioned for the extensions of the Groblersdal Water Treatment Works and pump station.	Refurbishment maintenance of 3 pump stations & motors at Project 14. Installation of 2 raw water pump & motor at Project 13. Complete installation of P&D network and systems procure and install Gauntry overhead crane clear view function	1. Refurbishment of 3 x pumps & motors at project 14 installation of 2 x raw water pumps and motor will undergo refurbishment. 2. 1 x raw water pump and motor will undergo refurbishment commissioning project 13 & 14 as well as 7-12 is depended on refurbishment work under WSIG for project 2-4

Various indicators

31. Various indicators and their targets were not clearly defined during the planning process. Consequently, the indicators and their targets are not useful for measuring and reporting on progress against the municipality's planned objectives.

Indicator	Target	Detail
Number of reticulation bulk pipeline and elevated steel tank constructed	348.44 km reticulation, 13.7 bulk pipeline and 6 elevated steel tanks constructed	The elevated steel tanks constructed indicator was not defined
Number of km of reticulation pipeline constructed and bulk pipeline constructed	50km of reticulation pipeline and 5km bulk pipeline constructed	The technical indicator suggests a physical construction of reticulation and, while the definition refers to planning and design activities. The definition above does not provide a explanation what is number of reticulation pipelines constructed and bulk pipeline construction.
Number of boreholes equipped and pipelines constructed	1 borehole equipped and 12km pipeline constructed	The short definition describes the indicator as the "Monitor appointed Consultant to do business plan for the proposed water project. Assess and recommend the submitted business plan for approval by DWS" There is inconsistency between what the indicator claims to measure (which refers to the construction of borehole and pipeline) and the definition of describes (which refers to the planning and administration activities process)

Primary mandated functions not prioritised

32. Various primary mandated functions were not prioritised for delivery in the performance year. Consequently, these functions were not adequately planned or accounted for, which is likely to result in them not being delivered and undermines transparency and accountability.

Primary mandated function	Reason provided by accounting policy for non-prioritisation
Water quality management	Reasons not provided
Water loss management	Reasons not provided

Local Economic Development

33. I did not identify any material findings on the reported performance information for the development priority.

Other matters

34. I draw attention to the matters below.

Achievement of planned targets

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

36. The tables that follow 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 measures taken to improve performance are included in the annual performance report on pages [xx to xx].

Basic Service Delivery and Infrastructure

Targets achieved: 38% *Budget spent: 53%*		
Key indicators not achieved	**Planned target**	**Reported achievement**
BSD09-Number of WWTW's refurbished (Burgersfort, Penge, Phooko Booster pump station	3 WWTW's	0 WWT'S
BSD 17-Number of steel tank erected-Lebalelo South Connector Pipes and reticulation	3 steel tanks erected	0 steel tanks erected
BSD 18-Number of settling dams, km of external pipeline,	2 Settling dams	0 settling dam.

Targets achieved: 38% *Budget spent: 53%*		
Key indicators not achieved	**Planned target**	**Reported achievement**
construction of retaining wall and department of agriculture offices	1.5km of external pipeline constructed. 1 Retaining wall and department of agriculture.	0km of external pipeline constructed 0 retaining wall and department of agriculture
BSD 19- Number of km for bulk pipeline constructed –Upgrading of Groblersdal Lekau Water scheme phase 2	11km	3.178km
BSD 21-Number of concrete reservoir and booster pumps stations constructed	50% concrete reservoir. 1 Booster pump station constructed.	15 % of concrete reservoirs. 1 booster pump.
BSD 22-Number of reticulations, bulk pipeline and elevated steel tanks constructed-Moutse East and West water reticulation phase 1	348.44km reticulation. 13.7 bulk pipeline. 6 elevated steel tanks constructed	12.74km reticulation. 13.7 bulk pipeline 1 elevated steel tank constructed.
BSD 23- Number of reticulation pipeline constructed and bulk pipeline constructed-Moutse East and West water reticulation phase 1	50km of reticulation. 5km bulk pipeline constructed	1.96km of reticulation. 0 of bulk pipeline constructed.
BSD 24- Number of detailed designs completed, number of steel tanks installed, km of bulk pipeline constructed- Mampuru Bulk water scheme.	1 detailed design. 3 steel tanks installed. 3. 5kmof bulk pipeline constructed	1 detailed design. 0 steel tanks installed. 0km of bulk pipeline constructed
BSD 25-Number of boreholes refurbished, number of bulk water meter installed	2 boreholes refurbished. 12 bulk water meters installed	0 boreholes refurbished. 0 bulk water meter installed.
BSD 26- Number of manholes, cathodic protection, connections completed and reservoir tested and commissioned-Ga-Maphopha Command reservoir	1 manholes, cathodic protection, connections completed. 1 reservoir tested and commissioned	0 manhole cathodic connections completed. 0 reservoirs tested and commissioned.
BSD 09.2-Number of detailed designs completed and contractor appointed. Number of term contractor appointed. Number of bulk meters installed. Number of mechanical grinders installed. Km of fence installed-Refurbishment of Leeufontein WWTW	1 detailed design. 1 term contractor. 1 main contractor appointed. 1 bulk meter installed. 1 mechanical grinder installed. 6.1km of fence installed.	0 detailed design. 0 term contractor. 0 main contractor appointed. 0 bulk meter installed. 0 mechanical grinder installed. 6.0km of fence installed.

Targets achieved: 38% *Budget spent: 53%*		
Key indicators not achieved	**Planned target**	**Reported achievement**
BSD 09.3 -Number of detailed designs completed and contractor appointed. Number of term contractor appointed. Number of bulk meters installed. Number of mechanical grinders installed. Km of fence installed. Number of generators refurbished- Refurbishment of Dennilton WWTW	1 detailed design. 1 term contractor. 1 main contractor appointed. 1 bulk meter installed. 1 mechanical grinder installed. 1km of fence installed 1 generator refurbished.	0 detailed design. 0 term contractor. 0 main contractor appointed. 0 bulk meter installed. 0 mechanical grinder installed. 0km of fence installed. 0 generator refurbished.
SC03/03/24-KM of bulk pipeline constructed, and number of reservoirs constructed	Project registration for MIG funding, 100% of completion of detailed design, procurement process.	Project registration for MIG incomplete. 100% completion of detailed design, procurement process.
BSD 27 – Number of km of road assessed	3 800km of road assessed.	3 420km of roads assessed.
BSD 29- Number of km of bulk water supply inspected, tested and commissioned. Command reservoir tested and commissioned –Nebo BWS commission Malekana to Jane Furse.	31km of bulk water supply inspected. 1 command reservoir tested and commissioned	0km of bulk water supply inspected. 0 command reservoir tested and commissioned
BSD 30-Number of consultants appointed, scoping and needs assessment, feasibility study, preliminary design report and implementation readiness study.	1 consultant appointed, scoping and needs assessment, feasibility study, preliminary design report and implementation readiness study.	0 consultant appointed, scoping and needs assessment, feasibility study, preliminary design report and implementation readiness study.
BSD 32- Number of km of ducile pipeline commissioned- Moutse BWS Project (7 to 12)	77km of bulk water supply pipeline commissioned.	77km of bulk water supply pipeline commissioned-Waiting for completion certificate.
BSD 33- Number of mechanical and electrical (M & E) components tested and commissioned for the extensions of Groblersdal Water Treatment Works and pump stations-Moutse BWS Project 13 & 14	3 Pumps and motors refurbished and installed. 2 water pump and motor installed at project 13. 1 completion of installation of P & D network and systems procure and install Gauntry overhead crane clear view fencing and paving.	3 Pumps and motors refurbished and installed. 2 water pump and motor installed at project 13. 0 completion of installation of P & D network and systems procure and install Gauntry overhead crane clear view fencing and paving
BSD 34-Number of boreholes electrical transformers installed-	3 boreholes electrical transformers installed.	0 boreholes electrical transformers installed.

Targets achieved: 38% Budget spent: 53%		
Key indicators not achieved	**Planned target**	**Reported achievement**
Maebe Water Intervention Project –Phase V		
BSD 36- Number bulk pipeline commissioned- Commissioning of Moutse bulk pipeline	40km of bulk pipeline commissioned	0km of bulk pipeline commissioned.
BSD 38- Number of boreholes equipped, number of pump houses constructed, number of transformers installed and km pipeline constructed-Ga-Marishane village water supply	2 boreholes equipped. 2 pump houses constructed. 1 transformer installed. 1.24km pipeline	2 boreholes equipped. 2 pump houses constructed. 0 transformer installed. 0.78km pipeline
BSD 39- Number of km pipeline constructed, water meter installed and repairing of rising main.	3km pipeline constructed. 196 water meters installed and low lift pump station upgraded.	3km pipeline constructed. 196 water meters installed and low lift pump station upgraded.
BSD 41- Number of boreholes equipped and bulk pipeline constructed-Eezaam water supply (Works package)	1.2 boreholes equipped. 2.6km bulk pipeline constructed.	1.0 boreholes equipped. 2.0 bulk pipeline constructed.
BSD 42- Number of boreholes equipped and pipelines constructed- Kgotlopong water intervention (Work package 1)	1 borehole equipped 12km pipeline constructed.	0 borehole equipped 1.2km pipeline constructed.

Local Economic Development.

Targets achieved: 10% *Budget spent: 67%*		
Key indicators not achieved	**Planned target**	**Reported achievement**
Number of jobs opportunities created through EPWP	2788	2 102

Material misstatements

37. 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 and infrastructure. Management did not correct some of the misstatements, and I reported material findings in this regard

Report on compliance with legislation

38. 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.

39. 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.

40. 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.

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

Annual financial statements, performance and annual report

42. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

43. Material misstatements of current liabilities, expenditure and disclosures identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

44. 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.

45. Reasonable steps were not taken to prevent irregular expenditure amounting to R99 624 678 as disclosed in note 51 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management regulations..

46. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R28 909 106, 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 overdue accounts.

47. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R142 974 883, 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 the non-cash items; debt impairment and depreciation.

Procurement and contract management

48. The preference point system was not applied some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000. Similar non-compliance was also reported in the prior year.

49. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 Preferential Procurement Regulations 11 and 2022 Preferential Procurement Regulation 4(4) and 5(4). Similar non-compliance was also reported in the prior year.

50. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

51. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

Consequence management

52. 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.

53. Some of the 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

54. 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.

55. Losses resulting from fruitless and wasteful expenditure were not recovered from the liable person, as required by section 32(2)(b) of the MFMA.

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

Strategic planning and budgeting

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

Other information in the annual report

58. The accounting officer is responsible for the other information included in the annual report.[3] The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

59. 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.

60. 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 development priorities presented in the annual performance report[4] or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

61. 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

62. 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.

63. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and, the material findings on the annual

performance report and the material findings on compliance with legislation included in this report

64. Leadership did not adequately exercise effective monitoring over the implementation of the audit action plan resulting in recurring prior year findings.

65. Senior management did not adequately oversee the operations of the municipality, as the financial statements and annual performance report contained material misstatements not detected by the municipality's own system of internal control.

66. Internal controls for monitoring compliance with legislation were ineffective as it did not detect and prevent instances of non-compliance with legislation.

67. The municipality's reactive approach in addressing inadequate systems of internal control indicates that mitigating processes are not effective

Auditor-General

Polokwane

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 development priorities 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 the 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.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

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	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), Sections: 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), Sections: 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), Sections: 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), 170, 171(4)(a), 171(4)(b)
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)
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), 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), Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), Regulations: 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
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),

Legislation	Sections or regulations
	Sections: 54A(1)(a),56(1)(a), 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1),96(b) **Parent municipality with ME:** Sections: 93B(a), 93B(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
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), 15(1)(a)(i), 15(1)(a)(ii)
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)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1),31
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(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), 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)