Report of the auditor-general to the Free State Provincial Legislature and the council on the Kopanong Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Kopanong 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 the 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, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Kopanong 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 5 of 2023 (Dora).

Basis for qualified opinion

Payables from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for trade payables, salary control, retentions, unallocated deposits, accrued leave pay and payments received in advance included in payables from exchange transactions in note 14 to the financial statements due to the non-submission of information and a lack of reconciliation in support of these current liabilities. I was unable to confirm the trade payables, salary control, retentions, unallocated deposits, accrued leave pay and payments received in advance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the trade payables stated at R410 297 855 (2024: R813 051 893), salary control stated at R129 824 909 (2024: R304 457 288), retentions stated at R9 581 469 (2024: R9 581 469), unallocated deposits stated at R31 638 206 (2024: R23 066 264), accrued leave pay stated at R12 303 699 and payments received in advance stated at R12 882 601 (2024: R12 199 840) included in payables from exchange transactions in note 14 to the financial statements.

Property, plant and Equipment

4. The municipality did not account work in progress in accordance with GRAP 17, *Property plant and equipment* as assets that were recorded in the current year for work-in-progress could not be located during the asset verification process. This resulted in work-in-progress being overstated by R31 642 059 in note 11 to the financial statements. In addition, work-in-progress included expenditure relating to repairs and maintenance resulting in work-in-progress being overstated by R23 921 732 and repairs and maintenance being understated by the same

amount. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

5. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for property, plant and equipment. As described in note 52 to the financial statements, the restatement was made to rectify previously omitted completed projects and changes in the estimated useful lives of certain assets. However, the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the property, plant and equipment corresponding figure stated at R873 150 126 in note 11 to the financial statements.

6. During 2024, I was unable to obtain sufficient appropriate audit evidence for the work-in-progress included in the reconciliation of work-in-progress in property, plant and equipment in note 11 to the financial statements due to the non-submission of information in support of the capital projects in progress. I was unable to confirm the work-in-progress by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the work-in-progress included in the reconciliation of work-in-progress in property, plant and equipment stated at R 114 421 064 in note 11 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the work-in-progress for the current period.

7. During 2024, the municipality did not account for property, plant and equipment in accordance with GRAP 17, *Property plant and equipment* as building assets classes were incorrectly included in the asset register as community assets. Consequently, buildings were understated by R8 963 403 and community assets overstated by the same amount. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the buildings and community assets for the current period.

Receivables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for the receivables from exchange transactions in note 4 and 6 to the financial statements due to non-submission of information in the current year. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from exchange transactions stated at R169 726 925 in note 4 and 6 to the financial statements.

9. During 2024, I was unable to obtain sufficient appropriate audit evidence for the sundry debtors included in receivables from exchange transactions in note 4 and 6 to the financial statements as there were unexplained material differences between the age analysis and the financial statements. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from exchange transactions stated at R149 925 824 in note 4 and 6 to the financial statements. Additionally, there was an impact on the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of

this matter on the comparability on the receivables from exchange transaction for the current period.

10. The municipality did not account for allowance for impairment included in receivables from exchange transactions in note 6 to the financial statements in accordance with GRAP 104, *Financial instruments* as the municipality did not correctly apply the approved methodology in their impairment calculations. Consequently, the allowance for impairment included in receivables from exchange transactions in notes 6 to the financial statements was understated by R167 704 689 (2024: R111 116 188) and debt impairment included in note 32 to the financial statements was understated by the same amount. Additionally, there was an impact on the deficit for the year and the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the allowance for impairment for the current period.

11. During 2024, the municipality did not account for receivables from exchange transactions in accordance with GRAP 104, *Financial instruments* as the municipality did not charge interest on long outstanding consumer accounts, contrary to the it's policy. Consequently, I have not included the omitted information in this auditor's report for prior year, as it was impracticable to do so. Additionally, there was an impact on the deficit for the period and the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the allowance for impairment for receivables from exchange transaction the current period.

VAT receivable

12. I was unable to obtain sufficient appropriate audit evidence for the VAT receivable included in note 8 to the financial statements due to the status of record keeping. I was unable to confirm the VAT receivable by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the VAT receivable stated at R90 551 308 in note 8 to the financial statements.

Revenue from exchange transactions

13. I was unable to obtain sufficient appropriate audit evidence for the sale of electricity, sale of water included in the service charges in note 19 to the financial statements due to the unexplained material differences between the billing reports and the financial statements. I was unable to confirm the sale of electricity and sale of water by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to sale of electricity stated at R83 008 255 (2024: R82 599 198) and sale of water stated at R109 362 189 (2024: R142 181 926) in note 19 to the financial statements.

14. During 2024, the municipality did not account for refuse removal, sewage and sanitation included in service charges in note 19 to the financial statements in accordance with GRAP 9, *Revenue from exchange transactions* as the municipality did not bill some consumers during the year. Consequently, the refuse removal, sewerage and sanitation included in note 19 to the financial statements were understated by R6 679 701 and receivables from exchange transactions included in note 4 to the financial statements were understated by the same amount. Additionally, there was an impact on the deficit for the year and the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified

because of the possible effect of this matter on the comparability of the revenue from exchange transactions for the current period.

15. During 2024, I was unable to obtain sufficient appropriate audit evidence for income foregone included in the service charges in note 19 to the financial statements due to the unexplained material differences between the billing reports and the financial statements. I was unable to confirm the income foregone by alternative means. Consequently, I was unable to determine whether any adjustments were necessary for income foregone stated at R6 267 972 in note 19 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the revenue from exchange transactions for the current period.

Receivables from non-exchange transactions

16. During 2024, the municipality did not account for allowance for impairment included in receivables from non-exchange transactions in notes 5 and 6 to the financial statements in accordance with GRAP 108, *Statutory receivables*, as the municipality did not correctly apply the approved methodology in their impairment calculations. Consequently, the allowance for impairment included in notes 5 and 6 to the financial statements was overstated by R9 626 927 and the debt impairment included in note 32 to the financial statements was overstated by the same amount. Additionally, there was an impact on the deficit for the period and the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the allowance for impairment for receivables form non-exchange transaction for the current period.

Other receivables from exchange transactions

17. I was unable to obtain sufficient appropriate audit evidence for the other receivables from exchange transactions included in note 7 to the financial statements due to the status of record keeping. I was unable to confirm the other receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the other receivables from exchange transactions stated at R8 655 429 (2024: R8 238 362) in note 7 to the financial statements.

Unspent conditional grants and receipts

18. I was unable to obtain sufficient appropriate audit evidence for the unspent conditional grants and receipts due to the non-submission of information in support of these unspent grants. I was unable to confirm the unspent conditional grants and receipts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unspent conditional grants and receipts stated at R9 389 510 in note 17 to the financial statements.

Property rates

19. I was unable to obtain sufficient appropriate audit evidence for property rates, due to the unreconciled material differences between the billing reports and the financial statements. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to property rates stated at R54 625 736 (2024: R29 666 861) in note 24 to the financial statements.

Employee related costs

20. I was unable to obtain sufficient appropriate audit evidence for employee related costs, excluding car allowance in note 26 to the financial statements, due to unexplained material differences between the payroll schedules and the financial statements. I was unable to confirm the employee related costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the employee related costs excluding car allowance stated at R129 352 354 in note 26 to the financial statements.

21. During 2024, I was unable to obtain sufficient appropriate audit evidence for the basic salaries, medical aid fund contributions and car allowance included in employee related costs in note 26 to the financial statements due to unexplained material differences between the payroll schedules and the financial statements. I was unable to confirm the basic salaries, medical aid fund contributions and car allowance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the basic salaries stated at R110 432 835, medical aid fund contributions stated at R4 006 592 and car allowances stated at R5 793 823 included in employee related costs in note 26 to the financial statements.

Administration

22. During 2024, I was unable to obtain sufficient appropriate audit evidence for the administration expenditure due to the non-submission of information in support of administrative expenses. I was unable to confirm the administration expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the administration expenditure stated at R6 793 010 in note 28 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the administration for the current period.

Government grants and subsidies

23. I was unable to obtain sufficient appropriate audit evidence for the municipal infrastructure grant included in government grants and subsidies in note 25 to the financial statements, due to the unexplained material differences between the supporting schedules and the financial statements. I was unable to confirm the municipal infrastructure grant by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the municipal infrastructure grant stated at R16 231 166 (2024: R28 001 567) included in government grants and subsidies in note 25 to the financial statements.

24. The municipality did not account for the equitable share in accordance with GRAP 23, *Revenue from non-exchange transactions,* as the municipality did not value the equitable share received correctly which resulted in equitable share disclosed note 25 of the notes to financial statements being understated by R7 000 000.

25. During 2024, I was unable to obtain sufficient appropriate audit evidence for the water services infrastructure grant included in government grants and subsidies in note 25 to the financial statements, due to the unexplained material differences between the supporting schedules and the financial statements. I was unable to confirm the water services infrastructure grant by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the water services infrastructure grant stated at R19 980 789 included in government grants and subsidies in note 25 to the financial statements. My audit opinion on

the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the government grants and subsidies for the current period.

Finance costs

26. During 2024, I was unable to obtain sufficient appropriate audit evidence for finance costs due to the non-submission of information in support of these finance costs. I was unable to confirm the finance costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to finance costs stated at R107 409 210 in note 30 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the finance costs for the current period.

General expenses

27. I was unable to obtain sufficient appropriate audit evidence for general expenses due to the non-submission of information in support of these expenses. I was unable to confirm the general expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the general expenditure stated at R19 183 217 (2024: R8 138 085) in note 35 to the financial statements.

Total expenditure

28. Total expenditure was materially misstated by R7 378 869 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Bulk purchases stated at R167 704 689 was understated by R2 324 305.

In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the total expenditure by alternative means:

- Administration of R5 255 438
- Contracted services of R14 272 380.

Contingencies

29. I was unable to obtain sufficient appropriate audit evidence for contingencies due to non-submission of information and did not have an adequate register in support of these contingencies. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contingencies stated at R201 028 026 in note 40 to the financial statements.

Commitments

30. I was unable to obtain sufficient appropriate audit evidence for commitments due to non-submission of information and did not have an adequate register in support of these commitments. I was unable to confirm the commitments by alternative means. Consequently, I

was unable to determine whether any adjustments were necessary to commitments stated at R72 729 347 (2024: R57 436 424) in note 41 to the financial statements.

Irregular expenditure

31. The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. I was unable to determine the full extent of the understatement of irregular expenditure stated at R338 973 035. Consequently, I was unable to determine whether any adjustment was necessary to the irregular expenditure stated at R338 973 035 (2024: R332 247 718) in note 45 to the financial statements

Fruitless and wasteful expenditure

32. During 2024, I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure identified in the prior year due to unexplained material differences between the supporting schedule and the annual financial statements. I was unable to confirm the fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure stated at R95 292 012 in note 44 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the fruitless and wasteful expenditure for the current period.

Additional disclosure in terms of Municipal Finance Management Act

33. I was unable to obtain sufficient appropriate audit evidence for the electricity distribution losses included in the note additional disclosure in terms of MFMA in note 48 to the financial statements due to status of accounting records. I was unable to confirm the electricity distribution losses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to electricity distribution losses included in the note additional disclosure in terms of MFMA stated at 8 252 418 units (2024: 6 184 512 units) in note 48 to the financial statements.
34. I was unable to obtain sufficient appropriate audit evidence for pay as you earn (PAYE), Unemployment Insurance Fund (UIF), and Skills Development Levy (SDL) and pension and medical aid fund contributions included in additional disclosure in terms of MFMA in note 48 to the financial statements due to status of accounting records. I was unable to confirm the PAYE, UIF and Pension and medical aid fund contributions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to PAYE, UIF and SDL stated at SDL R53 831 774 (2024: R35 311 761) and Pension and medical aid fund contributions stated at R208 147 544 (2024: R189 769 961) included in additional disclosure in terms of Municipal Finance Management Act stated in note 48 to the financial statements

Debt impairment

35. Debt impairment was not recognised in accordance with the requirements of GRAP 104, Financial Instruments, as the amount recognised and disclosed includes VAT. Consequently, debt impairment disclosed in note 32 to the financial statements is overstated by R14 524 422 and VAT receivable is misstated by the same amount. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Context for opinion

36. 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.

37. 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.

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

Emphasis of matters

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

Material uncertainties relating to going concern

40. I draw attention to note 54 to the financial statements, which indicates that provisions for landfill rehabilitation and employee benefits are not cash-backed, persistent cash flow problems resulting in major creditors not being paid timeously as well as failing to make payments as and when due to suppliers, employees, councillors, and statutory bodies due to financial constraints. As stated in note 54, these events or conditions, along with other matters as set forth in note 54, indicate that a material uncertainty exists that may cast significant doubt on the municipality`s ability to continue as a going concern.

Restatement of corresponding figures

41. As disclosed in note 52 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of errors in the financial statements of the municipality, and for the year ended, 30 June 2025.

Unauthorised expenditure

42. As disclosed in note 43 to the financial statements, unauthorised expenditure of R8 765 423 (2024: R172 029 091) was incurred, due to actual amounts exceeding the budget and conditional grants not being cash backed.

Fruitless and wasteful expenditure

43. As disclosed in note 44 to the financial statements, fruitless and wasteful expenditure of R110 334 932 was incurred, due to interest paid on late accounts.

Other matters

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

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

47. 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

48. 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.

49. 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

50. 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.

51. I selected the following material performance indicators related to Infrastructure development and service delivery 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.

    - Kilometre of sewer pipeline upgraded in Trompsburg on or before 30 September 2024

- Number of pump stations upgraded in Trompsburg on or before 30 September 2024
- Number of sewer pump station refurbished in Edenburg on or before 30 June 2025
- Number of treatment plant refurbished in Edenburg on or before 30 June 2025
- Percentage of sports facility upgraded in Philippolis on or before 30 June 2025
- Number of household electricity connections in Reddersburg on or before 30 September 2024
- Number of household electricity connection in Ipopeng on or before 30 September 2024
- Number of household electricity infill in Slovoville on or before 30 September 2024
- Number of household electricity infill in Fauresmith on or before 30 September 2024
- Number of household electricity infill in Jagersfontein on or before 30 September 2024
- Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024
- Percentage of waste transfer constructed in Gariep Dam on or before 30 September 2024
- Percentage spending on MIG on or 30 June 2025
- Percentage spending on DOE on or 30 June 2025
- Percentage spending on WSIG on or 30 June 2025

52. 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.

53. 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.

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

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

56. The material findings on the reported performance information for the selected material indicators are as follows:

Various Indicators

57. Based on the audit evidence, the actual achievement for two indicators did not agree to the achievements reported. Consequently, the targets were not achieved and the actual achievements might be more or less than reported. In addition, adequate supporting evidence to clarify the methods and processes for measuring achievements on these indicators and their targets was not provided. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. Furthermore, 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 reporting measures were indeed taken.

Indicator	Target	Reported achievement	Audited value
Kilometers of sewer pipeline upgraded in Trompsburg on or before 30 September 2024	1.50 km	930 m	1.44km
Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024	100	65%	0%

Various Indicators

58. Adequate supporting evidence to clarify the methods and processes for measuring achievements on these indicators and their targets were not provided. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. Furthermore, measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets.

Indicator	Target
Number of household electricity connections in Reddersburg on or before 30 September 2024	600
Number of household electricity connection in Ipopeng on or before 30 September 2024	120
Number of household electricity infill in Slovoville on or before 30 September 2024	11
Number of household electricity infill in Fauresmith on or before 30 September 2024	25

Various Indicators

59. The reported measures taken to improve performance against underachieved targets did not agree to the audit evidence. Consequently, the reported measures are not reliable for helping to understand the actions taken by the accounting officer to address performance gaps and to assess the effectiveness of strategies to improve future performance against the targets.

Indicator	Target	Reported achievement	Reported measure
Kilometers of sewer pipeline upgraded in Trompsburg on or before 30 September 2024	1.5 km	930 m	1. An Intention to Terminate the contract was issued to (14-day Notice) 2. The Municipality has put the Contractor on notice. 3. A Subcontractor was appointed through a cession to work on the pump station to ensure progress with the project.
Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024	100%	65%	The progress report identifies the following factors contributing to delays: 1. A new contractor had to be appointed to continue with the project 2. Adverse weather conditions after the new Contractor was appointed 3. Cash flow and late payments to the Contractor lead to delays The newly appointed Contractor has already applied for an extension of the completion period due to the reasons mentioned above.

Various Indicators

60. Adequate supporting evidence to clarify the methods and processes for measuring achievements on these indicators and their targets were not provided. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. Furthermore, 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
Percentage spending on MIG on or 30 June 2025	100%	66%	Per the APR, municipal instability and cash flow challenges caused delays in appointing and paying service providers. Non-performance by some contractors led to terminations and re-advertising of tenders, further slowing progress. SCM processes need improvement to ensure technically capable service providers with proven track records are appointed for large projects.
Percentage spending on WSIG on or 30 June 2025	100%	28%	Per the APR, noted that due to municipal instability and cash flow issues, contractors were not paid on time, causing them to leave the site and return after payment. DWS assistance was expected but not realized in 2024/25, and Vaal Central was appointed in the current financial year to support implementation.
Number of pump stations upgraded in Trompsburg on or before 30 September 2024	1	0	The Municipality subsequently appointed a new contractor, which contributed to delays in the project's completion. Sessions with a specialized contractor who is currently busy with the project were also implemented to ensure continued progress. Due to financial constraints the Municipality also struggled to pay the Contractor on time and the Contractor left the site. The Contractor was paid in July and is expected to return to the site in August.

Various Indicators

61. Adequate supporting evidence to clarify the methods and processes for measuring achievements on these indicators and their targets were not provided. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets.

Indicator	Target
Number of sewer pump station refurbished in Edenburg on or before 30 June 2025	1
Number of treatment plant refurbished in Edenburg on or before 30 June 2025	1

Percentage of sports facility upgraded in Philippolis on or before 30 June 2025	100%
Number of household electricity infill in Jagersfontein on or before 30 September 2024	90
Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024	100%
Percentage of waste transfer constructed in Gariep Dam on or before 30 September 2024	100%
Percentage spending on DOE on or 30 June 2025	100%

Other matters

62. I draw attention to the matter[s] below.

Achievement of planned targets

63. 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.

64. The table that follows provide information on the achievement of planned targets and list 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.

Infrastructure development and basic service delivery

Targets achieved: 7%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Kilometers of sewer pipeline upgraded in Trompsburg on or before 30 September 2024	1.5km	930 m
Number of pump stations upgraded in Trompsburg on or before 30 September 2024	1	0
Number of sewer pump station refurbished in Edenburg on or before 30 June 2025	1	0
Number of treatment plant refurbished in Edenburg on or before 30 June 2025	1	0
Percentage of sports facility upgraded in Philippolis on or before 30 June 2025	100%	84%

Number of household electricity connections in Reddersburg on or before 30 September 2024	600	383
Number of household electricity connection in Ipopeng on or before 30 September 2024	120	25
Number of household electricity infill in Slovoville on or before 30 September 2024	11	0
Number of household electricity infill in Fauresmith on or before 30 September 2024	25	0
Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024	100%	65%
Percentage of waste transfer constructed in Gariep Dam on or before 30 September 2024	100%	99,34%
Percentage spending on MIG on or 30 June 2025	100%	66%
Percentage spending on DOE on or 30 June 2025	100%	0%
Percentage spending on WSIG on or 30 June 2025	100%	28%

Material misstatements

65. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Infrastructure development and basic service delivery. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

66. 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.

67. 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.

68. 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 [type of auditee], 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.

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

Annual financial statements and annual report

70. 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 of disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

71. The 2023/24 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

Expenditure management

72. 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.

73. Payments were made from the municipality's bank accounts without the approval of the accounting officer, the chief financial officer or a properly authorised official, as required by section 11(1) of the MFMA.

74. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal, payment of funds, as required by section 65(2)(a) of the MFMA.

75. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors, as required by section 65(2)(b) of the MFMA.

76. Reasonable steps were not taken to prevent irregular expenditure amounting to R6 725 317 as disclosed in note 45 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by contravention of normal municipal supply chain management regulations.

77. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties that were charged as a result of late payments.

78. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by expenditure that was not budgeted for.

Strategic planning and performance management

79. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.

80. The performance management system and related controls were inadequate as they did not ensure effective implementation of key processes for performance planning, monitoring, measurement, review, and reporting, resulting in reliability and validity weaknesses in reported achievements, as required by Municipal Planning and Performance Management Regulation 7(1).

Consequence management

81. 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.

82. 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 and municipal budget and reporting regulations 75(1).

83. 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 and municipal budget and reporting regulations 75(1).

Revenue management

84. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e)[(i) and (ii) of the MFMA.

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

86. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

87. I was unable to obtain sufficient appropriate audit evidence that accounts for municipal tax and charges were prepared on monthly basis, as required by section 64(2)(c) of the MFMA.

Human resource management

88. 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.

Utilisation of conditional grants

89. I was unable to obtain sufficient appropriate audit evidence that the Water Services Infrastructure Grant was spent for its intended purposes in accordance with Schedule 5B, as required by section 16(1) of the Division of Revenue Act (Act 24 of 2024).

90. Performance in respect of programmes funded by the Water Services Infrastructure 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 24 of 2024).

Governance and oversight

91. The Internal Audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to internal controls, as required by section 165(2)(b)(ii) of the MFMA.
92. The Internal Audit unit did not audit the results of performance measurements, as required by MSA 45(a).
93. The internal audit unit did not submit quarterly reports on the audits of performance measurements of the auditee to the municipal manager and the performance audit committee, as required by regulation 14(1)(c)(ii) on Municipal Planning and Performance Management.
94. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the auditee, its efficiency and effectiveness and its overall level of compliance with the relevant applicable legislation, as required by section 166(2)(b) of the MFMA.
95. The audit committee did not advise the council and accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
96. The audit committee did not review the quarterly reports submitted by the internal auditors on the audits of performance measurement as required by regulation 14(4)(a)(i) on Municipal Planning and Performance Management.

Procurement and contract management

97. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

98. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM Regulations 17(1)(a) and 17(1)(b). Similar non-compliance was also reported in the prior year.

99. Sufficient appropriate audit evidence could not be obtained that contracts were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43

100. Some of the contracts were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations.

101. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2022 Preferential Procurement Regulation 4(4). Similar non-compliance was also reported in the prior year.

102. 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.

103. 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.

Other information in the annual report

104. 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 KPA presented in the annual performance report that have been specifically reported on in this auditor's report.

105. 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.

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

107. 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

108. 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.

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

110. Management should implement controls over processing of transactions, reconciling of transaction to ensure accurate and complete processing for financial and performance information.

111. Management should at all times prepare financial statements that are accurate, and were evidenced by the reliable supporting documentation, in addition to this, management should review internal controls effectiveness in detection, correction and prevention of these deficiencies.

112. Management should enhance its internal control processes to ensure regular and timeous review of compliance with relevant laws and regulations.

113. Develop, review, implement and monitor the implementation of the audit action plan on monthly basis to address the identified root causes.

114. The council should make appointments in key vacant positions to ensure stability and accountability within the municipality.

115. Management should at all times implement proper record keeping ensuring that financial statements and performance information is supported by valid and accurate information that is accessible at all times.

116. Improve documentation practices to provide clear evidence of transactions and processes as well documented procedures make it easier to demonstrate compliance during the audit.

117. Conduct regular internal audit or self-assessment to identify and rectify control weaknesses.

Material irregularities

118. 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 irregularities identified during the audit

119. The material irregularities identified are as follows:

Pension fund contributions of employees not paid over to the pension funds

120. Section 13A(3)(a)(ii) of the Pension Funds Act 24 of 1956 (PFA), requires the municipality as employer to pay over the contributions relating to the members of the fund within seven days after the end of the month for which such a contribution is payable. The municipality did not make payments to the South African Municipal Workers Retirement Fund (MWRF) and the South African Local Authorities (SALA) pension fund within seven days after the end of the month during which the contributions became payable. On 30 June 2025, the total outstanding contributions, including accumulated interest, payable to SALA was R261 925 886 and to MWRF was R74 699 275

121. The non-payment of employee's pension fund contributions is likely to negatively impact the livelihood of the current employees, retired employees as well as family members of deceased employees as follows:

- Retired employees not receiving their monthly pension income although deductions were made from their salaries while employed.
- Family members of deceased employees not receiving the benefits that should have accrued to them in terms of the pension fund rules.

- Current employees not being able to perform adequate financial planning as pension fund statements are withheld and employees also do not have the certainty that they will receive a monthly income when retiring. Employees can also not make alternative arrangements as the municipality is still deducting monthly pension fund contributions from their salaries.

122. The accounting officer was notified of the material irregularity on 16 July 2025 and invited to make a written submission on the actions taken and that will be taken to address the matter. I determined that the accounting officer is not taking appropriate action to resolve the material irregularity. I am in the process of making a decision of further actions to be taken.

Status of previously reported material irregularities

Pollution of water resource not prevented – Gariep Dam wastewater treatment works

123. The Gariep Dam wastewater treatment works has totally collapsed and has not been operating effectively. This resulted in continued spilling and discharge of raw/untreated sewage into the adjacent environment, a natural water pan including the groundwater. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resource from occurring, continuing or recurring, as required by section 28(1) of the National Environmental Management Act 107 of 1998 and section 19(1) of the National Water Act 36 of 1998. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

124. The accounting officer was notified of this material irregularity on 14 October 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the Department of Water and Sanitation (DWS) on 27 February 2024 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by DWS on the same day, and the investigation is currently in progress.

Bloemfontein

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 material performance indicators 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 a 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:

Legislation	Sections or regulations
Municipal Finance Management Act (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), Sections 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), Sections 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), Sections 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), Sections 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), Regulations 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)
MSA: Municipal Staff Regulations	Regulations 7(1), 31
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), Regulations 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), Regulations 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), Regulations 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
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), Sections 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 54A(1)(a),56(1)(a), Sections 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1),96(b)
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),

Legislation	Sections or regulations
	Regulations 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: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Division of Revenue Act 5 of 2023	Sections 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(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), Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 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)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)