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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Dihlabeng Local Municipality set out on pages xx to xx, which comprise the statements of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, and 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, the financial statements present fairly, in all material respects, the financial position of Dihlabeng Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for opinion

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

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

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

Material uncertainty related to going concern

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

7. I draw attention to note 54 to the financial statements, which indicates that a net loss of R56 001 492 was incurred during the year ended 30 June 2025 and, as of that date the current liabilities exceeded its total assets by R831 637 417. 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.

Emphasis of matters

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

Irregular expenditure

9. As disclosed in note 58 to the financial statements, irregular expenditure of R165 348 056 (2024: R165 396 591) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Unauthorised expenditure

10. As disclosed in note 56 to the financial statements, unauthorised expenditure of R232 834 842 (2024: R287 201 431) was incurred, due to overspending of the budget.

Fruitless and wasteful expenditure

11. As disclosed in note 57 to the financial statements, fruitless and wasteful expenditure of R53 345 061 (2024: R90 179 598) was incurred, due to interest on late payment to suppliers.

Restatements of corresponding figures

12. As disclosed in note 51 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 uncertainty relating to claims against the municipality

13. With reference to note 49 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 were made in the financial statements.

Material losses

14. As disclosed in note 39 to the financial statements, material water distribution losses of R33 595 909 (2024: R18 231 235) and electricity distribution losses of R61 392 147 (2024: R58 199 838) were incurred by the municipality, mainly due to the wires used to distribute electricity resisting the flow of current and physical water leakages from the pressurized system.

Material impairments

15. As disclosed in note 38 to the financial statements, consumer debtors from exchange and non-exchange transactions were impaired by R230 174 884 (2024:R214 303 930) and R19 700 857 (2024: R43 869 307), respectively.

Other matter

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

Unaudited disclosure notes

17. 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

18. 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.

19. 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

20. 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.

21. 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 audit of the annual performance report

22. 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.

23. 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	Purpose
Accelerated service delivery & infrastructure development	XX	To ensure access to clean, quality and sustainable water services to households, public facilities and businesses

24. 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.

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

26. 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 measures taken to improve performance,

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

28. The material findings on the reported performance information for the selected KPAs are as follows:

Accelerated service delivery and infrastructure development

Percentage of water losses reduction

29. The approved planning documents included a commitment to a percentage reduction in water losses. However, an achievement of 480 taps fixed was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. However, the audit evidence showed the actual achievement to be only 47 leaking taps fixed. Consequently, the target was not achieved. Measures taken to improve performance against the underachieved target 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 with assessing the effectiveness of strategies to improve future performance against the target.

Percentage of fully functional pump station

30. The approved planning documents included a commitment for the percentage of fully functional pump stations. However, the achievement of 3 pump stations refurbished in Fouriesburg was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved. OPEX funding was already committed was reported as a measure aimed at improving performance against the target of refurbishing 20 pump stations in all towns. However, I could not determine if the measure was 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.

Percentage of households with access to basic water supply: Clarens/Kgubetswana: Upgrading of raw water pump station, including rising main to the dam by 2025

31. The approved planning documents included a commitment to upgrade the raw water pump station, including rising main to the dam by 2025 in Clarens/Kgubetswana. However, an achievement of 77% of financial progress was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. However, the audit evidence showed the actual achievement to be only 11% of financial progress. Consequently, the target was not achieved. Measures taken to improve performance against the underachieved target 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 with assessing the effectiveness of strategies to improve future performance against the target.

Percentage of households with access to basic water supply: Repair and Upgrade of Stormwater Drainage Facility in Bohlokong, Bethlehem by 2025

32. I did not audit the indicator and its target to repair and upgrade the stormwater drainage facility in Bohlokong, Bethlehem, as they were not approved during planning and included in the initial planning documents. The reported performance information is not consistent with the commitments made during planning and, as a result, it holds little value for the accountability process.

Fouriesburg - Upgrading of Kerk Street between Reitz Street and De La Harpe Street

33. I did not audit the indicator and its target to upgrade Kerk Street between Reitz and De La Harpe streets, as they were not approved during planning and included in the initial planning documents. The reported performance information is not consistent with the commitments made during planning and, as a result, it holds little value for the accountability process.

Daily operations of the landfill site in line with the minimum requirements of landfill site as well as the licence conditions: Receiving of waste, compacting and covering of waste

34. An achievement of realised 100% operational landfill site in line with the landfill site licence conditions and minimum requirements for waste disposal by landfill was reported against a target of 100% operational landfill site in line with the landfill site licence conditions and minimum requirements for waste disposal by landfill. I could not determine whether the reported achievement was correct, as the indicator was not well-defined. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

Various indicators

35. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

Indicator	Planned targets	Reported achievements
Rehabilitation of stormwater drainage facilities in Mashaeng	Rehabilitation of stormwater drainage facilities in Mashaeng	Consulting fees of R250 700.
Bohlokong – Rehabilitation of 3,0km Old Lomond Street to	Rehabilitation of 1,5km Old Lomond Street	Actual progress physical progress is 61% Financial progress is 47%
Bohlokong – Upgrading of 9th Avenue to Interlocking Concrete	Upgrading of 3 km 9th Avenue	Actual progress physical progress is 23%

Blocks and Storm Water Drainage		Financial progress is 12%
Bethlehem – Repair and Upgrade of Intersections - Cnr James Van Huysteen Street & Langeberg Street	Bethlehem – Repair and Upgrade of Intersections - Cnr James Van Huysteen Street & Langeberg Street	0% physical progress
Percentage of households with access to basic water supply: Clarens/ Kgubetswana: Upgrading of the water purification works from 1.1 Ml to 4Ml/d by 2024	Progress at 100% completion stage	Actual progress: Physical progress is 99% Financial progress is 99%
Percentage of households with access to basic water supply: Upgrading of Saulspoort water treatment works Section A: Raw water abstraction point by 2024	Progress at 100% completion stage	Financial progress is 100%

Various indicators

36. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Based on the audit evidence, the actual achievement for three indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the underachievement's on the targets were more than reported and the achievements against the target were lower than reported.

Performance indicator	**Planned target**	**Reported achievement**
Percentage of households with access to basic water supply: Upgrading of Caledon Raw Water Abstraction Point in Foriesburg by 2024	Progress at 30% completion stage	Actual progress: Physical progress is 13% Financial progress is 20%

Various indicators

37. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

Performance indicator	Planned target	Reported achievement
Percentage of households with access to basic water supply	Upgrading of Saulspoort water treatment works Section C: Mechanical, electrical and civil by 2024	Actual progress physical progress is 92% Financial progress is 85%
Percentage of households with access to basic water supply	Upgrading of Saulspoort water treatment works Section E: Upgrading of 40ml to 60ml/d	Actual progress physical progress is 10% Financial progress is 15%
Percentage of households with access to basic water supply	Drilling and equipping of boreholes in Clarens by 2024	Actual progress physical progress is 99% Financial progress is 90%

Various indicators

38. I could not determine the accuracy of various reported achievements, as the indicators were not well-defined and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

Performance indicator	Planned target	Reported achievement
Percentage of fully functional pump station:	1,8Refurbishment of 20 pump stations in all towns.	3 pump stations in Fouriesburg were refurbished.
Percentage score achieved by the Municipality in the assessment : 1.9 90% Compliance towards Blue & No Drop Accreditation	90% Compliance towards Blue & No Drop Accreditation	65% Achieved
Percentage score achieved by the Municipality in the assessment : 1.10 70% Compliance towards Green & No Drop Accreditation	70% Compliance towards Green & No Drop Accreditation	72% Achieved

Percentage of households with access to basic water supply:4.1 Clarens/Kgubetswana: Upgrading Of Raw water pump station including Rising Main to the dam by 2025.	_Progress at 80% completion	80% achieved on physical progress 77% on financial progress
Daily operations of the Landfill site in line with the minimum requirements of landfill site as well as the licence conditions: Receiving of waste, compacting and covering of waste: 10.3 100% operational landfill site in line with the Landfill Site Licence conditions and minimum requirements for waste disposal by landfill.	100% operational landfill site in line with the Landfill Site Licence conditions and minimum requirements for waste disposal by landfill.	Realised 100% operational landfill site in line with the Landfill Site Licence condition s and minimum requirem ents for waste disposal by landfill.

Other matters

39. I draw attention to the matters below:

Achievement of planned targets

40. 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.

41. 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.

Accelerated service delivery and infrastructure development

Targets achieved: 50% *Budget spent 86%*		
Key service delivery indicators not achieved	**Planned target**	**Reported achievement**
Percentage of water losses reduction	Fixing of 600 leaking taps, meters and toilet cisterns in the yards in all towns	Fixed 480 taps
Percentage of fully functional pump stations	Refurbishment of 20 pump stations in all towns	3 pump stations in Fouriesburg were refurbished.

Targets achieved: 50% *Budget spent 86%*		
Key service delivery indicators not achieved	**Planned target**	**Reported achievement**
Number of contingency plans approved on the 30th of June 2025	4 contingency plans approved on the 30th of June 2025	Not Realised Winds term: Floods, Veld Fire and Snow Contingency Plans were drafted but not approved on the 30th
Rehabilitation of stormwater drainage facilities in Mashaeng	Rehabilitation of stormwater drainage facilities in Mashaeng.	Consulting fees of R250 700.
Bohlokong – Rehabilitation of 3,0 km Old Lomond Street	Rehabilitation of 1,5km Old Lomond Street	Actual progress physical progress is 61% financial progress is 47%
Bohlokong – Upgrading of 9th Avenue to Interlocking Concrete Blocks and Storm Water Drainage	Upgrading of 3 km 9th Avenue	Actual progress physical progress is 23% financial progress is 12%
Bethlehem – Repair and Upgrade of Intersections - Cnr James Van Huysteen Street & Langeberg Street	Bethlehem – Repair and Upgrade of Intersections - Cnr James Van Huysteen Street & Langeberg Street	0% physical progress
Fouriesburg - Upgrading of Kerk Street Between Reitz Street and De La Harpe Street	Fouriesburg - Upgrading of Kerk Street Between Reitz Street and De La Harpe Street	0% physical progress
Percentage of households with access to basic water supply	1.1 Upgrading of Caledon Raw Water Abstraction Point in Fouriesburg by 2026. Progress at 30% completion stage	Actual progress physical progress is 13% financial progress is 20%
Percentage score achieved by the Municipality in the assessment	90% compliance towards blue & no drop accreditation	65% Achieved

Material misstatements

42. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Accelerated Service Delivery and Infrastructure Development. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

43. 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.

44. 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.

45. 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.

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

Expenditure management

47. Reasonable steps were not taken to prevent irregular expenditure amounting to R165 348 056 (2024: R165 396 591) as disclosed in note 58 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 SCM requirements

48. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R53 345 061 (2024: R90 179 598) as disclosed in note 57 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 charged on late payments to suppliers.

49. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R232 834 842 (2024: R287 201 431), as disclosed in note 56 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 budget.

Governance and oversight

50. The Internal Audit unit did not prepare a risk-based audit plan for the financial year, as required by section 165(2) of the MFMA.

51. 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.

52. 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 risk management, as required by section 165(2)(b)(iv) of the MFMA.

53. 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 performance management, as required by section 165(2)(b)(v) of the MFMA.

54. The Internal Audit unit did not advise the accounting officer and 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.

55. The internal audit plan did not include the assessment of the auditee's reliability of performance measurement in measuring performance against key performance indicators, as required by regulation 14(1)(b)(iii) on Municipal Planning and Performance Management.

56. The Internal Audit unit did not audit the results of performance measurements, as required by MSA 45(a).

57. 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.

58. 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 municipality, 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.

59. 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.

60. 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.

61. The audit committee did not submit an audit report on the review of the performance management system to the council, at least twice during a financial year, as required by regulation 14(4)(a)(iii) on Municipal Planning and Performance Management.

Strategic planning and performance management

62. The performance management system and related controls were inadequate as it did not describe how the review, reporting and improvement processes should be conducted, organised and managed, as required by municipal planning and performance management regulation 7(1).

Procurement and contract management

63. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite

competitive bids, in contravention of SCM Regulation 36(1). Similar non-compliance was also reported in the prior year.

64. 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. Similar non-compliance was also reported in the prior year.

65. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000.

66. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5. Similar non-compliance was also reported in the prior year.

67. 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.

Other information in the annual report

68. 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.

69. 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.

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

71. 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

72. 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.

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

74. Senior management did not implement adequate processes to ensure regular updating of schedules, adequate reviews and monitoring of action plans were in place, and this resulted in the reported material misstatements on performance information.

75. Senior Management did not develop and monitor the implementation of audit action plans to address internal control deficiencies identified in the prior year; this has resulted in repeat material misstatements.

76. Senior Management did not exercise oversight responsibility regarding reviewing and monitoring compliance with laws and regulations, and this resulted in the reported material noncompliance with laws and regulations.

77. Audit committee, MPAC and Mayor did not exercise oversight over performance reporting and compliance and related internal controls. The oversight also did not take effective steps to ensure that there were consequences for the poor performance and transgressions of laws and regulations, as limited steps were taken to prevent unauthorised, irregular and fruitless and wasteful expenditure during the current and prior periods.

78. The audit committee was not appropriately constituted, which affected the execution of its oversight roles, including the review of the annual financial statements and annual performance report before submission for the audit. This also impacted the internal audit reviews and recommendations implementation and line of report which has resulted in the material misstatements identified in the financial statements and annual performance report.

Auditor General

Bloemfontein

02 December 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor’s report

1. 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

2. 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

3. 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

4. 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.

5. 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

6. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), Sections: 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), Sections: 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), Sections: 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), Sections: 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), Sections: 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), Sections: 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, Sections: 122(1), 122(2), 126(1)(a), 126(1)(b), Sections: 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), Sections: 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), Sections: 165(1), 165(2)(a), 165(2)(b)(ii), Sections:165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), Sections:166(2)(b), 166(2)(a)(iv), 166(5), 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), Regulations: 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), Regulations: 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), Regulations: 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), Regulations: 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), Regulations: 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), Regulations: 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations: 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act 24 of 2024	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), Sections: 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), Sections: 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), Sections: 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, Sections: 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)

Legislation	Sections or regulations
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, Regulations: 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), Regulations: 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 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), 26(5), Regulation: 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), Regulations: 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), Regulations: 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)