Report of the auditor-general to the Gauteng Provincial Legislature and the council on the City of Ekurhuleni Metropolitan Municipality

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the City of Ekurhuleni Metropolitan Municipality set out on pages xx to xx, which comprise of the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement, statement of comparison of budget and actual amounts and appropriation statement for the year then ended 30 June 2024; as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the City of Ekurhuleni Metropolitan Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standard of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).

Basis for opinion

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

Key audit matters

6. I have determined that there are no key audit matters to communicate in this auditor's report.

Emphasis of matters

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

Material impairments – Consumer debtors

8. As disclosed in note 13 to the financial statements, material losses relating to traffic fines have been impaired. The allowance for impairment of traffic fines debtors amounts to R2 653 787 032 (2023: R2 197 709 912) which represents 82% (2023: 82%) of total traffic fines. This was due to non-payment of long outstanding traffic fines.

9. As disclosed in note14 to the financial statements, a material loss relating to consumer debtors' balance has been impaired. The allowance for impairment of consumer debtors amounts to R21 412 957 670 (2023: R16 586 465 329) which represents 70% (2023: 68%) of total consumer debtors. The contribution to the allowance for debt impairment was R5 789 351 498 (2023: R7 976 253 520).This was as a result of a material provision for consumer debtors.

Material losses – Electricity

10. As disclosed in note 37 to the financial statements, material electricity losses of R2 750 624 166 (2023: R2 333 616 165) was incurred, which represents 16% (2023: 16%) of total electricity purchased. Technical losses amounted to R736 309 218 (2023: R638 775 862) and was due to energy dissipation by the equipment and conductors in the distribution lines .Non-technical losses amounted to R2 014 314 948 (2023: R1 694 840 303) and was due to unidentified, misallocated or inaccurate energy flows.

An uncertainty relating to the future outcome of exceptional litigation

11. With reference to note 42 to the consolidated and separate financial statements, the municipality is the defendant in the various lawsuits. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the consolidated and separate financial statements.

Other matter

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

Unaudited disclosure notes

13. In terms of section 125 (2) (e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the consolidated and separate financial statements. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the consolidated and separate financial statements

14. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the requirements of Standard 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

15. In preparing the consolidated and separate 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 consolidated and separate financial statements

16. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

17. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

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

19. I selected the following strategic objective presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a strategic objective that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Strategic objective	Page numbers	Purpose
To deliver reliable, affordable and sustainable services and ensure improved infrastructure maintenance	X - X	To promote integrated human settlements by ensuring access to basic services

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

21. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives.
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included.
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements.
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents.
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance.

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

23. I did not identify any material findings on the reported performance information for the selected strategic objective.

Other matter

24. I draw attention to the matter below.

Achievement of planned target

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

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

To deliver reliable, affordable and sustainable services and ensure improved infrastructure maintenance

Targets achieved: 71%

Budget spent: 97%

Key service delivery indicator not achieved	Planned target	Reported achievement
Percentage of total residential electricity provision allocated as Free Basic Electricity (FBE)	3%	1.72%
Number of new sewer connections meeting minimum standards	537	224
Number of title deeds distributed to beneficiaries	1 500	458
Percentage of unsurfaced roads graded	15%	8.15%
Number of stormwater systems constructed	20	19
Number of scheduled public transport access points added (bus stops)	30	23
Number of operational public transport facilities refurbished	2	0
Number of sewer connections meeting minimum standards	250	0
Number of new water connections meeting minimum standards	800	110
Percentage of callouts responded to within 48 hours (sanitation/ wastewater)	85%	37.5%
Percentage of callouts responded to within 48 hours (water)	85%	25.82%
Number of rezoning applications approved for commercial purposes (Non-residential)	30	21
Number of building plans approved after first review	1 000	368
Number of properties with access to refuse removal services	752 030	752 029

Report on compliance with legislation

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

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

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

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

Procurement and Contract Management

31. Some of the contracts were awarded to bidders based on points given for legislative requirements that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1) (a) (i) and the Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year.

Other information in the annual report

32. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected strategic objective presented in the annual performance report that have been specifically reported on in this auditor's report.

33. My opinion on the consolidated and separate financial statements, the report on the audit of the annual performance report and the report on compliance with legislation does 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.

34. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected strategic objective presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

35. 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

36. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

37. The matter reported below is limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.

38. Senior management did not adequately review and monitor compliance with applicable laws and regulations as material non-compliances were identified during the audit.

Material irregularities

39. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularity in progress

40. I identified a material irregularity during the audit and notified the accounting officer of this, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer was not yet due. This material irregularity will be included in the next year's auditor's report.

AUDITOR - GENERAL

Johannesburg

31 January 2025

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence