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

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the Mantsopa Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, the statement of financial performance, statement of changes in net assets, the 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. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report. the financial statements present fairly, in all material respects, the financial position of the Mantsopa Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of General Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

### Basis for qualified opinion

#### Receivables from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for the receivables from exchange transactions due to material differences identified between the debtors' sub-ledgers and the financial statements. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from exchange transactions stated at R215 131 098 (2024: R221 989 770) in notes 5 and 7 to the financial statements.

#### Interest received on outstanding debtors (exchange)

4. I was unable to obtain sufficient appropriate audit evidence for the interest received on outstanding debtors from exchange transactions due to material differences identified between the debtors' sub-ledgers and the financial statements. I was unable to confirm the interest received on outstanding debtors from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the interest received on outstanding debtors from exchange transactions stated at R72 061 838 (2024: R74 541 878) in the statement of financial performance to the financial statements.

### Debt impairment

5. I was unable to obtain sufficient appropriate audit evidence for the debt impairment due to material differences identified between the debtors' sub-ledgers and the financial statements. I was unable to confirm the debt impairment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the debt impairment stated at R127 420 709 (2024: R227 954 812) in note 34 to the financial statements.

### Receivables from non-exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for the receivables from non-exchange transactions due to material differences identified between the debtors' sub-ledgers and the financial statements. 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 R61 267 531 (2024: R35 496 916) in notes 6 and 7 to the financial statements.

### Interest received on outstanding debtors (non-exchange)

7. I was unable to obtain sufficient appropriate audit evidence for the interest received on outstanding debtors from non- exchange transactions as the municipality processed adjustments in the general ledger that could not be supported by adequate supporting evidence. I was unable to confirm the interest received on outstanding debtors from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the interest received on outstanding debtors from non-exchange transactions, stated at R11 734 952, in note 25 to the financial statements.

### Property, plant and equipment

8. I was unable to obtain sufficient appropriate audit evidence for property, plant and equipment due to material differences identified between the fixed asset register and the financial statements. I was unable to confirm the property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the property, plant and equipment stated at R821 801 192 (2024: R756 973 758) in note 11 to the financial statements.

9. During 2024, the municipality did not account for property, plant and equipment in accordance with GRAP 17, *Property, plant and equipment,* as some assets could not be physically verified and material differences were identified in the depreciation amounts recorded in the fixed asset register. Consequently, property, plant and equipment were understated by R6 272 646 and depreciation and amortisation were understated by the same amount. Additionally, there was an impact on the prior year deficit 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 the property, plant and equipment for the current period.

### Depreciation and amortisation

10. I was unable to obtain sufficient appropriate audit evidence for depreciation and amortisation due to material differences identified between the fixed asset register and the financial statements. I was unable to confirm the depreciation and amortisation by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the depreciation and amortisation stated at R37 056 654 in note 31 to the financial statements.

### Loss on disposal of assets and liabilities

11. I was unable to obtain sufficient appropriate audit evidence for loss on disposal of assets and liabilities due to material differences identified between the fixed asset register and the financial statements. I was unable to confirm the loss on disposal of assets and liabilities by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the loss on disposal of assets and liabilities stated at R29 481 091 in the statement of financial performance.

### Impairment loss

12. I was unable to obtain sufficient appropriate audit evidence for impairment loss due to material differences identified between the fixed asset register and the financial statements. I was unable to confirm the impairment loss by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the impairment loss stated at R31 679 444 in note 33 to the financial statements.

### Payables from exchange transactions

13. I was unable to obtain sufficient appropriate audit evidence for trade payables, payments received in advance – debtors with credit balances, salary control accounts, accrued bonus, retentions and unknown deposits included in payables from exchange transactions in note 14 to the financial statements, due to material differences identified between the debtor's register and the financial statements and the non-submission of information in support of these liabilities. I was unable to confirm the trade payables, payments received in advance – debtors with credit balances, salary control accounts, accrued bonus, retentions and unknown deposits by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the trade payables stated at R69 600 197 (2024: R58 451 019), payments received in advance – debtors with credit balances stated at R26 230 054 (2024: R32 867 180), salary control accounts stated at R52 679 091 (2024: R18 753 314), accrued bonus stated at R18 840 629, retentions stated R14 737 269 (2024: R16 131 293) and unknown deposits stated at R17 847 951 (2024: R17 935 545) included in payables from exchange transactions stated at in note 14 to the financial statements.

### Investment property

14. During 2024, the municipality did not account for investment property in accordance with GRAP 16, *Investment property*, as the municipality incorrectly classified the land of the community assets (including own buildings) as investment properties. Consequently, investment property was overstated by R6 251 156 and property plant and equipment were understated by the same amount. Additionally, there was an impact on the prior year's deficit 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 the investment property for the current period.

### Employee benefit obligation

15. During 2024, I was unable to obtain sufficient appropriate audit evidence for employee benefit obligation (non-current) due to unsubstantiated material reconciling differences between the financial statements and the employee cost payroll schedules. I was unable to confirm the employee benefit obligation (non-current) by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to employee benefit obligations (non-current) stated at R36 883 000 in note 16 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the employee benefit obligation for the current period.

### Service charges

16. During 2024, I was unable to obtain sufficient appropriate audit evidence for the service charges due to unsubstantiated material reconciling differences between the financial statements and the billing reports. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R142 358 705 in note 20 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year’s financial statements is also modified because of the possible effect of this matter on the comparability of the service charges for the current period.

### Property rates

17. During 2024, I was unable to obtain sufficient appropriate audit evidence for property rates due to unsubstantiated material reconciling differences between the financial statements and the billing reports. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property rates stated at R38 058 025 in note 24 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 was modified accordingly. My opinion on the current year’s financial statements is also

modified because of the possible effect of this matter on the comparability of the property rates for the current period.

### Repairs and maintenance

18. During 2024, the municipality did not account for repairs and maintenance expenditure in accordance with GRAP 1, *Presentation of financial statements*. This was due to various expenditure transactions being incorrectly classified as repairs and maintenance. Consequently, repairs and maintenance expenditure was overstated by R26 505 631. I was 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 prior year's deficit 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 the repairs and maintenance for the current period.

### Prior-year adjustments

19. I was unable to obtain appropriate audit evidence for the prior period adjustments, as adequate supporting information was not provided. I was unable to confirm the prior-year adjustment disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior year's adjustments disclosed in note 54 to the financial statements.

### Statement of comparison of budget and actual amounts

20. The municipality did not correctly prepare and disclose the statement of comparison of budget and actual amounts in accordance with GRAP 24*, Presentation of budget information in financial statements*. This was because the municipality used the incorrect final budget figures in the statement of comparison of budget and actual amounts, resulting in multiple errors being identified. In addition, 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 was unable to determine the full extent of the errors to the statement of comparison of budget and actual amounts and notes to the financial statements, as it was impracticable to do so.

## Context for opinion

21. 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.

22. 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.

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

### Emphasis of matters

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

#### Irregular expenditure

25. As disclosed in note 47 to the financial statements, the municipality incurred irregular expenditure of R22 621 442 (2024: R6 453 648) due to contravention of the supply chain management requirements.

#### Unauthorised expenditure

26. As disclosed in note 46 to the financial statements, the municipality incurred unauthorised expenditure of R13 891 108 (2024: R8 187 061) due to the overspending of the budget.

#### Fruitless and wasteful expenditure

27. As disclosed in note 48 to the financial statements, fruitless and wasteful expenditure of R39 052 779 (2024: R28 193 397) was incurred due to interest charged on late payments to suppliers.

#### Contingencies

28. With reference to note 42 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 liability that may result was made in the financial statements.

#### Material losses

29. As disclosed in note 35 to the financial statements, material electricity losses of R49 530 610 (2024: R18 582 364) was incurred, which represents 66% (2024: 32%) of total electricity purchased and was due to leakages and line losses.

### Close call relating to going concern

30. Note 44 in the financial statements, deals with the possible effects of the future implications of continuing deterioration in operation results on the municipality's prospects, performance, and cash flows. Management has also described how they plan to deal with these events and circumstances.

## Other matters

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

### Unaudited disclosure notes

32. In terms of section 125(2)(e) of the MFMA, 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

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

34. 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

35. 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.

36. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xx to xx, forms part of my auditor's report.

## Report on the annual performance report

37. 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.

38. I selected the following material performance indicators related to basic services and infrastructure development 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.

    - Percentage of maintenance works completed at Genoa water treatment works
    - Percentage of water samples tested monthly to all plants in compliance with the South African national Standards (Sans) and blue drop requirements
    - Percentage of sewer blockages in mainlines maintained
    - Percentage of wastewater samples tested monthly to all plants in compliance with Sans standards and green drop requirements
    - Percentage repairs of leakages of mainline pipe
    - Refurbishment and repairs of outfall sewer
    - Percentage progress made on Manyatseng (Ext 10): provision of water reticulation for 306 sites
    - Percentage of progress made on the construction of phase 3 Ladybrand 3ML reservoir and pipeline
    - Percentage progress made on Dipelaneng construction of 1.7km paved roads and stormwater
    - Percentage progress made on Hobhouse construction of Weir
    - Percentage progress made on the upgrading of Manyatseng Sewer Outfall Works Phase B
    - Percentage progress on Ladybrand flood damage: Installation of sewer pipe and recasting of pipe using galleons on 5$^{th}$ street.
    - Percentage progress on Ladybrand flood damage: Refurbishment of Platberg pump station

- Percentage progress on Ladybrand flood damage: Rehabilitation of main stormwater channel in Masakeng
- Refurbishment of Cathcart pump station and construction of chlorination room (Work package 1)
- Refurbishment of Cathcart pump station and construction of chlorination room (Work package 2)
- Percentage of unplanned outages that are restored to supply within industry standard timeframes of 12 hours
- Number of mini substation cleaned and maintained

39. 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.

40. 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[i]
    - 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 measures taken to improve performance.

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

42. The material finding on the reported performance information for the selected material indicators is as follows:

### Percentage progress made on Dipelaneng construction of 1,7km paved roads and stormwater

43. The planned target as per the approved planning documents and the annual performance report was planned to be reported on as a number achievement. However, an achievement of a percentage progress was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations.

## Other matters

44. I draw attention to the matters below.

### Achievement of planned targets

45. 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.

46. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx

### Basic services and infrastructure development

| *Targets achieved: 56,6%* | | |
|---|---|---|
| **Key service delivery indicator not achieved** | **Planned target** | **Reported achievement** |
| Percentage of maintenance works completed at Genoa water treatment works | *100%* | 63% |
| Percentage of water samples tested monthly to all plants in compliance with Sans and blue drop requirements | 100% | 98% |
| Percentage repairs of leakages of mainline pipe | 100% | 92% |
| Refurbishment and repairs of outfall sewer | 10% | 0% |
| Percentage progress made on Manyatseng (Ext 10): Provision of water reticulation for 306 sites | 100% | 97% |

| | | |
|---|---|---|
| Percentage of progress made on the construction of phase 3 Ladybrand 3ML reservoir and pipeline | 100% | 0 |
| Percentage progress made on Dipelaneng Construction of 1.7km paved roads and stormwater | 6 | 90,23% |
| Percentage progress made on Hobhouse construction of Weir | 100% | 0 |
| Percentage progress made on the upgrading of Manyatseng Sewer Outfall Works Phase B | 100% | 0% |
| Percentage progress on Ladybrand Flood damage: Rehabilitation of main stormwater channel in Masakeng | 100% | 68% |
| Refurbishment of Cathcart pump station and construction of chlorination room (Work package 1) | 100% | 85% |
| Percentage of unplanned outages that are restored to supply within industry standard timeframes of 12 hours | 100% | 73% |
| Number of mini substation cleaned and maintained | 14 | 3 |

### Material misstatements

47. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic services and infrastructure development. Management did not correct all the misstatements and I reported material finding in this regard.

## Report on compliance with legislation

48. 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.

49. 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.

50. 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.

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

### Annual financial statements

52. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, 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 qualified audit opinion.

### Asset management

53. 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.

54. An effective system of internal control for assets (including an asset register) was not adequately implemented and maintained during the year, as required by section 63(2)(c) of the MFMA.

### Expenditure management

55. 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.

56. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R39 052 779 (2024: R35 954 543), as disclosed in note 47 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.

57. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R13 891 108 (2024: R8 187 061), as disclosed in note 45 to the annual financial statements, in contravention of section62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the budget.

58. Reasonable steps were not taken to prevent irregular expenditure amounting to R22 621 442 (2024: R6 453 648) as disclosed in note 46 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.

## Revenue management

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

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

61. I was unable to obtain sufficient appropriate audit evidence that interest had been charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

## Strategic planning and performance management

62. The performance management system and related controls were not maintained in all instances, as it did not describe how the performance measurement, review, reporting processes should be conducted, 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. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2).

65. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM Regulation 5.

66. 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)(b) of the MFMA. Similar limitation was also reported in the prior year. This limitation was identified in the procurement processes for the following key projects:

    - MLM 32/20/21- Ladybrand-construction of reservoir and pipeline (Phase 2)
    - MLM/DG 01/23/24- Appointment of two contractors for Ladybrand flood damage rehabilitation of roads and storm water channels
    - MLM 60/23/24-01- Appointment of five service providers to serve in a panel of service providers for repairs, assets, related plants, pumpstation, boreholes and reservoirs (Refurbishment of Cartcart dam work package number 1)
    - MLM 14/21/22- Manyatseng (Ext 10): Provision of water reticulation for 306 sites and Manyatseng (Ext10): Provision of sewer reticulation for 306 sites ad toilet top structure

67. 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.

## Other information in the annual report

68. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in key performance area 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 statements and the selected material indicators in the scoped-in key performance area 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 qualified opinion, the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.

74. Ineffective monitoring and supervision by management over financial and performance reporting resulted in material misstatements in the financial statements and the annual performance report. The internal controls within the municipality did not improve, as repeat findings were reported in the current year.

75. Slow corrective measures were taken by management and council to address the drivers of material financial and non-compliance with laws and regulations.

76. Senior management did not prioritise the review and monitoring of compliance with legislation, which resulted in repeat findings. This was due to a lack of consequence management, as officials were not held accountable for non-compliance to laws and regulations

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 development priorities 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

6. The selected legislative requirements are as follows:

| Selected legislation and regulations | Consolidated firm level requirements |
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| Municipal Finance Management Act 56 of 2003 | Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b),<br>Sections:15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b),<br>Sections: 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii),<br>Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii),<br>Sections: 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c),<br>Sections: 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b),<br>Sections: 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g),<br>Sections: 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii),<br>Sections:112(1)(j), 116(2)(b), 116(2)(c)(ii), 117,<br>Sections: 122(1), 122(2), 126(1)(a), 126(1)(b),<br>Sections: 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1),<br>Sections: 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii),<br>Sections: 165(1), 165(2)(a), 165(2)(b)(ii),<br>Sections:165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii),<br>Sections: 166(2)(b), 166(2)(a)(iv), 166(5), 170,<br>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),<br>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),<br>Regulations: 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b),<br>Regulations: 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e),<br>Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b),<br>Regulations: 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1),<br>Regulations: 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e),<br>Regulations: 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43,<br>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) |

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| 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) |
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| MSA: Disciplinary Regulations for Senior Managers, 2011 |
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| MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 |
| MSA: Municipal Staff<br><br>Regulations |
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