Report of the auditor-general to Eastern Cape Provincial Legislature and the council on Sundays River Valley Local Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of Sundays River Valley 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, cash flow statement and statement of comparison of budget information and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Various financial statement items - current and prior year

3. I was unable to obtain sufficient appropriate audit evidence for the following financial statement items due to missing, incomplete or unreliable underlying records. The municipality did not maintain adequate records to support the amounts disclosed, and alternative audit procedures could not be performed. Consequently, I was unable to determine whether any adjustments were necessary in respect of the following items in the current and prior year as disclosed in the financial statements:

    - Property, plant and equipment
    - Investment property
    - Receivables from exchange transactions
    - Receivables from non-exchange transactions
    - VAT receivable
    - Payables from exchange transactions
    - Service charges
    - Bulk purchases

- Contracted services
- Debt impairment
- Bad debts written off
- Employee related costs
- General expenses
- (Loss) gain on disposal of assets and liabilities
- Reversal of impairments
- Contributions to landfill provision
- Statement of changes in net assets
- Cash flow statement
- Statement of comparison of budget and actual amounts
- Commitments
- Contingencies
- Prior-year adjustments
- Unauthorised expenditure
- Fruitless and wasteful expenditure
- Irregular expenditure
- Segment information
- Material losses
- Financial instruments

Various financial statement items - current year

4. I was unable to obtain sufficient appropriate audit evidence for the following financial statement items due to missing, incomplete or unreliable underlying records. The municipality did not maintain adequate records to support the amounts disclosed, and alternative audit procedures could not be performed. Consequently, I was unable to determine whether any adjustments were necessary in respect of the following items in the current year as disclosed in the financial statements:

- Provisions

- Inventories
- Interest income
- Property rates
- Depreciation
- Additional disclosure in terms of Municipal Finance Management Act

Deviation from supply chain management processes

5. In the prior year the municipality did not disclose all deviations in accordance with the requirements of regulation 36(2) of the Municipal Supply Chain Management Regulations. I was unable to obtain sufficient appropriate audit evidence to determine the full extent of the deviation's understatement, as not all deviations were recorded in the deviation register, and I could not confirm this by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to the prior year deviation stated at R4,8 million in note 55 to the financial statements.

Preparation of the financial statements

6. I was unable to obtain sufficient appropriate audit evidence that the accounting officer has fulfilled his responsibility for the preparation and fair presentation of the financial statements in accordance with the 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), as written representations in this respect were not provided. I was also unable to obtain written representations from the accounting officer that I had been provided with all relevant information and access as agreed in terms of the audit engagement, and that all transactions had been recorded and were reflected in the financial statements. I could not determine the effect of the lack of such representations on the financial position of the municipality at 30 June 2025 or the financial performance and cash flows for the year then ended.

Other matter

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

8. 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. The 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

9. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African standards of GRAP and the requirements of the MFMA and Dora and for such internal control as the accounting officer determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

10. In preparing the financial, 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

11. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

12. 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 the 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.

Report on the audit of the annual performance report

13. 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 priority1presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Development priority	Page numbers	Purpose
Infrastructure and Basic services	XX	This is the development priority that focuses on service delivery and it is what the municipality is mostly measured on in terms of their performance and their impact to the public. This is also the development priority to which the majority of the budget of the municipality is allocated.

15. I evaluated the reported performance information for the selected development priority 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.

16. 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 and are verifiable, so that we can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what were committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance

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

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

Infrastructure and Basic services

Various indicators

19. Various indicators and their targets were not clearly defined during the planning process. Consequently, the indicators are not useful for measuring and reporting on progress against municipality's planned objectives. In addition, the indicators below should define what is being measured, while targets specify the level of achievement expected. As indicators and targets are defined identically, it undermines the distinction between measurement and desired performance.

Indicator	Target
300m of Bulk pipeline constructed	300m of Bulk pipeline constructed
1 km of storm water drainage constructed	1 km of storm water drainage constructed
8 kms of Construction of sewer pipelines, lining of ponds	8 kms of Construction of sewer pipelines, lining of ponds
1kms of (paved) roads and stormwater constructed	1kms of (paved) roads and stormwater constructed
50 EPWP work opportunities created	50 EPWP work opportunities created
8 kms of sewer pipelines, lining of ponds and house connections Constructed	8 kms of Construction of sewer pipelines, lining of ponds and 100 house connections

Various indicators

20. A comparison of the actual performance for the year against the prior year performance was included incorrectly in the annual performance report. Consequently, the reported information is not comparable, useful for evaluating progress over time and for identifying areas of improvement.

- 300m of Bulk pipeline constructed
- 1 km of storm water drainage constructed
- Percentage progress on Construction of Multi- Purpose Sports Recreational Facility
- 1kms of (paved) roads and stormwater constructed

Various indicators

21. Measures aimed at improving performance against targets 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.

Indicator	Target	Reported achievement	Reported measure
1kms of (paved) roads and stormwater constructed	1kms of (paved) roads and stormwater constructed	0	To appoint a full-time Project Manager as the post remains

Indicator	Target	Reported achievement	Reported measure
			vacant to review and consider an effective contract management system
8 kms of sewer pipelines, lining of ponds and house connections Constructed	8 kms of Construction of sewer pipelines, lining of ponds and 100 house connections	8kms of construction of sewer pipelines 2. Lining of ponds not done. 3. 30 House Connections.	To ensure appropriate social facilitation and project governance to address any expectation gaps in projects

50 EPWP work opportunities created

22. An achievement of 161 EPWP work opportunities created was reported against a target of 50 EPWP work opportunities created but the audit evidence showed the actual achievement to be 154 EPWP work opportunities created. The target was still achieved

Various indicators

23. Based on the audit evidence, the actual achievement for 2 indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the underachievements on the targets were less than reported and the achievements against the target were more than reported.

Indicator	Target	Reported achievement	Actual achievement
8 kms of sewer pipelines, lining of ponds and 100 house connections constructed	8 kms of sewer pipelines, lining of ponds and 100 house connections constructed	8kms of construction of sewer pipelines 2. Lining of ponds not done. 30 House Connections	8kms of sewer pipelines constructed 65 House Connections
1kms of (paved) roads and stormwater constructed	1kms of (paved) roads and stormwater constructed	0	0.9

Financial management and viability

24. The indicators and targets of financial management and viability were included in the approved revised planning documents but were not reported on in the annual performance report. The Strategic Manager did not provide a reason for this. Consequently, performance against the planned target was not accounted for, which undermines transparency and accountability.

Addo WWTW and MM Sewer Reticulation – WIP Project

25. The municipality is responsible for provision of water and sanitation in terms of its political mandate. However, an indicator to measure performance on this objective was not included in the approved planning documents. The Strategic Manager indicated that even though this project was noted on the WIP register as the new project, it is evident that it was not included on the approved SDBIP and was not tracked or reported in the APR. 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 its political mandate.

Overall presentation of performance information in annual performance report not comparable and understandable.

26. Overall, the performance information for this development priority was not reported in such a way that it could be compared and be easy to understand, as all the indicators and targets are defined exactly the same as the target, the baseline in the current year annual performance report (APR) is not consistent with the achievement reported in the previous year's APR. Consequently, the reported performance information is not useful for measuring progress against the planned objectives, which undermines transparency and accountability.

Other matters

27. I draw attention to the matters below.

Achievement of planned targets

28. 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.

29. 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 and measures taken to improve performance are included in the annual performance report on pages XX to XX.

KPA 1: Infrastructure Planning and Development

Targets achieved: 55% Budget spent: 90%		
Key indicators not achieved	**Planned target**	**Reported achievement**
100 house sewer connection constructed	100	30
1kms of (paved) roads and stormwater Constructed	1km	0
12 IRIS effluent/ Sanitation testing reports.	12	7
Number of land audit Conducted	1	0
Number of power saving bulbs in Municipal offices, treatment works provided	1000	562

Material misstatements

30. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Infrastructure Planning and Development. Management did not correct all the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

31. 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 is responsible for the municipality's compliance with legislation.

32. 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.

33. 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.

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

Annual financial statements and annual reports

35. 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 identified by the auditors in the submitted financial statements were not corrected and/or the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer audit opinion.

Expenditure management

36. 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.

37. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations.

38. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest on late payments to suppliers.

39. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by expenditure incurred over the budget by the municipal departments during the year.

Human resource management

40. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.

41. I was unable to obtain sufficient appropriate audit evidence that the annual performance appraisal for senior managers was performed and that the key performance areas (KPAs) outlined in the individual performance plans were assessed based on the achieved results, as required by regulations 26(5) and 27(4)(a)(i) of the Municipal Performance Regulations.

42. The staff members did not enter into a performance agreement within the prescribed period, as required by regulation 35(1) of the Municipal Staff Regulations.

Revenue management

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

44. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

45. I was unable to obtain sufficient appropriate audit evidence that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Procurement and contract management

46. 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.

47. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1).

48. 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.

49. Awards were made to providers whose directors were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44.

Consequence management

50. 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.

51. 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.

52. 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.

Strategic planning and performance management

53. The performance management system and related controls were not maintained as the review and reporting processes were not properly conducted and/or managed, as required by municipal planning and performance management regulation 7(1).

Asset management

54. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 96(2)(a) of the MFMA.

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

Utilisation of conditional grants

56. Performance in respect of programmes funded by the Integrated National Electrification Programme Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 9 of 2023).

57. Performance in respect of programmes funded by the Expanded Public Works Programme Integrated Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 9 of 2023).

Other information in the annual report

58. The accounting officer is responsible for the other information included in the annual report which includes the audit committee's report. 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. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and 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

61. 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.

62. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

63. Leadership has not established the level of accountability, oversight discipline, and institutional stability required to address the root causes of the repeat audit findings and the reported Material Irregularities (MIs). Continued vacancies and instability in senior management, particularly within Finance, Corporate Services, and Internal Audit, have weakened oversight and created gaps in leadership continuity. Poor coordination between directorates and the persistent slow response to implementing corrective actions, coupled with inadequate consequence management and inconsistent monitoring of action plans, have further eroded

accountability. As a result, control breakdowns remain unaddressed for extended periods, enabling irregularities, inefficiencies, and risks to escalate without timely intervention.

64. Internal control weaknesses in both financial and performance reporting remain pervasive, with the municipality unable to produce complete, accurate, and auditable information. Supporting documentation for material balances is either incomplete, unreliable, or missing, while required GRAP disclosures are frequently misstated or omitted. Performance reporting is similarly compromised by lack of clearly defined indicators, ineffective verification processes, and inconsistent or incomplete data collection. Critical reconciliations for assets, revenue, receivables, and provisions are not performed or not independently reviewed, contributing to errors that remain undetected. Persistent high water and electricity losses further underscore the municipality's ineffective operational controls and unreliable reporting processes. Collectively, these weaknesses demonstrate that management has not implemented rigorous year-end preparation procedures, sustainable monthly controls, or adequate technical review mechanisms for the AFS and performance reports, resulting in widespread material misstatements and multiple limitations of scope.

65. Internal Audit and the Audit Committee have been unable to provide the level of assurance required to strengthen the internal control environment, largely due to capacity constraints, delayed management responses, and insufficient leadership support. The Internal Audit unit is inadequately resourced, limiting its ability to execute its full risk-based audit plan or provide timely follow-up on prior-year findings and emerging risks. The Audit Committee has consistently raised concerns regarding the credibility of financial and performance information, pervasive non-compliance with MFMA and SCM prescripts, and the failure of management to implement its recommendations. However, its effectiveness is compromised by management's late, incomplete, or inaccurate submissions, lack of consequence management for recurring failures, and limited commitment to resolving material risks. As a result, governance oversight remains reactive rather than preventative, with both Internal Audit and the Audit Committee unable to drive meaningful improvements in internal controls, compliance discipline, or financial reporting integrity thereby contributing significantly to the continued disclaimer audit outcomes and the municipality's inability to address material irregularities.

66. Ultimately, these control weaknesses have implications for the municipality's planning, budgeting, and service delivery management processes, which rely on accurate information and effective oversight.

Material irregularities

67. 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

Full and proper records not kept

68. The municipality failed to keep full and proper records to support key classes of transactions, account balances and disclosures on the annual financial statements and to meet the minimum requirements of keeping proper records to demonstrate a proper system of financial management as required by section 62(1)(b) of the MFMA

69. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to the material uncertainty regarding its ability to continue operations.

70. I notified the accounting officer on this MI on 7 March 2024 and invited a written submission on the actions that had been or would be taken to address the matter. The accounting officer responded to the MI notification on 27 March 2024. Based on the assessment of the accounting officer's response, I concluded that appropriate actions are not being taken to address the material irregularity.

71. I notified the accounting officer on 30 November 2025 of the following recommendations, which should be implemented by 30 June 2026 with a progress report by 30 March 2026:

    1) The non-compliance with section 62(1)(b) of the MFMA should be investigated (which can include the root cause analysis) to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and enhance control weaknesses.

    2) Based on the reasons and circumstances, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by 62(1)(b) of the MFMA.

    3) The plan should include anticipated timeframes and address the following key areas as a minimum:

        - Billing information and reconciliations to support revenue from service charges.
        - Consumer debtor reconciliations (including age analysis) of all amounts owed to the municipality.
        - Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received;
        - Creditors reconciliations of amounts due by the municipality to third parties;
        - Complete asset register of all of the municipality's infrastructure assets, property, plant and equipment, including work-in-progress, as well as information for assets that have been fully depreciated but still in use;

- Efficiently manage the available resources of the municipality.
- VAT reconciliations supported by complete and accurate records.

72. I will follow up on the implementation of the recommendations at the stipulated due date.

Lack of proper performance management system and records

73. The municipality did not comply with regulation 7(1) as evident from significant deficiencies identified in the performance management system. This was a result of the municipality not preparing regular, accurate and complete performance reports that are supported and evidenced by reliable information. This is likely to cause harm to the public sector institution due to the following disruptions to the operations of the municipality which is also the primary mandate of the municipality:

    a) Quarterly performance reports are not prepared leading to the municipality to not account for its performance, and it hinders the ability of the council, executive or oversight to perform its oversight and decision-making role.

    b) Annual and mid-term performance reports inaccurately report on the performance of the municipality to such an extent that it hinders the ability of the council, executive or oversight to perform its oversight and decision-making role.

74. I notified the accounting officer on this MI on 28 March 2024 and invited a written submission on the actions that had been or would be taken to address the matter. The accounting officer responded to the MI notification on 17 April 2024. Based on the assessment of the accounting officer response, I concluded that appropriate actions are not being taken to address the material irregularity.

75. I notified the accounting officer on 18 February 2025 of the following recommendations, which should have been implemented by 30 June 2025:

    a) The non-compliance with Regulation 7(1) of the Municipal Planning and Performance Management Regulations, 2001 should be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to enhance control weaknesses.

    b) Based on the reasons and circumstances, appropriate action should be taken to develop and commence with the implementation of an action plan to address the weaknesses in the performance management system and the poor record keeping so that full and proper records of the municipality's performance are kept in accordance with any prescribed norms and standards. The plan should include anticipated timeframes and address the following key areas as a minimum:

        - Development and implementation of documented processes for identifying, collecting, collating, verifying and storing of information including the roles of different role-players.

- Ensure that performance management system provides for policies and procedures that will include steps to be taken to improve performance where performance targets are not met.

- Maintaining adequate and complete records of the performance measurement, monitoring, reporting, and review processes for each of the planned key performance indicators.

- Ensure that appropriate capacity is developed to manage performance information.

c) Disciplinary proceedings should commence without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

76. The accounting officer was required to provide a progress report on 10 April 2025. On 11 April 2025 the accounting officer submitted the progress report with substantiating documentation on the implementation of recommendations. I duly assessed the progress report and provided feedback on 8 May 2025 to the accounting officer on the shortcomings that had to be addressed in the final response that was due on 30 June 2025.

77. On 30 June 2025, the accounting officer provided a final written response with substantiating documentation on the implementation of the recommendations. Shortcomings and a lack of documentation to support the actions implemented were noted and I communicated these to the accounting officer on 20 July 2025. I also engaged the accounting officer on 22 July 2025 on the expectations for the additional information to be provided. The accounting officer provided the additional information on 28 July 2025.

78. I duly considered the representations made and substantiating documentation provided by the accounting officer and have concluded that appropriate actions were not taken to adequately implement the recommendations and to address the material irregularity.

79. I am in the process of deciding on further actions to be taken.

Inadequate management of Kirkwood landfill site by the municipality which causes significant harm to the public.

80. Section 28(1) of the National Environmental Management Act 107 of 1998 (NEMA) requires that every person who causes, has caused or may cause significant pollution or degradation of the environment must take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring, or, in so far as such harm to the environment is authorised by law or cannot reasonably be avoided or stopped, to minimise and rectify such pollution or degradation of the environment.

81. The municipality did not properly manage, safeguard and maintain the landfill site for more than three years. This resulted in a material non-compliance with the legislation that resulted in pollution of the environment as licence conditions not adhered to, workface not compacted and causing odour, waste scattered all over and collected and lack of overall maintenance of the site. The significant pollution which causes serious health, safety and injury risks to the operators on the site and communities nearby.

82. The non-compliance resulted in substantial harm to the public by the municipality.

83. The accounting officer was notified of the material irregularity on 27 March 2024 and invited to make a written submission on the actions taken and to be taken to address the matter. The accounting officer responded to the notification on 15 April 2024 and indicated that the following actions had been planned:

a) Invite a tender to obtain a relevant person to address the identified issues. The expected appointment date was 31 March 2025.

b) Obtain information and case studies similar to our area that were successfully mitigated. This will then be proposed to Provincial and National governments to obtain additional funding for the solution to be received on 01 July 2025.

84. Based on the assessment of the accounting officer response and subsequent follow-ups on the progress with the planned actions, I concluded that appropriate actions are not being taken to address the material irregularity.

85. I am in the process of deciding on further actions to be taken.

Inadequate management of Paterson landfill site by the municipality which causes significant harm to the public.

86. Section 28(1) of the National Environmental Management Act 107 of 1998 (NEMA) requires that every person who causes, has caused or may cause significant pollution or degradation of the environment must take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring, or, in so far as such harm to the environment is authorised by law or cannot reasonably be avoided or stopped, to minimise and rectify such pollution or degradation of the environment.

87. The municipality did not properly manage, safeguard and maintain the landfill site for more than three years. This resulted in a material non-compliance with the legislation that resulted in pollution of the environment as licence conditions not adhered to, workface not compacted and causing odour, waste scattered all over and collected and lack of overall maintenance of the site. The significant pollution which causes serious health, safety and injury risks to the operators on the site and communities nearby.

88. The non-compliance resulted in substantial harm to the public by the municipality.

89. The accounting officer was notified of the material irregularity on 27 March 2024 and invited to make a written submission on the actions taken and to be taken to address the matter. The accounting officer responded to the notification on 15 April 2024 and indicated that the following actions had been planned:

a) Invite a tender to obtain a relevant person to address the identified issues. The expected appointment date was 31 March 2025.

b) Obtain information and case studies similar to our area that were successfully mitigated. This will then be proposed to Provincial and National governments to obtain additional funding for the solution to be received on 01 July 2025.

90. Based on the assessment of the accounting officer response and subsequent follow-ups on the progress with the planned actions, I concluded that appropriate actions are not being taken to address the material irregularity.

91. I am in the process of making a decision on further actions to be taken.

Other reports

92. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

93. The Special Investigating Unit (SIU) is still assessing allegations of maladministration and irregularities from a whistle-blower relating to the procurement processes and payments of a certain award made by the municipality. This is not a formal investigation; the SIU is evaluating whether there is any substance over the allegation from the whistle-blower.

The Directorate for Priority Crime Investigation (DPCI) commonly known as the Hawks are also assessing the allegations on the appointment of the same servicer provider and the assessment is in progress.

94. The disciplinary board is also engaged in investigating the appointment of a service provider. The investigation was concluded on 22 January 2025.

Auditor-General

East London

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.

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:

No	Selected legislation and regulations	Sections or regulations
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), Sections: 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)

No	Selected legislation and regulations	Sections or regulations
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)