AUDITOR-GENERAL
SOUTH AFRICA

AUDIT REPORT

eThekwini Municipality and its subsidiaries

2024-25

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council on eThekwini Municipality and its subsidiaries

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the eThekwini Municipality and its subsidiaries (the group) set out on pages xx to xx, which comprise the consolidated and separate statement of financial position as at 30 June 2025, consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, 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 group 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 consolidated and separate financial statements section of my report.

4. I am independent of the group 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.

6. In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), I report:

Final materiality

7. The scope of my audit was influenced by my application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error, and they 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 the consolidated and separate financial statements.

8. My determination of materiality is a matter of professional judgement and is affected by my perception and understanding of the financial information needs of intended users, which is the quantitative and qualitative factors that determine the level at which relevant decisions taken by users would be affected by a misstatement. These factors helped to determine the scope of my audit and the nature, timing and extent of my audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated and separate financial statements as a whole.

9. Based on my professional judgement, I determined final materiality for the consolidated and separate financial statements as follows:

Materiality considerations	Consolidated financial statements	Separate financial statements
Final materiality amount	R550 million	R550 million
Basis for determining materiality	1% of total expenditure from the separate AFS was used as the basis to determine the materiality amount as the group total expenditure is not significantly different from the parent.	1% of total expenditure, as presented in the separate financial statements
Rationale for benchmark applied	Total expenditure is an appropriate quantitative indicator of materiality as the primary focus of the users of the consolidated and separate financial statements is on the use of funds to deliver services.	Total expenditure is an appropriate quantitative indicator of materiality as the primary focus of the users of the financial statements is on the use of funds to deliver services.

10. I also considered the extent of the group's exposure to media attention, organisational changes, user focus, major changes to operations as well as change to the regulatory environment and municipal leadership.

Group audit scope

11. I tailored the scope of the audit in order to perform sufficient work to enable me to provide an opinion on the consolidated and separate financial statements as a whole. Considering the structure of the group and the accounting processes and controls, I performed a reasonable assurance engagement on the municipality and its subsidiaries.

Key audit matters

12. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters.

13. I have determined that there are no key audit matters to communicate in respect of the consolidated and separate financial statements.

Emphasis of matters

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

Significant uncertainties

15. As disclosed in note 44 to the consolidated and separate financial statements, various legal claims were lodged against the municipality. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the consolidated and separate financial statements.

Material debt impairments, losses and write-offs

16. As disclosed in note 6 to the consolidated and separate financial statements, the group recognised provision for debt impairments of R24,43 billion (2023-24: R19,45 billion) on consumer debtors, as the recoverability of these amounts was doubtful.

17. As disclosed in note 52 to the consolidated and separate financial statements, the municipality wrote off bad debts of R1,40 billion (2023-24: R0,41 billion) due to a council decision to write-off monies owed by insolvent and deceased estates.

18. As disclosed in note 52 to the consolidated and separate financial statements, material water losses of 676 636 kl/day (2023-24: 622 743 kl/day) were incurred by the municipality, which resulted in losses of R2,91 billion (2023-24: R2 billion). These losses arose mainly from ageing and deteriorating infrastructure, uncontrolled, unplanned rapid rural expansion and illegal connections.

19. As disclosed in note 52 to the consolidated and separate financial statements, material electricity losses of 1,11 billion kilowatt hours (2023-24: 1,12 billion kilowatt hours) were incurred by the municipality, which resulted in losses of R1,91 billion (2023-24: R1,72 billion). These losses arose as a result of transmission and distribution losses as well as illegal connections.

Other matter

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

Unaudited disclosure notes

21. In terms of section 125(2)(e) of the MFMA, the group is required to disclose particulars of non-compliance with the MFMA. 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

22. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the 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.

23. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the group'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 group 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

24. My objectives are to obtain reasonable assurance about whether 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.

25. 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. This description, which is located at page 15 forms part of my auditor's report.

Report on the audit of the annual performance report

26. 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 plan presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Plan	Page numbers	Purpose
Creating a quality living environment	xx	The goal of this plan is to promote access to equitable, appropriate and sustainable levels of household infrastructure and community services and facilitate access to housing.

28. I evaluated the reported performance information for the selected plan 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.

29. In performing the audit, my procedures focused on the material indicators relating to water, sanitation, human settlements and related infrastructure.

30. 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.

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

32. The material findings on the reported performance information for the selected plan are as follows:

Creating a quality living environment

Various indicators

33. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Indicator description	Target	Reported achievement
Infrastructure leakage index	8,2 infrastructure leakage index by 30 June 2025	11,3
Percentage of wastewater treatment capacity unused (WS4.31)	30% or less unused wastewater treatment capacity	56,12%

The number of fully subsidised housing units allocated

34. An achievement of 1 985 was reported against a target of 1 977. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the achievement against the target was lower than reported.

Percentage of reported pothole complaints resolved within standard municipal response time

35. An achievement of 54% was reported against a target of 40%. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the achievement against the target was lower than reported.

Other matters

36. I draw attention to the matters below.

Achievement of planned targets

37. 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.

38. 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.

Plan 3 – Creating a quality living environment

Targets achieved: 87,27%

Budget spent: 96%

Key indicator not achieved	Planned target	Reported achievement
The % of non-revenue water loss.	53,20% non-revenue water loss by 30 June 2025	58,70%
Infrastructure leakage index	8.2 infrastructure leakage index by 30 June 2025	11,3
% of water demand driven new water connections meeting minimum standards	100% of water demand driven new water connections meeting minimum standards for 2024-25 financial year	88,21%
Percentage of wastewater treatment capacity unused	30% or less unused wastewater treatment capacity	56,12%

Material misstatements

39. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Plan 3- *Creating a quality living environment*. Management did not correct the misstatements and I reported material findings in this regard.

Report on compliance with legislation

40. 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.

41. 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.

42. 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.

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

Procurement and contract management

44. 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).

45. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the MSA.

46. SCM officials / other SCM role players whose close family members and associates had a private or business interest in contracts awarded by the municipality participated in the process relating to that contract, in contravention of SCM Regulation 46(2)(f).

Consequence management

47. 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.

Expenditure management

48. 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.

49. Reasonable steps were not taken to prevent irregular expenditure amounting to R4,48 billion as disclosed in note 53 to the separate financial statements, as required by section 62(1)(d) of the MFMA.

Environmental management

50. The Kingsburgh, Magabeni, Umkomaas, Mpumalanga wastewater treatment works did not have valid operating licences, as required by section 22(1)(b) of the National Water Act 36 of 1998 (NWA).

Other information in the annual report

51. 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 the selected plan presented in the annual performance report that has been specifically reported on in this auditor's report.

52. 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.

53. 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 plan presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

54. 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

55. 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.

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

57. The accounting officer has not implemented recommendations relating to monitoring and oversight of compliance, resulting in multiple repeat transgressions on compliance with laws and regulations, significantly increased irregular expenditure and slow implementation of consequence management.

58. The accounting officer has not implemented effective performance management over senior leadership, to ensure that repeat findings on performance reporting and compliance deviations are addressed timeously.

Material irregularities

59. 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.

Material irregularity identified during the audit

60. The material irregularity identified is as follows:

Water meters not repaired or maintained

61. In performing physical verifications of water meters at consumer properties, instances of nonfunctional meters were identified. The municipality did not maintain, repair or replace certain non-functional meters resulting in non-compliance with section 63(1)(a) of the MFMA.

62. The lack of an accurate and verifiable metering system for measuring consumption led to consumers being billed an amount of zero for water consumption. The irregularity has resulted in a material financial loss by 30 June 2024 and is likely to result in further material financial losses for the eThekwini Municipality as the municipality cannot legally and accurately bill consumers for water services until properly functioning meters are installed. Consequently, revenue from service charges had been forgone.

63. The accounting officer was notified of the MI on 8 July 2025 and invited to make a written submission on the actions taken and that will be taken to address the matter.

64. The accounting officer responded on 5 August 2025 with proposed actions including repairs or replacement of meters and approval of a water turnaround strategy.

65. I will follow up on the implementation of the planned actions during my next audit.

Material irregularities in progress

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

Status of previously reported material irregularities

Dilapidated state of community ablution blocks – KwaDabeka Transit Camp

67. During the site visit to the KwaDabeka Transit Camp on the 9 May 2024, I found that the majority of the community ablution blocks (CABs) structures used to provide water and sanitation facilities were deteriorated. The deterioration of CABs included destroyed sanitation structures, dilapidated flooring, broken windows, a lack of proper signage and leaking of sewerage and water. This affected the functionality and structural integrity of these CABs. The municipality has failed to maintain these structures which has resulted in the CABs not working as intended. This resulted in non-compliance with section 63(1)(a) of the MFMA.

68. The non-compliance is therefore likely to result in substantial harm to the general public if appropriate actions are not taken to address the cause of the dilapidated CABs, repair and restore the CABs to a functional state to provide for sanitation facilities.

69. The accounting officer was notified of the material irregularity on (MI) 10 November 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter.

70. The accounting officer responded on the 1 February 2025 with both short and long-term interventions to repair, renovate and replace the CABs. Follow up assessments performed by the audit team in February 2025 confirmed that the short-term interventions were implemented at the transit camp.

71. I will follow up on the implementation of the planned actions during my next audit.

Expanded Public Works Programme payments made for expenses not incurred

72. Payments were made on the expanded public works programme (EPWP) to individuals that did not qualify as beneficiaries. The expenditure controls and procedures designed and implemented by the municipality in the EPWP payment processes were ineffective as they did not detect and prevent payments made to fictitious beneficiaries, deceased beneficiaries and beneficiaries employed in other state institutions that do not qualify as EPWP beneficiaries. In addition, payments were also made to beneficiaries without sufficient supporting documents or proof that tasks were performed. This was in non-compliance with section 65(2)(a) of the MFMA.

73. The non-compliance has resulted in a material financial loss of R3,28 million by 31 October 2022 and is likely to result in further material financial losses of R2,34 million for the eThekwini Municipality for payments made to beneficiaries employed in other state institutions.

74. The accounting officer was notified of the MI on 13 December 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer provided a response to the notification on 9 February 2023.

75. The accounting officer commissioned multiple investigations into the matter, however, failed to implement all the recommendations which were included in the report. During the prior and current year audits, I identified similar issues on payments to invalid beneficiaries.

76. I recommended that the accounting officer should take the following actions to address the MI by 30 June 2025:

    - The non-compliance should be investigated to determine the root causes and if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA, for purposes of recovering the loss.

    - The financial loss should be quantified and all persons liable for the losses should be identified and appropriate action should commence to recover the financial loss where possible. The recovery process should not be unduly delayed.

- Commence with the implementation of a system of expenditure control that also addresses the root causes, as required by section 65(2)(a) of the MFMA, to prevent and detect payments to ineligible beneficiaries. These should include verifying the beneficiaries against the latest available databases, maintaining an audit trail of verifications that were performed and cancellation of further payments to ineligible beneficiaries.

- 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 the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

- If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this must be reported to the South African Police Service, as required by section 32(6) of the MFMA.

77. On 11 April 2025 and 13 June 2025, the accounting officer submitted progress reports on the implementation of the recommendations. I reviewed the progress and communicated the assessment outcomes, highlighting identified shortcomings, to the accounting officer on 30 April 2025 and 24 June 2025, to be addressed with the final response due on 30 June 2025.

78. The accounting officer failed to submit a final response and substantiating documentation on 30 June 2025. On 8 July 2025 the accounting officer requested an extension for the submission of a final response on the implementation of the recommendations up to 11 July 2025, which I duly granted.

79. The accounting officer provided a final written response and substantiating documentation on the implementation of the recommendations on 11 July 2025 and 14 July 2025 respectively. On 6 November 2025, a progress report and additional substantiating documentation was provided on the actions the accounting officer were taking to implement the recommendations and address the MI.

80. I assessed the responses and the substantiating documentation provided and have concluded that the accounting officer has not made adequate progress in implementing the recommendations and the actions taken have not addressed the MI.

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

Pollution of water resource not prevented – Northern wastewater treatment works

82. The municipality did not take reasonable measures at the Northern wastewater treatment works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the National Environmental Management Act 107 of 1998 (Nema) and section 19(1) of the NWA. The wastewater

treatment works was not operational due to improper management of operational and mechanical equipment with serious maintenance and repair needs (including vandalism and theft) as well as further damages caused by the April 2022 floods. Raw untreated wastewater was also overflowing and spilling at the pump stations that have not been operational for more than a year.

83. This has resulted in raw untreated wastewater and/or inadequately treated effluent being disposed into the adjacent Umhlangaan and Umgeni rivers. The overflowing and spilling of raw untreated wastewater and discharge of inadequate effluent into the Umhlangaan and Umgeni rivers not only severely contaminates these water resources, but ultimately also the related beaches. This has a devastating effect on the communities living next to or in close proximity to the rivers. It poses a serious health risk to communities using these resources for domestic or recreational purposes and adversely impacts the livelihoods of those dependent on tourism and sustenance fishing affected by the frequent beach closures. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.

84. The accounting officer was notified of the MI on 14 April 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter.

85. The accounting officer indicated on 26 June 2023 that an assessment of work required to repair the wastewater treatment works and related pump stations had been completed with tender processes on the appointment of a contractor being in progress. Follow up assessments performed by the audit team showed E. coli levels excessively higher than the norms in January 2024. Despite some actions, pollution was still ongoing and not addressed.

86. I referred the MI for investigation to the Department of Water and Sanitation on 14 April 2025 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the department on the same date and the investigation is currently in progress.

Pollution of water resource not prevented – Umbilo wastewater treatment works

87. The municipality did not take reasonable measures at the Umbilo wastewater treatment works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of Nema and section 19(1) of NWA. The plant was severely damaged by the April 2022 floods and further floods on the 27 June 2023. The East plant was decommissioned with interim measures implemented to redirect the inflow. The West plant was found to often exceed its (load) design capacity and was unable to properly treat and ensure quality compliant disposals into the Umbilo River.

88. This has resulted in improperly treated effluent being discharged directly into Umbilo River affecting the river quality and biodiversity as well as communities living next to or in close proximity to the river. Other river use and recreational activities such as swimming, fishing, canoeing, fauna and flora are negatively impacted by the poor wastewater quality and other contaminants disposed into the river. The river supports multiple livelihoods from bed and breakfast establishments to holiday parks as well as small-scale farming, therefore high levels of E. coli pose a health risk for both the public and the environment. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.

89. The accounting officer was notified of the MI on 18 April 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter.

90. The accounting officer indicated on 18 June 2024 that an assessment of work required to repair the wastewater treatment works had been completed with tender processes on the appointment of a contractor being in progress. Follow up assessments performed by the audit team showed E. coli levels excessively higher than the norms in March 2024. Despite some actions, pollution was still ongoing and not addressed.

91. I referred the MI for investigation to the Department of Water and Sanitation on 14 April 2025 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the department on the same date and the investigation is currently in progress.

Other reports

92. In addition to the investigations relating to material irregularities, I draw attention to the following investigations conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

93. The municipality's investigative unit performed investigations relating to allegations of financial misconduct covering the period 2018 to 2025. Some of these investigations were in progress as at 30 June 2025. The accounting officer is currently assessing the outcomes and recommendations for those cases that have been finalised.

94. The Special Investigating Unit and the Directorate for Priority Crime Investigations are investigating alleged irregularities in the management of the affairs of the municipality, which cover the period 2004 to 2021. These investigations were still in progress at the date of this report.

Auditor-General

Pietermaritzburg

9 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 consolidated and separate financial statements and the procedures performed on reported performance information for the selected plan and on the municipality's compliance with selected requirements in key legislation.

Consolidated and separate financial statements

In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the consolidated and separate 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 group 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 consolidated and separate 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 group 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 consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate 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 group to cease operating as a going concern.

- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether consolidated and separate 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 and separate 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.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

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(1)(a), 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), 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)

Legislation	Sections or regulations
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
National Environmental Management: Waste Act 59 of 2008	Section: 20(b)
National Water Act 36 of 1998	Section: 22(1)(b)
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)