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

Report on the audit of the financial statements

Disclaimer opinion

1. I was engaged to audit the financial statements of the Nketoana 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 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. I do not express an opinion on the financial statements of the municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Receivables from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions due to the municipality not submitting adequate information that debtors were issued and received regular accounts or other confirmations of amounts owed. 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 R546 492 209 (2024: R497 240 784) in note 8 to the financial statements.

4. In addition, the municipality did not account for the allowance for impairment included in receivables from exchange transactions in note 8 to the financial statements in accordance with the standards of Generally Recognised Accounting Practice (GRAP) 104, *Financial instruments* as the municipality did not determine the present value of estimated future cash flows in the allowance for impairment calculation for the current and prior year, in accordance with GRAP 104. Consequently, I was unable to determine the full extent of the misstatements to the allowance for impairment included in receivables from exchange transactions stated at R546 492 209 (2024: R497 240 784) in note 8 to the financial statements and the debt impairment allowance movement stated at R92 296 521 (2024: R179 918 865) in note 33 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Receivables from non-exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for receivables from non-exchange transactions due to the municipality not submitting adequate information that debtors were issued and received regular accounts or other confirmations of amounts owed. I was unable to

confirm the receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from non-exchange transactions stated at R24 431 486 (2024: R20 194 996) in note 5 to the financial statements.

6. In addition, the municipality did not recognise the allowance for impairment included in receivables from non-exchange transactions in note 5 to the financial statements in accordance with GRAP 108, *Statutory receivables* as the municipality did not determine the present value of estimated future cash flows in the allowance for impairment calculation for the current and prior year, in accordance with the standard. Consequently, I was unable to determine the full extent of the misstatements to the allowance for impairment included in receivables from non-exchange transactions stated at R24 431 486 (2024: R20 194 996) in note 5 to the financial statements and the debt impairment allowance movement stated at R92 296 521 (2024: R179 918 865) in note 33 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Property plant and equipment

7. I was unable to obtain sufficient appropriate audit evidence for the work-in-progress included in infrastructure and community buildings and facilities and the reconciliation of work-in-progress in property, plant and equipment in note 12 to the financial statements as the municipality did not provide adequate supporting evidence to confirm the probable future economic benefit or service potential of the assets under construction. I was unable to confirm the infrastructure assets, community buildings and facilities and the work-in-progress included in the reconciliation of work-in-progress in property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to infrastructure stated at R916 152 473 (2024: R862 884 038), community buildings and facilities stated at R69 134 126 (2024: R70 671 932) and reconciliation of work-in-progress stated at R328 400 105 (2024: R260 484 593) in property, plant and equipment in note 12 to the financial statements.

8. During 2024, the municipality did not account for the work-in-progress included in the reconciliation of work-in-progress included in property, plant and equipment in note 12, in accordance with the GRAP 21, *Impairment of non-cash generating assets* and GRAP 26, *Impairment of cash-generating assets* as the municipality did not impair projects where indicators of impairment were identified. Consequently, I was unable to determine the impact on the net carrying amount of work-in-progress included in the reconciliation of work-in-progress stated at R260 484 593 included in note 12 and impairment loss stated at R20 985 629 included in in the statement of financial performance, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and 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 work-in-progress included in the reconciliation of work-in-progress included in property, plant and equipment for the current period.

Investment property

9. I was unable to obtain sufficient appropriate audit evidence for investment property due to the non-submission of information in support of these investment properties. In addition, the municipality did not provide adequate supporting evidence to confirm that the municipality

recognised all investment properties owned. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the investment property stated at R90 598 453 (2024: R107 014 328) in note 11 to the financial statements.

Payables from exchange transactions

10. I was unable to obtain sufficient appropriate audit evidence for trade payables, salary control account and payables and accruals included in payables from exchange transactions due to non-submission of supporting evidence and material unreconciled differences between the financial statements and the controls records. I was unable to confirm these payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade payables stated at R1 075 048 205 (2024: R932 410 290), salary control account stated at R27 242 477 (2024: R18 303 954), and payables and accruals stated at R16 903 665 (2024: R10 782 550) included in payables from exchange transactions in note 17 to the financial statements.
11. During 2024, I was also unable to obtain sufficient appropriate audit evidence for payments received in advance and the accrued leave pay included in payables from exchange transactions due to non-submission of supporting evidence and material unreconciled differences between the financial statements and the controls records. In addition, I was unable to rely on the input data used to determine the accrued leave pay balances. I was unable to confirm the payments received in advance and accrued leave pay by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to accrued leave pay stated at R13 740 202 and payments received in advance stated at R9 493 878 included in payables from exchange transactions in note 17 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 payables from exchange transactions for the current period.
12. In addition, during 2024, the municipality did not account for the trade payables included in payables from exchange transactions in note 17 to the financial statements in accordance with GRAP 104, *Financial instruments*, as material unreconciled differences were identified between the amounts recorded in the creditor's age analysis and the supplier statements and/or invoices. Consequently, trade payables included in payables from exchange transactions in note 16 to the financial statements were overstated by R14 741 276. I was also unable to determine the full extent of the misstatements to the contra accounts, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and 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 payables from exchange transactions for the current period.
13. Furthermore, during 2024 the municipality did not account for trade payables included in payables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements* as the municipality did not record all liabilities. Consequently, trade payables included in payables from exchange transactions in note 17 to the financial statements were understated by R24 884 238. I was also unable to determine the full extent of the misstatements to the contra accounts, as it was impracticable to do so. Additionally, there was

an impact on the deficit for the year and 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 payables from exchange transactions for the current period.

Service charges

14. I was unable to obtain sufficient appropriate audit evidence for the sewerage and sanitation charges and refuse removal included in service charges in note 21 to the financial statements as the municipality did not have reliable input data to determine consumer billings for sewerage and sanitation charges and refuse removal. I was unable to confirm the sewerage and sanitation charges and refuse removal included in service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the sewerage and sanitation charges and refuse removal included in service charges stated at R37 815 830 (2024: R37 386 929) and R32 375 958 (2024: R31 763 687) respectively in note 21 to the financial statements.
15. In addition, the municipality did not account for sale of water in accordance with GRAP 9, *Revenue from exchange transactions* as some consumers were not billed during the year while other consumers were not billed in the correct period or billed at incorrect amounts in the current and prior financial years. The incorrect billing resulted in the understatement of sale of water as stated in note 21 to the financial statements and the understatement of receivables from exchange transactions as states in note 8 to the financial statements by R11 604 392. There was also a consequential impact on the deficit for the year and accumulated surplus.
16. During 2024, I was unable to obtain sufficient appropriate audit evidence for the sale of electricity and water included in service charges in note 21 to the financial statements as the municipality did not maintain reliable data of the actual consumption to determine consumer billings. I was unable to confirm the sale of electricity and water included in service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the sale of electricity and water included in service charges stated at stated at R102 588 168 and R102 557 975 in note 21 to the financial statements respectively. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of sale of electricity and water for the current period.
17. In addition, during 2024, the municipality did not recognise service charges in accordance with GRAP 9, *Revenue from exchange transactions* as some consumers were not billed during the year while other consumers were not billed in the correct period. I was unable to determine the full extent of the misstatements to service charges and receivables from exchange transactions, stated at R 274 296 759 in note 21 to the financial statements and R497 240 781 in note 8 to the financial statements respectively, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and 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 service charges for the current period.

VAT receivable

18. I was unable to obtain sufficient appropriate audit evidence for the value-added tax (VAT) receivable due to unreconciled differences between the VAT control accounts and the supporting records. 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 R34 377 709 (2024: R27 653 525) in note 6 to the financial statements.

19. In addition, the municipality did not exclude VAT from the debt impairment allowance movement in accordance with GRAP 104, *Financial instruments and GRAP 108 Statutory receivables* as the debt impairment expense was recorded inclusive of VAT. I was unable to determine the full extent of the misstatement to the debt impairment expense stated at R92 296 521 (2024: R179 918 865) in note 33 to the financial statements and VAT receivable stated at R34 377 709 (2024: R27 653 525) in note 6 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and accumulated surplus.

20. The municipality did not disclose VAT receivable in accordance with GRAP 108, *Statutory receivables* as the municipality did not include the required disclosures by the standard in the notes to the financial statements. I have not included the omitted information in this auditor's report as it was impracticable to do so.

General expenses

21. The municipality did not correctly classify expenses within the general expenses note 36 to the financial statements in accordance with GRAP 1, *Presentation of financial statements.* I was unable to determine the full extent of the classification errors within general expenses in note 36 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and accumulated surplus.

22. In addition, the municipality did not correctly account for general expenses in accordance with GRAP 1, *Presentation of financial statements* as some general expenses were recognised at incorrect amounts. Consequently, I was unable to determine the full extent of the misstatements to general expenses stated at R72 184 833 (2024: R65 373 118) in note 36 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the payables from exchange transactions, deficit for the year and accumulated surplus.

23. During 2024, I was unable to obtain sufficient appropriate audit evidence for general expenses due to the non-submission of information in support of these general expenses. I was unable to confirm general expenses by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to general expenses stated at R65 373 118 in note 36 of the financial statements. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of general expenditure for the current period

Bad debts

24. I was unable to obtain sufficient appropriate audit evidence for bad debts written-off included as part of bad debts in note 33 to the financial statements as management could not provide me with the list of council approved consumer accounts for write-off. Consequently, I was unable to

determine whether any adjustments were necessary to the bad debts written-off stated at R113 295 540 in note 33 to the financial statements.

25. During 2024, I was unable to obtain sufficient appropriate audit evidence for debt impairment allowance movement included as part of bad debts in note 33 to the financial statements due to unreconciled material difference between the underlying accounting records and the financial statements. I was unable to confirm the debt impairment allowance movement by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the debt impairment allowance movement stated at R179 918 865 in note 33 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 bad debts for the current period.

Prior period error

26. The municipality did not disclose all prior period error adjustments affected to the comparative disclosure for the financial year ended 30 June 2024 in note 45 to the financial statements as required by GRAP 3, *Accounting policies, changes in accounting estimates and errors*. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.

Unauthorised expenditure

27. I was unable to obtain sufficient appropriate audit evidence for unauthorised expenditure due to the lack of accounting records to support the opening balance which also impacted the current year balance. I was unable to confirm the unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to unauthorised expenditure stated at R817 142 178 (2024: R735 321 098) in note 47 to the financial statements.

Irregular expenditure

28. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure because a complete listing of individual transactions that comprise the opening balance was not provided, which also impacted the current year balances. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the irregular expenditure stated at R667 084 852 (2024: R601 505 012) in note 41 to the financial statements.

Fruitless and wasteful expenditure

29. I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure because a complete listing of individual transactions that comprise the opening balance was not provided, which also impacted the current year's balances. 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 R163 375 657 (2024: R129 297 073) in note 40 to the financial statements.

Net cash flow from operating activities

30. 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 R159 254 298 (2024: R666 274 177) in the financial statements.

Net cash flow from investing activities

31. 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 R163 345 960 (2024: R641 733 809) in the financial statements.

Segment information

32. I was unable to obtain sufficient appropriate audit evidence for the segment information for the current and prior year, due to the status of the accounting records and a lack of reconciliation of the segment information to the remainder of the financial statements. I was unable to confirm the segment information by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to segment information in note 49 to the financial statements for the current and prior year.

Statement of comparison of budget and actual amounts

33. The municipality did not correctly prepare and disclose the statement of comparison of budget and actual amounts as required by GRAP 24, *Presentation of budget information* in financial statements as the municipality did not disclose the reasons for all material variances between the budget and actual disclosures in the notes to the financial statements, as required. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.

Statement of changes in net assets

34. The municipality did not correctly prepare and disclose the statement of changes in net assets as required by GRAP 1, *Presentation of financial statements.* This was because the municipality did not disclose the effects of corrections of prior period errors and there was a material unreconciled difference in the previously stated balance on 1 July 2023. Consequently, I was unable to determine the full extent of the errors to the statement of changes in net assets, as it was impracticable to do so.

Contingencies

35. I was unable to obtain sufficient appropriate audit evidence for contingencies due to the non-submission of information in support of these contingencies. I was unable to confirm the contingencies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contingencies stated at R7 961 683 (2024: R521 434 067) in note 39 to the financial statements.

36. Additionally, the municipality did not disclose all contingent liabilities in accordance with GRAP 19, *Provision, contingent liabilities, and contingent assets* as they did not recognise all active litigation claims in the contingent liability note to the financial statements. I was unable to determine the full extent of the misstatements to the contingencies stated at R7 961 683 in note 39 to the financial statements as it was impracticable to do so.

Commitments

37. I was unable to obtain sufficient appropriate audit evidence for commitments, due to the non-submission of information in support of the commitments. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments stated at R99 586 140 (2024: R88 565 826) in note 44 to the financial statements.

Additional disclosure in terms of the MFMA

38. The municipality did not disclose all additional disclosures required by section 125(1)(c) of the MFMA as no disclosures were included in the financial statements for PAYE and UIF and medical and pension contributions in note 43 to the financial statements. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.

39. In addition, the municipality has overstated the value of the VAT receivables as included in the additional disclosures in terms of the MFMA in note 43 to the financial statements as the receivables is stated as R36 038 606 where the amount was a VAT payable of R1 471 634.

40. In addition, I was unable to confirm the water losses stated as 428 000 Kl-units (2024: 693 058) included in note 34 of the financial statements as the municipality did not provide reliable data to support inputs into the calculations. Consequently, I was unable to determine whether any adjustments were necessary to the water losses stated at 428 000 Kl-units (2024: 693 058) included in note 34 to the financial statements.

41. During 2024, I was unable to obtain sufficient appropriate audit evidence to confirm the material electricity distribution losses disclosed in note 34 to the financial statements, due to the non-submission of information in support of the additional disclosures in terms of the MFMA. I was unable to confirm the electricity distribution losses by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the material electricity distribution losses stated at 5 658 547 kWh – units in note 34 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 material electricity distribution losses for the current period.

Principal agent arrangements

42. The municipality did not disclose the principal-agent arrangements in accordance with GRAP 109, *Accounting by principles and agents* in the current and prior years. This related to various arrangements entered for the sale of pre-paid electricity on behalf of the municipality, for which the municipality was the principal; however, no disclosure was made in the financial statements. Consequently, I have not included the omitted information in this auditor's report as it was impracticable to do so.

Unspent conditional grants

43. During 2024, I was unable to obtain sufficient appropriate audit evidence for the unspent conditional grants as the municipality could not provide adequate supporting evidence to confirm that the conditions of the grants were met. I was unable to confirm the unspent conditional grants by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unspent conditional grants included in the government grants and subsidies stated at R9 267 419 in note 18 to the financial statements. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of unspent conditional grants for the current period.

Government grants and subsidies

44. During 2024, I was unable to obtain sufficient appropriate audit evidence for the capital grants included in the government grants and subsidies in note 27 to the financial statements as the municipality could not provide adequate supporting evidence to confirm that the conditions of the grants were met prior to their recognition as non-exchange revenue in the general ledger. I was unable to confirm the capital grants included in government grants and subsidies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the capital grants recognised included in the government grants and subsidies stated at R77 250 796 in note 27 to the financial statements. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of government grants and subsidies for the current period.

Employee related costs

45. During 2024, I was unable to obtain sufficient appropriate audit evidence for employee related costs due to an unreconciled material difference between the underlying accounting records 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 stated at R172 038 152 in note 29 to the financial statements. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of employee related costs for the current period.

Contracted services

46. During 2024, I was unable to obtain sufficient appropriate audit evidence for contracted services due to an unreconciled material difference between the underlying accounting records and the financial statements. I was unable to confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the contracted services stated at R34 871 028 in note 35 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 contracted services for the current period.

Finance costs

47. During 2024, the municipality did not recognise finance costs in accordance with GRAP 1, *Presentation of financial statements* as the municipality did not recognise all finance costs when they were incurred. Consequently, this resulted in an understatement of finance costs by R11 724 698 and an understatement of payables from exchange transactions by the same amount. Additionally, there is an impact on the deficit for the year and 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 finance costs for the current period.

Emphasis of matter

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

Material losses

49. As disclosed in note 34 to the financial statement municipality sustained material electricity distribution losses of 5 202 560 kWh's that are because of theft, vandalism, faulty meters and variances in monthly consumption estimates.

Other matters

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

Unaudited disclosure notes

51. 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

52. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and the Division of Revenue Act 24 of 2024 (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.

53. 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

54. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

55. 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 the 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.

Report on the annual performance report

56. 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.

57. I selected the following material performance indicators related to basic 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.

- 50% construction of the Geluk farm dam on 30 June 2025
- 1151 households connected with water on 30 June 2025 Pestana
- 70% construction of new high lift pump station on 30 June 2025 - Phase 1B
- Phase 20 - 70% construction of a new 12km long 315mm dia. pipeline from the Reitz WTW to Petrus Steyn on 30 June 2025
- Petrus Steyn: Phase 4 - 85% construction of 3mlML concrete reservoir on 30 June 2025
- Lindley 95% construction of 3mlML concrete reservoir on 30 June 2025 - Phase 8.1
- Lindley: 95% construction of 2.5mlML concrete reservoir on 30 June 2025 - Phase 8.2
- Arlington:60% construction of 3mlML concrete reservoir on 30 June 2025
- Monthly maintenance of water infrastructure 30 June 2025
- Phase 2A - 20% construction of a new 5km long 315mm dia. pipeline from the Reitz WTW to Petrus Steyn 30 June 2025

- Advertisement for construction of 23kKm pipeline from Reitz WTW to Reitz reservoir on 30 June 2025
- Phase 1A - advertisement for upgrading of the Reitz WTW 15mlML/d to 17mlML/d 30 June 2025
- Pestana: complete construction of 1.6km road from gravel to pave and drainage on 30 June 2025
- Complete installation of 5 (30M) high mast lights at Pestana on 30 June 2025
- Lindley / Ntha complete construction of IKY take over switching station on 30 June 2025
- Approved water service plans by council on 30 June 2025
- Water monitoring programme on 30 June 2025
- Microbiological drinking water quality results on 30 June 2025
- Number of monthly repairs and maintenance reports (electricity) on 30 June 2025
- Number of monthly repairs and maintenance reports (roads and storm water) on 30 June 2025
- Number of monthly repairs and maintenance reports (sanitation) on 30 June 2025
- Number of water & sanitation manual compiled and approved by council on 30 June 2025
- Frequency of refuse removal collected throughout Nketoana area on 30 June 2025
- Number of maintained illegal dumps in all units on 30 June 2025
- Maintenance of landfill sites in Reitz & Lindley 30 June 2025

58. 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.

59. 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 for the measures taken to improve performance

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

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

Monthly maintenance of water infrastructure 30 June 2025

62. An achievement of "water infrastructure is maintained on 30 June 2025 as per 12 monthly reports submitted" was reported against a target of "maintenance of water infrastructure on 30 June 2025". I could not determine whether the reported achievement was correct, as the indicator was not well defined, and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

63. The approved planning documents included a commitment of "maintenance of water infrastructure on 30 June 2025" However, an achievement of "water infrastructure is maintained on 30 June 2025 as per 12 monthly reports submitted" was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

Microbiological drinking water quality results on 30 June 2025

64. The approved planning documents included a commitment of "Approved microbiological drinking water quality results on 30 June 2025." However, an achievement of "2x Drinking water quality results April & May 2025" was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

65. Additionally, measures taken to improve performance against the underachieved target of "Approved microbiological drinking water quality results on 30 June 2025" 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.

Drilling and equipping of 10 new and refurbishing as 24 exiting boreholes (BHs) on 30 June 2025

66. The approved planning documents included a commitment of "Drilling and equipping of 10 new and refurbishing of 24 exiting BHs on 30 June 2025." However, an achievement of "Phase 1: completed, Phase 2: 80%, 100% Complete" was reported in the annual performance report.

This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

67. Additionally, an achievement of “Phase 1: completed; Phase 2: 80%, 100% complete” was reported against a target of “Drilling and equipping of 10 new and refurbishing of 24 exiting BHs on 30 June 2025”. 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.

Frequency of refuse removal collected throughout Nketoana area on 30 June 2025

68. An achievement of “239 Businesses collected, 7 972 households collected” was reported against a target of “Households -16 634, Businesses - 239 refuse collected on 30 June 2025” I could not determine whether the reported achievement was correct, as the indicator was not well defined, and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

69. Additionally, an achievement of “239 Businesses collected, 7 972 households collected” was reported against a target of “Households -16 634, Businesses - 239 refuse collected on 30 June 2025”. 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.

70. “Procurement of resources” was reported as a measure aimed at improving performance against the target of “Households -16 634, businesses - 239 refuse collected on 30 June 2025”. However, I could not determine if the measure was 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.

Various indicators

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

Indicator	Target	Reported achievement
50% construction of the Geluk farm dam on 30 June 2025	50% completed construction of the Geluk farm dam on 30 June 2025	60,18% construction
1151 Households connected with water on 30 June 2025 Pestana	1151 Households connected with water on 30 June 2025 Pestana	100% - 1151 households connected with water
70% construction of new high lift pump station on 30 June 2025 Phase 1B	70% construction of new high lift pump station on 30 June 2025 Phase 1B	50% construction

Indicator	Target	Reported achievement
Phase 20 - 70% construction of a new 12km long 315mm dia. pipeline from the Reitz WTW to Petrus Steyn on 30 June 2025	Phase 20 - 70% construction of a new 12km long 315mm dia. pipeline from the Reitz WTW to Petrus Steyn on 30 June 2025	75% construction
Petrus Steyn: Phase 4 - 85% construction of 3ML concrete reservoir on 30 June 2025	Petrus Steyn: Phase 4 -85% construction of 3mlML concrete reservoir on 30 June 2025	70% construction
Lindley 95% construction of 3mlML concrete reservoir on 30 June 2025 Phase 8.1	Lindley 95% construction of 3mlML concrete reservoir on 30 June 2025 Phase 8.1	85% construction
Phase 2A - 20% construction of a new 5km long 315mm dia. pipeline from the Reitz WTW to Petrus Steyn 30 June 2025	Phase 2A - 20% construction of a new 5km long 315 mm dia. pipeline from the Reitz WTW to Petrus Steyn on 30 June 2025	5% construction
Lindley / Ntha complete construction of IKY take over switching station on 30 June 2025	Lindley / Ntha complete construction of IKY take over switching station on 30 June 2025	Switching station complete

Various indicators

72. Based on the audit evidence, the actual achievement for three indicators did not agree to the achievements reported. Consequently, the targets were not achieved, and the achievements against the target were lower than reported.

73. Additionally, the targets below do not relate directly to strategic objectives of the municipality. This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievements do not provide useful information on the achievement of the strategic objectives, and the irrelevant targets hinder appropriate planning for the achievement of the indicators.

Indicator name	Target	Reported achievement	Actual achievement
Number of monthly repairs and maintenance reports (electricity) on 30 June 2025	12 monthly reports submitted on 30 June 2025	12 monthly reports submitted	9 monthly reports submitted
Number of monthly repairs and maintenance reports (roads and storm water) on 30 June 2025	12 monthly reports submitted on 30 June 2025	12 monthly reports submitted	9 monthly reports submitted
Number of Monthly repairs and maintenance reports	12 monthly reports submitted on 30 June 2025	12 monthly reports submitted	5 monthly reports submitted

Indicator name	Target	Reported achievement	Actual achievement
(water and sanitation) on 30 June 2025			

Various indicators

74. Various indicators were not clearly defined during the planning process. Consequently, the indicators are not useful for measuring and reporting on progress against planned objectives.

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

Indicator name	Target	Detail
Number of maintained illegal dumps in all units on 30 June 2025	171 Illegal dumps maintained in all units on 30 June 2025	The term "maintained" is non-specific and required performance is not defined
Maintenance of landfill sites in Reitz & Lindley on 30 June 2025	2 maintained landfill sites in Reitz & Lindley on 30 June 2025.	The term "maintained" is non-specific and required performance is not defined

Various indicators

76. 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.

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

78. 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 name	Target	Reported achievement
Advertisement for construction of 23kKm pipeline from Reitz WTW to Reitz reservoir on 30 June 2025	Advertisement for construction of 23kKm pipeline from Reitz WTW to Reitz reservoir on 30 June 2025	No information submitted
Phase 1A - Advertisement for upgrading of the Reitz WTW 15MLml/d to 17mlML/d 30 June 2025	Phase 1A – Advertisement for upgrading of the Reitz WTW from 15mlMl/d to 17mlMl/d on 30 June 2025	No information submitted

Various indicators

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

80. Furthermore, measures aimed at improving performance against targets were reported. However, I could not determine if the measures were 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 name	Target	Reported achievement	Reported measure
Lindley: 95% construction of 2.5mlML concrete reservoir on 30 June 2025 phase 8.2	Lindley: 95% construction of 2.5mlML concrete reservoir on 30 June 2025 phase 8.2	80% construction	Contractor appointing subcontractor.
Arlington:60% construction of 3mlML concrete reservoir on 30 June 2025	Arlington:60% construction of 3mlML concrete reservoir on 30 June 2025	38% construction	Contract termination process has started.

Various indicators

81. 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 name	Target	Reported achievement
Approved water service plans by council on 30 June 2025	Approved water service plan by council on 30 June 2025.	None

Indicator name	Target	Reported achievement
Water monitoring programme on 30 June 2025	Approved water monitoring programme on 30 June 2025	None
Number of water & sanitation manual compiled and approved by council on 30 June 2025	Council approved water & sanitation Manual on 30 June 2025	None

Other matters

82. I draw attention to the mattes below.

Achievement of planned targets

83. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under- achievements and measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

84. 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 reasons for any underachievement of targets and measures taken to improve performance are included in the annual performance report on pages [xx to xx].

Basic services and infrastructure development

Targets achieved: 59%

Budget spent: Undeterminable

The budget spent is not available as the municipality's actual spending is not aligned with their key performance areas

Key indicators not achieved	Planned target	Reported achievement
70% construction of new high lift pump station on 30 June 2025 - phase 1 B	70% Construction of new high lift pump station on 30 June 2025 - Phase 1 B	50% construction
Petrus Steyn: Phase 4 – 85% construction of 3Ml concrete reservoir on 30 June 2025	Petrus Steyn: Phase 4 –85% construction of 3Ml concrete reservoir on 30 June 2025	70% construction
Lindley: 95% construction of 3ML concrete reservoir on 30 June 2025	Lindley: 95% construction of 3ML concrete reservoir on 30 June 2025 - Phase 8.1	85% construction
Lindley: 95% construction of 2.5ML concrete reservoir on 30 June 2025	Lindley: 95% construction of 2.5ML concrete reservoir on 30 June 2025 - Phase 8.2	85% construction

Key indicators not achieved	Planned target	Reported achievement
Arlington:60% construction of 3ML concrete reservoir on 30 June 2025	Arlington: 60% construction of 3ML concrete reservoir on 30 June 2025	38% construction
Phase 2A – 20% construction of a new 5km long 315mm dia. pipeline from the Reitz WTW to Petrus Steyn on 30 June 2025	Phase 2A –20% construction of a new 5km long 315mm dia. pipeline from the Reitz WTW to Petrus Steyn on 30 June 2025	5% construction
Advertisement for construction of 23Km pipeline from Reitz WTW to Reitz reservoir on 30 June 2025	Advertisement for obstruction of 23Km pipeline from Reitz WTW to Reitz reservoir on 30 June 2025	No information provided
Phase 1A – Advertisement for upgrading of the Reitz WTW from 15Ml/d to 17Ml/d on 30 June 2025	Phase 1A – Advertisement for upgrading of the Reitz WTW from 15Ml/d to 17Ml/d on 30 June 2025	No information provided
Drilling and equipping of 10 new and refurbishing of 24 Exiting BHs on 30 June 2025	34 Boreholes equipped and functional on 30 June 2025	Phase 1: Completed Phase 2: 80% 100% complete
Approved water service plan by council on 30 June 2025	Approved water service plan by council on 30 June 2025	None
Water monitoring programme on 30 June 2025	Approved water monitoring programme on 30 June 2025	None
Microbiological drinking water quality results on 30 June 2025	Approved microbiological drinking water quality results 30 June 2025	2x Drinking water quality results April & May 2025
Number of road & storm water manual compiled & approved by council on 30 June 2025	Council approved road & storm water manual on 30 June 2025	None
Number of water & sanitation manual compiled & approved by council on 30 June 2025	Council approved water & sanitation manual on 30 June 2025	None
Frequency of refuse removal collected throughout Nketoana area on 30 June 2025	Households – 16 634 Businesses – 239 refuse collected on 30 June 2025	239 Businesses collected 7 972 households collected
Number of maintained illegal dumps in all units on 30 June 2025	171 illegal dumps maintained in all units by 30 June 2025	104 illegal dumps maintained
Number of parks and open space maintained on 30 June 2025	36x maintained parks and open spaces in all units by 30 June 2025	7 parks and open spaces maintained
Number of cemeteries maintained on 30 June 2025	14 X maintained cemeteries and burials in all units by 30 June 2025	10 cemeteries and burials maintained
Number of traffic fines issued and collected on 30 June 2025	Value of 200 000 traffic fines collected on 30 June 2025	R2950 traffic fines collected (Q1)
Number of traffic awareness campaigns held on 30 June 2025	2 Arrive Alive campaigns held on 30 June 2025	Arrive alive campaign held

Material misstatements

85. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic

service delivery and infrastructure development. Management did not correct the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

86. 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.

87. 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.

88. 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.

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

Annual financial statements

90. 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, expenditure and 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 disclaimer audit opinion.

Expenditure management

91. 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.

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

93. Reasonable steps were not taken to prevent unauthorised, irregular and 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 irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) requirements.

Revenue management

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

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

96. Accounts for municipal tax and charges were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

Asset management

97. 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.

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

Consequence management

99. 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.

100. 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.

101. 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.

Governance and oversight

102. 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.

103. 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.

104. I was unable to obtain sufficient appropriate audit evidence that the Internal Audit unit advised the accounting officer and reported 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.

105. 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.

106. The audit committee did not advise the council, mayor 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.

107. 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.

108. 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

Procurement and contract management

109. 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.

110. The preference point system was not applied in some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000. A similar non-compliance was also reported in the prior year.

111. The performance of some of the contractors and providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.

112. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

Internal control deficiencies

113. 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.

114. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of 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.

115. The accounting officer and the senior managers did not implement effective records management controls and as a result several limitations were imposed on my audit of the financial statements and performance report that resulted in the modification of the auditor's opinion and significant findings being reported on selected key performance indicators.

116. The accounting officer and the senior managers did not implement adequate daily and monthly control processes in the areas of revenue, expenditure and asset management to

ensure the effectiveness of accounting and monitoring of compliance to laws and regulations, as a result several material misstatements and non-compliance to laws and regulations were identified that resulted in the modification of the auditor's opinion and significant findings being reported.

117. The accounting officer and senior management did not implement adequate internal controls to ensure the preparation of accurate financial statements and performance reporting as several material misstatements and significant findings were identified that resulted in the modification of the auditor's opinion.

118. The accounting officer did not ensure that the municipality had and maintained an effective system of internal audit and that the audit committee functioned effectively, as a result there was insufficient oversight from these structures and lack of support to improve the overall audit outcome.

119. The Municipal Public Accounts Committee did not implement processes during the year to investigate the unauthorised, irregular and fruitless and wasteful expenditure of previous years. As a result, I report material non-compliance to laws and regulations and due to the inadequate records in respect of this expenditure my auditor's opinion has been modified.

Material irregularities

120. 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.

Status of previously reported material irregularities

Full and proper records not kept (2019-20) – infrastructure assets and service charges

121. In my 2019-20 auditor's report, I reported that the accounting officer did not take reasonable steps in the 2019-20 financial year to ensure that full and proper records were kept of service charges and infrastructure assets, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a disclaimed audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.

122. The lack of full and proper records is likely to result in substantial harm to the municipality as it contributed to the material uncertainty regarding its ability to continue operations, as disclosed in note 49 of the 2019-20 financial statements. This, in turn, is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

123. The accounting officer was notified of this material irregularity on 1 February 2022 and was 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 recommended that the accounting officer should take the following actions to address the material irregularity, which should have been implemented by 28 June 2024 with a progress report within three (3) months:

- The non-compliance with section 62(1)(b) of the MFMA should be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and enhancing control weaknesses.
- Based on the reasons and circumstance, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept, in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan should include anticipated timeframes and address the following key areas as a minimum:
  - Complete asset register of all of the municipality's infrastructure assets, including work-in-progress, as well as payment certificates to support assets purchased; and
  - Adequate systems in place for the billing of services.
- I further recommended that the accounting officer should take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA. The plan should describe the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:
  - Increase the collection of revenue;
  - Optimise costs in respect of bulk purchases;
  - Efficiently manage the available resources of the municipality; and
  - Enter payment arrangements with major suppliers.

124. The accounting officer has not adequately implemented or made satisfactory progress with the implementation of the above recommendations. I notified the accounting officer on 28 February 2025 of the following remedial actions to address the material irregularity, which must have been implemented by 24 August 2025, with a progress report after three months:
  - The non-compliance with section 62(1)(b) of the MFMA must be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and enhancing control weaknesses.
  - Based on the reasons and circumstance, appropriate action must be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the municipality are kept, in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan must include anticipated timeframes and address the following key areas as a minimum:
    - Complete asset register of all of the municipality's infrastructure assets, including work-in-progress, as well as payment certificates to support assets purchased; and
    - Adequate systems in place for the billing of services.
  - I further recommend that the accounting officer must have taken appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the

MFMA. The plan must describe the anticipated timeframe and milestones to be achieved and include as a minimum strategies to:

- Increase the collection of revenue;
- Optimise costs in respect of bulk purchases;
- Efficiently manage the available resources of the municipality; and
- Enter payment arrangements with major suppliers.

125. The accounting officer provided a progress report dated 20 May 2025, however it did not include a detailed action plan to address the lack of full and proper record-keeping at the municipality and lacked detail around an investigation to determine the reasons and circumstances that led to non-compliance with 62(1)(b) of the MFMA. The accounting officer did not submit a final response on the implementation of the remedial action by the due date. I have determined that the accounting officer has not adequately implemented or made satisfactory progress with the implementation of the remedial action. I am in the process of making a decision on further actions to be taken.

Pollution of water resource not prevented - Lindley (Ntha) Wastewater Treatment Works

126. The Lindley (Ntha) Wastewater Treatment Works (including its pump stations) has totally collapsed and has not been operating effectively. This has resulted in continued spilling and discharge of raw/untreated sewerage into the adjacent environment, including the groundwater, Vals 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, which is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.

127. The accounting officer was notified of this material irregularity on 16 January 2024 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. On 14 April 2025 I referred the material irregularity to the Department of Water and Sanitation (DWS) 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.

Pollution of water resource not prevented - Petrus Steyn Wastewater Treatment Works

128. The Petrus Steyn Wastewater Treatment Works (including its pump stations) has totally collapsed and has not been operating effectively. This has resulted in continued spilling and discharge of raw/untreated sewerage into the adjacent environment, including the groundwater, Renoster 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, which is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.

129. The accounting officer was notified of this material irregularity on 16 January 2024 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. On 14 April 2025 I referred the material irregularity to the DWS 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.

Auditor-General

Bloemfontein

30 November 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 material performance indicators 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 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

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

The selected legislative requirements are as follows:

Selected legislation and regulations	Consolidated firm level requirements
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	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, Sections: 43(2), 45(a), Sections: 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), Sections: 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), Sections: 74(1), 96(b)
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)