NTABANKULU LOCAL MUNICIPALITY

Audit Report

For the year ended 30 June 2025

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to Eastern Cape Provincial Legislature and the Council of Ntabankulu Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Ntabankulu 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, and the cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ntabankulu Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended 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).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

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 56 to the financial statements, which highlights the liquidity constraints, weak cash reserves, and low spending on repairs and maintenance that may affect the municipality's ability to meet the service delivery obligations. As stated in note 56, these events or conditions, along with the other matters described therein, indicate the existence of a material uncertainty that may cast significant doubts on the

municipality's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 6 to the financial statements, material allowance for impairment of statutory receivables from non-exchange transactions of R48,0 million (2023-24: R40,7 million) was incurred as a result of non-payment by consumer debtors.

Responsibilities of the accounting officer for the financial statements

10. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA; and 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.

11. 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

12. 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.

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

Report on the annual performance report

14. 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.

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

- Complete construction of 2,2km Mzwakazi access road & bridge in Ward 9 by June 2025
- Surfacing of 3,1km Ntabankulu internal street in Ward 10 by June 2025
- Construction 8,5km Zwelitsha to town access road (up to processing) and complete construction of 1 bridge in Ward 10 by June 2025
- Construction 9,9km Gxwaleni to Maliwa access road (up to tipping and processing of gravel wearing course material) and construction of two (2) bridges (up to excavation of platform) in Ward 18 by June 2025
- Construction of 7,5km Mnceba to Ntshamanzi access road (up to tipping and processing of gravel wearing course material) and construction of 2 bridges (up to excavation of platform) in Ward 13 by June 2025
- Construction 2km of Mbedula to Mnyasa access road (up to site establishment) in Ward 17
- Upgrading of 0,2km Ntabankulu ring road in Ward 10 by June 2025
- Construction of 330m paved access road to traffic offices (up to site establishment) with CBD sidewalks in Ward 10 by June 2025
- Construction of 183m paved access road in ERF 85 (municipal driveway) up to sub-base layer in Ward 10 by June 2025
- Paving of 915 m2 in ERF 85 municipal driveway in Ward 10 by June 2025
- Installation of electrification infrastructure for 195 extensions & infills in various wards and installation of link line 10km link in Habhu by June 2025
- Complete construction of 20 of 86 housing units in Bomvini 86 in Ward 8&9 by June 2025
- Complete construction of 15 slabs of 88 housing units in Bomvini 88 in Ward 8&9 by June 2025
- Complete construction of 25 slabs and 5 housing units of Ngqane 93 in Ward 16 by June 2025
- Complete construction of 15 slabs of Bhonxa 77 in Ward 9 by June 2025
- NHBRC enrolment of 50 housing units in Ward 1 villages (Bhonxa 50) by June 2025

- NHBRC enrolment of 50 housing units in Ward 14 villages (Bhonxa 50) by June 2026
- NHBRC enrolment of 50 housing units (Bhonxa 50) in Ward 4 villages by June 2027
- Construction of Zamukulungisa Pre-School in Ward 1 by June 2025
- Construction of Ntabankulu sports field phase 3 in Ward 10 by June 2025
- Condition assessment of municipal access roads in all 19 wards by June 2025
- Maintenance of 6km municipal access road as per the approved maintenance plan June 2025
- Patching 15m^2 of pothole in urban area by June 2025
- Rehabilitation of 34m of Buhlambo bridge (up to site excavation of platforms) in Ward 17 by June 2025
- Rehabilitation of 6m of Jakuja bridge (up to completion) in Ward 18 by June 2025
- Rehabilitation of 3km Mbangomthi access road in Ward 9 by June 2025
- Rehabilitation of 12km Mqatyeni access road in Ward 5 by June 2025
- Rehabilitation of 2,9km Mpemba access road in Ward 14 by June 2025
- Rehabilitation of 8km Zanokhanyo access road in Ward 18 by June 2025
- Rehabilitation of 5,2km Ndlantaka to Ngqwashu access road in Ward 15 by June 2024
- Rehabilitation of 5km Ntsinyane to Siqithini access road in Ward 6 by June 2025
- Rehabilitation 5,5km of Dedelo access road in Ward 17 by June 2025
- Rehabilitation of 4km Xakani to Nyathi access road in Ward 8 by June 2025
- Rehabilitation of 5km Ncama access road in Ward 11 by June 2025
- Rehabilitation of 30m Ngwemnyama Bridge in Ward 13 by June 2025
- Maintenance of 6 970m stormwater control facilities in Ward 10 by June 2025
- Maintenance of 50 streetlights in Ward 10 by June 2025
- Conduct inspection on all 5 high-mast lights and develop a scope and perform required maintenance in Ward 10 by June 2025
- Maintenance of 2 community halls (Mjila Community Hall, Ward 14 & Lucingweni Community Hall, Ward 15) by June 2025

- Constructed fenced pre-school with ablution facilities at Nyanda in Ward 10, fencing of Nkqubela Preschool in Cederville in Ward 14 and facilitate procurement of service provider for construction of pre-school by June 2025

- Constructed fenced Thomo pre-school with ablution facilities in Ward 4

- Implemented Integrated Waste Management Plan (IWMP) through waste collection, transportation, recycling, disposal and spot check in urban and rural villages (Isilindini, Ndakeni, Yandlala, Bhonxa, Bakuba, Upper Ndlantaka, Mjila, Mnceba and Mfundisweni) and procurement of service provider for working tools by June 2025

- Implemented Landfill Site Management Plan by reviewing landfill site licence, recording disposable and recyclable waste data in line with IWMP by June 2025

- 2 110 beneficiaries of free basic energy provided with electricity tokens by June 2025

- Approved indigent register for 2025-26 by June 2025.

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

17. I performed procedures to test whether:

    - the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives

    - all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included

    - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

    - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

    - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

    - the reported performance information is presented in the annual performance report in the prescribed manner

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

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

19. I did not identify any material findings on the reported performance information for the selected indicators.

Other matter

20. I draw attention to the matter below.

Achievement of planned targets

21. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

22. 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 measures taken to improve performance are included in the annual performance report on pages xx to xx

Basic services and infrastructure

Targets achieved: 89% *Budget spent: 53 %*		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Construction 9,9km Gxwaleni to Maliwa access Road (up to tipping and processing of gravel wearing course material) and construction of two bridges (up to excavation of platform)	Construction 9,9km Gxwaleni to Maliwa access Road (up to tipping and processing of gravel wearing course material) and construction of two bridges (up to excavation of platform)	Up to tipping and processing was not achieved as at year end for the construction of 9,9km Gxwaleni to Maliwa access road, only tipping of 4,2km of 9,9km access road and roadbed preparation that was completed. Excavation of platform was not achieved for the construction of two bridges as at year-end.
Complete construction of 20 of the 86 housing units in Bomvini 86 in Ward 8 and 9 by June 2025	Complete construction of 20 of the 86 housing units in Bomvini 86 in Ward 8 and 9 by June 2025	78 platforms have been cut, 40 compacted, 27 slabs and nine wall plates completed.

The National Home Builders Registration Council (NHBRC) enrolment of 50 housing units in Ward 1 villages (Bhonxa 50) by June 2025	The National Home Builders Registration Council (NHBRC) enrolment of 50 housing units in Ward 1 villages (Bhonxa 50) by June 2025	File for enrolment submitted. The NHBRC responded with comments on the 12 June 2025. A re-submission to the NHBRC was done on the 30 June 2025.
The NHBRC enrolment of 50 housing units in Ward 14 villages (Bhonxa 50) by June 2025	The NHBRC enrolment of 50 housing units in Ward 14 villages (Bhonxa 50) by June 2025	File for enrolment submitted. The NHBRC responded with comments on the 12 June 2025. A re-submission to the NHBRC was done on the 30 June 2025.
The NHBRC enrolment of 50 housing units (Bhonxa 50) in Ward 4 villages by June 2025	The NHBRC enrolment of 50 housing units (Bhonxa 50) in Ward 4 villages by June 2025	File for enrolment submitted. The NHBRC responded with comments on the 12 June 2025. A resubmission to the NHBRC was done on the 30 June 2025.

Material misstatements

23. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic services and infrastructure. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

24. 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.

25. 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.

26. 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.

27. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

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

29. 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.

30. 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.

31. 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

32. 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.

33. I did not identify any significant deficiencies in internal control.

Other reports

34. 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.

35. The Directorate for Priority Crime Investigation (the Hawks) are investigating covid-19-related expenditure at the municipality. The proceedings of the investigation were not finalised at the date of this auditor's report.

36. The Hawks are investigating the awarding of contracts of two suppliers by the municipality. The proceedings of the investigation were not finalised at the date of this auditor's report.

37. The Hawks are investigating a case of traffic officers that are involved in fraudulent activities in the municipal traffic offices. The proceedings of the investigation were not finalised at the date of this auditor's report.

Auditor-General

East London

03 December 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected key performance areas 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:

#	Selected legislation and regulations	Consolidated firm level requirements
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 24 of 2024	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)