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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Matjhabeng 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, the 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 Matjhabeng Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for qualified opinion

Service charges

3. I was unable to obtain sufficient appropriate audit evidence for the revenue from the sale of water and electricity included in service charges in note 19 to the financial statements as the municipality did not have reliable data to support the estimates billed for water and electricity consumption. I was unable to confirm these service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the sale of water and electricity included in service charges, stated at R1 277 414 038 (2024: R1 242 152 383) in note 19 to the financial statements, respectively.

Bulk purchases

4. I was unable to obtain sufficient appropriate audit evidence for the electricity and water losses included in bulk purchases in note 36 to the financial statements, as the municipality did not have reliable data to confirm the units sold for electricity and water. Consequently, I was unable to determine whether any adjustments were necessary to the electricity and water losses included in bulk purchases, stated at R223 144 013 (2024: R204 066 688) and R500 070 128 (2024: R417 742 117) in note 36 to the financial statements.

Net cash flow from operating activities

5. The municipality did not correctly prepare and disclose the net cash flows from operating activities as required by GRAP 2, *Cash flow statements.* This was due to multiple errors in

determining the cash flows from operating activities. I was unable to determine the full extent of the errors in the net cash flow from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to cash flows from operating activities stated at R160 278 183 (2024: R94 944 610) in the financial statements.

Net cash flow from investing activities

6. The municipality did not correctly prepare and disclose the net cash flows from investing activities as required by GRAP 2, *Cash flow statements.* This was due to multiple errors in determining the cash flows from investing activities. I was unable to determine the full extent of the errors in the net cash flow from investing activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to cash flows from investing activities stated at R181 440 455 (2024: R176 462 326) in the financial statements.

Statement of changes in net assets

7. I was unable to obtain sufficient appropriate audit evidence for the other changes included in the statement of changes in net assets for the prior and current years, which also impacted the closing balances. I was unable to confirm the other changes by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the other changes included in the statement of changes in net assets, stated at R58 402 739 and R135 647 335 for the prior and current years, respectively.

Context for opinion

8. 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.

9. 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.

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

Material uncertainty related to going concern

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

12. Note 47 to the financial statements indicates that the municipality incurred a deficit of R871 618 930 during the year ended 30 June 2025 and as of that date the municipality's total liabilities exceeded its total assets by R5 879 577 803. The municipality also owed Eskom R1 586 717 577 (2024: R848 602 951) (debt relief portion: R5 250 339 733) (2024: R5 250 339 733) and Vaal Central Water R6 841 210 884 (2024: R5 841 839 566), with these

accounts being long overdue. The annual provision of debt impairment was R1 338 041 469 (2024: R1 014 423 682). As stated in note 47, these events or conditions, along with other matters set forth in note 47, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

14. As disclosed in note 46 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 at, and for the year ended, 30 June 2025.

Material impairment

15. As disclosed in notes 5 and 6 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R5 790 601 013 (2024: R5 194 388 920) and R976 100 092 (2024: R851 147 421), respectively.

Underspending and withholding of conditional grants

16. As disclosed in note 16 to the financial statements, the municipality materially underspent the conditional grants by R76 326 709 (2024: R74 598 566). As disclosed in note 28 to the financial statements, the National Treasury withheld R7 305 000 (2024: R20 007 000) equitable share from the municipality due to an arrangement with the National Treasury for the repayment of unspent conditional grants.

Material uncertainty relating to claims against the municipality

17. With reference to note 43 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result was made in the financial statements.

Unauthorised expenditure

18. As disclosed in note 49 to the financial statements, the municipality incurred unauthorised expenditure of R946 317 474 (2024: R1 048 403 955), due to overspending of the budget.

Fruitless and wasteful expenditure

19. As disclosed in note 50 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R151 742 084 (2024: R239 024 031), mainly due to interest and penalties on late payments to creditors.

Irregular expenditure

20. As disclosed in note 51 to the financial statements, the municipality incurred irregular expenditure of R95 826 102 (2024: R123 755 994), mainly due to non-compliance with supply chain management requirements (SCM).

Other matter

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

Unaudited disclosure notes

22. 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

23. 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.

24. 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

25. 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.

26. 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 to xx], forms part of my auditor's report.

Report on the audit of the annual performance report

27. 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 key performance area (KPA) presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Key performance area	Page numbers	Objective
Basic services	[XX]	Supporting the delivery of municipal services to the right quality and standard

29. I evaluated the reported performance information for the selected KPA 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.

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

Other matters

33. I draw attention to the matters below.

Achievement of planned targets

34. 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.

35. 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].

Basic services

Targets achieved: 61%

Budget spent: 117%

Key service delivery indicator not achieved	Planned target	Reported achievement
Percentage of refurbishment work completed at Kutlwanong Wastewater Treatment Works by 30 June 2025	100%	97%
Percentage of works completed on installation of sanitation to 617 stands in Thabong X15 and Bronville by 30 June 2025 (multi-year projects)	100%	99,9%
Percentage of works completed on Thabong T8 upgrading of pumping station and outfall sewer by 30 June 2025	100%	90%
Number of new sewer connections	4	3
Percentage of replaced old, galvanized pipes to UPVC in Kutlwanong (multi-year project)	100%	95%
Kilometres of Ward 2 paved roads and stormwater drainage constructed	2,5 km	2,4 km
Kilometres portion of Ndaki road and stormwater drainage system constructed between Lois Street in Thandanani (2010) and Tosa College	0,9 km	0 km
Kilometres portion of Du Plessis Street rehabilitated	3,2 km	0,96 km
Square meters of potholes in formal roads at Matjhabeng West patched to reduce deterioration and ensure safe usage thereof	3 950 m^2	484 m^2
Square meters of potholes in formal roads at Matjhabeng East patched to reduce deterioration and ensure safe usage thereof	3 950 m^2	334,6 m^2
Kilometres of stormwater lined channels cleaned in Matjhabeng East.	1,775 km	0,3408 km

Kilometres of unlined stormwater canals cleaned in Matjhabeng East	1,4 km	0,199 km
Kilometres of existing stormwater drainage pipes cleaned and maintained	13 km	2,447 km
Percentage of work completed for the provision and installation of substation	70%	13%
Percentage of households and businesses with access to basic level solid waste removal	90%	60%
Percentage of households and business waste removal backlogs serviced within 48 hours	100%	14%

Material misstatements

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

Report on compliance with legislation

37. 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.

38. 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.

39. 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.

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

Annual financial statements and annual reports

41. 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 non-current assets, current assets, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

42. 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.

43. Reasonable steps were not taken to prevent irregular expenditure amounting to R95 826 102 as disclosed in note 51 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with the SCM requirements.

44. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R151 742 084, as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties on late payments to creditors.

45. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R946 317 474, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the approved budget.

Revenue management

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

Asset management

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

48. An adequate management, accounting and information system which accounts for assets, was not in place, as required by section 63(2)(a) of the MFMA.

Utilisation of conditional grants

49. I was unable to obtain sufficient appropriate audit evidence that the expanded public works programme was spent for its intended purposes in accordance with the grant schedule concerned, as required by section 16(1) of the Dora.

Governance and oversight

50. 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 compliance with MFMA, Dora and any other applicable legislation as required by section 165(2)(b)(vii) of the MFMA.

Procurement and contract management

51. 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.

Consequence management

52. Some of the irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

53. 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.

Other information in the annual report

54. The accounting officer is responsible for the other information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected KPA presented in the annual performance report that have been specifically reported on in this auditor's report.

55. 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.

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

57. I did not receive all the other information prior to the date of this 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 the auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

Internal control deficiencies

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

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

60. The accounting officer and senior management did not timeously respond to address the significant extent of estimated consumption that resulted in repeat misstatements on service charges.

61. The accounting officer and senior management also did not timeously implement controls to identify non-compliance with the applicable laws and regulations to prevent continued non-compliance with laws and regulations.

62. The council and the accounting officer did not timeously communicate and implement consequence management for transgression of laws and regulations to prevent recurring material non-compliance and prevent financial losses to the municipality.

63. The council and its oversight committees did not exercise their oversight responsibilities effectively to address continued non-compliance with consequence management requirements.

Material irregularities

64. 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

65. The material irregularities identified are as follows:

Reasonable steps not taken to ensure the effective, efficient and economic use of the municipality's resources, prior to the appointment of a consultant for revenue enhancement and debt collection services

66. During September 2018, the municipality appointed a consultant as revenue investigator and collector for a period of 24 months, from 15 October 2018 to 14 October 2020. On 6 July 2020, the accounting officer notified the consultant that the municipality would like to exercise its right to extent the appointed on a month-to-month basis until a suitable service provider has been appointed by the municipality. The month-to-month appointment continued until February 2025 when the contract was terminated by the municipality.

67. The appointment of the consultant was not on a time and cost basis and was based on a percentage of the money collected on behalf of the municipality, which was stated as follows in the service level agreement: "*The contract monetary value shall be for the sum which will amount to 25% of collected monies on behalf of municipality. This amount is inclusive of VAT.*" The accounting officer therefore did not take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically as required by section 62(1)(a) of the MFMA.

68. Based on the information obtained from the municipality, the work performed by the consultants was focused on the revaluation of properties owned by the Free State Department of Public Works and Infrastructure ("the department") which was already listed on the municipality's valuation roll, with no evidence of any other revenue enhancement activities performed by the consultants.

69. From appointment date until 7 June 2024, the municipality paid a total amount of R253 609 346,73 (Vat incl.) to the consultants which were based on revenue directly received by the municipality from the department, for assessment rates and municipal services. The

non-compliance is likely to result in a material financial loss for the municipality, if the resources of the municipality is not being utilised in an effective, efficient and economical manner.

70. The accounting officer was notified of this material irregularity on 31 October 2025 and invited to make a written submission on the actions taken and that will be taken to address the matter. In response, the accounting officer issued a letter to the executive director: corporate services on 22 January 2026, requesting that an investigation should be initiated into this matter, which must be completed by 12 February 2026. The investigation should:

- cover all instances of non-compliance as identified in the notification;
- identify persons responsible for the material irregularity;
- provide a detail report of findings and recommendations;
- if necessary, recommend corrective measures and disciplinary actions in accordance with municipal policies

71. I will follow-up on the implementation of the planned actions after the due date of the investigation.

Material irregularities in progress

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

Status of previously reported material irregularities

Payment for attenuation dam not constructed at Nyakallong storm water system phase 1

73. On 12 April 2017, the municipality awarded a contract of R13 744 408 for the construction of the Nyakallong storm water system to a contractor. Two variation orders amounting to R3 268 705 were approved in 2017 and 2019. Payments estimated at R7 214 719 were made for an attenuation dam after the consulting engineer certified it had been completed. However, during a site visit, the auditors confirmed that the project was incomplete, the attenuation dam had not been constructed, the contractor had abandoned the project site and the work performed was not of the required quality. This contravened section 65(2)(a) of the MFMA, as an effective system of expenditure control for the approval and payment of funds was not maintained. The overpayments made on the project are likely to result in a material financial loss for the municipality, if not recovered.

74. The accounting officer was notified of the material irregularity on 5 May 2020. The accounting officer could not provide sufficient and appropriate evidence of the actions that had been taken in response to being notified of the material irregularity. On 9 June 2021, I referred the material irregularity to the Directorate for Priority Crime Investigation (DPCI) for investigation, as provided for in section 5(1A) of the PAA. The referral was acknowledged by the DPCI on 23 June 2021. The investigation was completed and the matter was handed over to the National Prosecuting Authority, leading to the arrest of one official from the municipality and

two individuals from the service provider. Their first court appearance was in July 2023, and the case has been postponed several times. The trial was set to commence in May 2025 but was provisionally withdrawn from the court roll to consider and consult on further evidence. To date the matter has not been re-enrolled on the court roll. I am following up with the National Prosecuting Authority on the progress with this matter.

Pollution of water resource not prevented – Henneman Wastewater Treatment Works

75. The Henneman 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, including the groundwater, Rietspruit and its extended watercourse. 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 (NEMA) and section 19(1) of the National Water Act 36 of 1998 (NWA). 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.

76. The accounting officer was notified of the material irregularity on 7 December 2022. The accounting officer did not take appropriate action to resolve the material irregularity. On 27 February 2024, I referred the material irregularity to the Department of Water and Sanitation (DWS) 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.

Pollution of water resource not prevented – Phomolong Wastewater Treatment Works

77. The Phomolong 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, including the groundwater, Slootspruit, and its extended watercourse. 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 NEMA and section 19(1) of the NWA. 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.

78. The accounting officer was notified of the material irregularity on 7 December 2022. The accounting officer did not take appropriate action to resolve the material irregularity. On 27 February 2024, I referred the material irregularity to the DWS 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.

Pollution of water resource not prevented – Witpan Wastewater Treatment Works

79. The Witpan 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, including the groundwater, sand river and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. 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.

80. The accounting officer was notified of the material irregularity on 13 February 2023. The accounting officer did not take appropriate action to resolve the material irregularity. On 27 February 2024, I referred the material irregularity to the DWS 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.

Other reports

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

82. There was an ongoing investigation by the AGSA into procurement and contract management that the executive mayor requested the AGSA to perform. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

83. There was an ongoing investigation by the Directorate of Priority Crime Investigation (DPCI) into the allegation of payroll fraud as the IP address of an official was compromised and unauthorised access was obtained, which resulted in the alteration of the banking details of various employees. The investigation covers the specific incident that occurred on 22 January 2020. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

84. There was an ongoing investigation by the DPCI into the allegation that a contractor claimed and was paid for goods and services not delivered. The last payment occurred on 3 August 2018. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

85. There was an ongoing investigation by the South African Police Service (SAPS) into the allegation of unauthorised amendments to the supplier's banking details on the municipality's accounting system. The investigation covers the specific incident that occurred on 13 May 2016. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

86. There was an ongoing investigation into allegations of forgery of a signature of a municipal official that resulted in a payment being made without a service having been rendered to the municipality. This investigation is being conducted by the SAPS and covers a specific incident that occurred on 11 November 2015. The outcome was unknown at the date of this auditor's report, as the investigation was in progress.

87. There was an investigation into allegations of the illegal sale of land belonging to the municipality. This investigation is being conducted by the SAPS and covers a specific incident that occurred in 2008. The outcome was unknown at the date of this auditor's report as the investigation was in progress.

Auditor-General

Bloemfontein

11 February 2026

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 KPA and on the municipality's compliance with selected requirements in key legislation.

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the municipality to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003 (MFMA)	Sections 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), Sections 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), Sections 32(2)(a)(ii), 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), Sections 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), Sections 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), Sections 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), Sections 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, Sections 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), Regulations 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)
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), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), Regulations 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 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), Sections 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), Sections 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), Regulations 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 systems Regulations, 2001	Regulation 43
MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), Regulations 72(a), 72(b), 72(c)

Legislation	Sections or regulations
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Division of Revenue Act 24 of 2024	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), Regulations 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), Regulations 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)