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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Moqhaka 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. 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 Moqhaka Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).

Basis for qualified opinion

Employee related costs

3. The municipality did not apply the approved salary increase percentages for senior management included in employee-related costs in note 24 to the financial statements, in accordance with GRAP 25, Employee Benefits. Employees received a higher salary adjustment than prescribed in the applicable government gazette. Consequently, this resulted in an overstatement of basic salaries by R40 368 190 and an understatement of receivables from non-exchange transactions by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

4. The municipality did not correctly recognise employee-related costs included in note XX to the financial statements in accordance with GRAP 1, Presentation of Financial Statements. Misstatements were identified across multiple employee-related cost categories, including incorrect calculations and errors. The following disagreement misstatements were noted:

   - Medical aid: R9 126
   - Remaining employee population: R7 248 193
   - Bonuses: R1 917 409
   - Senior management remuneration: R343 111
   - Overtime: R5 547 920

- Car allowances: R1 660 931
- Defined contribution plan: R1 685 242
- Termination benefits: R220 963

As a result, employee-related costs were misstated by a total amount of R18 632 895 with corresponding impact on the deficit for the year and accumulated surplus.

Employee benefits obligation

5. I was unable to obtain sufficient appropriate audit evidence for the Employee benefits obligations for Post retirement benefit plans due to management not providing supporting documentation for inputs used by the experts who for reperformance/recalculation of the employee benefit obligation. I was unable to confirm the employee benefits by alternative means. Consequently, I was unable to determine whether any adjustment was necessary for the amount of R 142 253 542 stat in note 19 of the financial statements.

Property, Plant and Equipment

6. The municipality did not impair infrastructure included as part of property, plant and equipment in note 12 to the financial statements, where indicators of impairment were identified in accordance with GRAP 26, Impairment of cash-generating assets as the municipality did not assess the physical condition of some of these assets. Consequently, infrastructure included as part of property, plant and equipment in note 12 to the financial statements were overstated by R50 880 718 (R81 267 238) and impairment loss on assets included in note 43 to the financial statements was understated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

7. Furthermore, the municipality did not review the useful lives of property plant and equipment at each reporting date in accordance with GRAP 17, Property, plant and equipment. As a result, property plant and equipment of a gross carrying amount of R141 432 675 (R161 216 888) had a zero net carrying amount while still being in use. I was unable to determine the impact on the net carrying amount of property, plant and equipment assets in note 12 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.

Service charges

8. The municipality did not recognise revenue from the sale of electricity and the sale of water included in service charges in note 20 to the financial statements in accordance with GRAP 9, Revenue from exchange transactions. Some electricity consumers who did not meet the minimum qualifying criteria were incorrectly granted indigent subsidies in the current year. Consequently, this resulted in an understatement of the service charges by R R28 330 001 (R15 500 654) and an understatement of receivables from exchange transactions by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.

Inventories

9. During 2024, the municipality did not implement adequate systems to record consumable stores included as part of inventories in note 4 to the financial statements in accordance with GRAP 12, Inventory as not all inventory items could be physically verified. Consequently, consumable stores included as part of inventories in note 4 to the financial statements were overstated by R23 450 312 and consumables stores included as part of general expenses in note 41 to the financial statements were overstated by the same amount. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the consumable stores for the current period.

Context for opinion

10. 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.

11. 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

12. Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Material uncertainty related to going concern

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

15. Note 54 to the financial statements, indicates that the municipality incurred a net loss of R 367 504 673 during the year ended 30 June 2025 and, as of that date, the municipality's current liabilities exceeded its current assets by R 1 028 499 532. In addition, the payables from exchange transactions for periods longer than 30 days amounted to 1 851 238 434 as at 30 June 2025, which was long overdue. These events or conditions, along with other matters as set forth in note 54, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Unauthorised expenditure

17. As disclosed in note 48 to the financial statements, unauthorised expenditure of R300 386 141 (2024: R 122 592 687) was incurred due to the overspending of the budget.

Fruitless and wasteful expenditure

18. As disclosed in note 49 to the financial statements, unauthorised expenditure of R 98 188 387 (2024: R 5 510 951) was incurred due to the overspending of the budget.

Irregular expenditure

19. As disclosed in note 47 to the financial statements, the municipality incurred irregular expenditure of R 18 667 925 (2024: R 83 899 225), due to non-compliance with supply chain management (SCM) requirements.

Material impairments

20. As disclosed in notes 6 and 7 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R 1 115 105 349 (2024: R945 021 701) and R63 185 729 (2024: R53 618 203) respectively.

Material uncertainty relating to claims against the municipality

21. With reference to note 57 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result was made in the financial statements.

Restatement of corresponding figures

22. As disclosed in note 51 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2025.

Other matter

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

Unaudited disclosure notes

24. 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 audit of the financial statements

25. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable

the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

26. 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

27. My objectives are to obtain reasonable assurance about whether the financial statements 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.

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

Report on the audit of the annual performance report

29. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance area (KPA) presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

KPA	Page numbers	Purpose
Service delivery and infrastructure development	[XX]	To provide and maintain basic services (i.e. water, sanitation, electricity, roads, waste management) to the community of the municipality.

31. I evaluated the reported performance information for the selected KPA against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

32. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for measures taken to improve performance.

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

34. The material findings on the reported performance information for the selected KPA are as follows:

Service delivery and infrastructure development

% Reduction in water losses in the municipal distribution area. (KPI 12)

35. An achievement of 23% was reported against a target of 25%. I could not determine whether the reported achievement was correct, as the indicator was not well defined as the methods and processes used to measure the achievements differ from what the indicator title require to be measured. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

Other matters

36. I draw attention to the matters below.

Achievement of planned targets

37. 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.

38. 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

Service delivery and infrastructure development

Targets achieved: 50%

Budget spent: 51,4%

Key service delivery indicator not achieved	Planned target	Reported achievement
Number of new electricity connections meeting minimum standards (KPI 02)	10	0
% Electricity distribution losses.(KWH billed/KWH acquired) (MFMA Circular 71) (KPI 03)	16,8%	28,58%
KMs of new paved roads to be built (KPI 06)	4km	2,766km
Kms of storm water drainages built, rehabilitated, or replaced in addition to existing one (KPI 07)	3,2km	2,256km
Sanitation Master Plan that meets prescribed requirements developed and approved by Council. (KPI 08)	30 June	0
Number of new sewer connections meeting minimum standards (KPI 10)	10	3
Wastewater quality compliance according to the water use license. (KPI 11)	96%	49%
Number of new water connections meeting minimum standards (KPI 14)	10	5
Number of sample tests conducted to measure the water quality (KPI 15)	1779	901
Percentage of Drinking Water Compliance to SANS241 (KPI 16)	95%	76%

Material misstatements

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

Report on compliance with legislation

40. 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.

41. 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.

42. 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.

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

Annual financial statement, performance reports and annual reports

44. 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 in liabilities, cashflow statements and the 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

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

46. 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.

47. Funds were invested in shares of a private company, in contravention of municipal investment regulation 6.

48. Capital assets were disposed of without the [municipal council having, [decided on whether the assets were still needed to provide the minimum level of basic municipal services.

Expenditure management

49. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R 300 386 141, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by the overspending of the budget.

50. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R 98 188 387 as disclosed in note 49 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 costs due to non-payment of Eskom debt.

51. Reasonable steps were not taken to prevent irregular expenditure amounting to R 18 667 925 as disclosed in note 47 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 legislation.

52. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

Revenue management

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

Consequence management

54. 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.

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

Human resource management

56. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the Municipal System Act 32 of 2000 (MSA) and municipal staff regulation 31.Senior managers were appointed without submitting proof of previous employment prior to signing employment contracts, as required by municipal performance regulations for municipal managers and managers directly accountable to municipal managers 4(4)(b).

57. Job descriptions were not established for all posts in which appointments were made, as required by section 66(1)(b) of the MSA and regulation 7(1) of Municipal Staff Regulations.

58. I was unable to obtain sufficient appropriate audit evidence that the auditee conducted reference checks and personal credential verification for newly appointed staff members, as required by regulation 19 of the Municipal Staff Regulations.

59. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.

60. The annual performance appraisal for senior managers was not performed and/or the key performance areas (KPAs) outlined in the individual performance plans were not assessed

based on the achieved results, as required by regulations 26(5) and 27(4)(a)(i) of the Municipal Performance Regulations.

61. The staff member(s) did not enter into a performance agreement within the prescribed period, as required by regulation 35(1) of the Municipal Staff Regulations.

Governance and oversight management

62. The Internal Audit unit did not advise the accounting officer and/or 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.

63. The Internal Audit unit did not advise the accounting officer and/or 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.

64. The Internal Audit unit did not advise the accounting officer and/or did not report to the audit committee on the implementation of the internal audit plan on matters relating to performance management, as required by section 165(2)(b)(v) of the MFMA.

65. The Internal Audit unit did not advise the accounting officer and/or did not report to the audit committee on the implementation of the internal audit plan on matters relating to compliance with MFMA, DoRA, and any other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

66. The internal audit unit did not submit quarterly reports on the audits of performance measurements of the auditee to the municipal manager and the performance audit committee, as required by regulation 14(1)(c)(ii) on Municipal Planning and Performance Management.

67. The performance 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.

68. The performance audit committee/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.

Other information in the annual report

69. 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 the selected KPA presented in the annual performance report that has been specifically reported on in this auditor’s report.

70. My opinion on the financial statements, the report on the audit of the annual performance report and the report on 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.

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

72. I did not receive 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 material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be communicated. If the other information is not communicated, I may retract this auditor’s report and re-issue an amended an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

73. 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.

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

75. Council and audit committee did not provide oversight responsibility regarding financial and performance reporting and compliance, and related internal controls was not exercised.

76. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

77. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

78. Management did not review and monitor compliance with applicable laws and regulations resulting in prior material non-compliance being reported, as well as new emerging non-compliance.

79. Instability in senior management positions, including the position of municipal manager and chief financial officer resulted in management not implementing adequate oversight controls or

implementing effective consequence management. As a result, misstatements were not prevented or detected and corrected, which resulted in the modification of the auditors' opinion, the findings reported on performance information and non-compliance with laws and regulations.

80. Management did not ensure that there is an adequately resourced and functioning internal audit unit that identifies internal control deficiencies and recommends corrective action effectively.

81. Audit committee did not ensure that it promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

82. Management did not implement controls to ensure that investigations are performed on the prior year's unauthorised and irregular so that such investigations are available for submission to the auditors.

83. Management did not develop and monitor the implementation of action plans designed to address internal control deficiencies and prior period findings were not addressed and resulted in some of them re-occurring.

84. Senior management and the Council did not to implement appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored.

Material irregularities

85. 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

Eskom not paid within prescribed period

86. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchase of electricity were paid within the prescribed period after receiving the relevant invoice or statement, as required by section 65(2)(e) of the MFMA. As a result of the late payment, the municipality incurred interest of R17 815 284 for the financial year ended 30 June 2022. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay the interest to Eskom.

87. The accounting officer was notified of the material irregularity on 28 November 2022. The accounting officer did not take appropriate action to address 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 30 June 2025 with progress reports every two months:

(a) Appropriate action should be taken to commence with implementation of the financial plan to address the financial problems of the municipality that are preventing it from paying Eskom within 30 days, as required by section 65(2)(e) of the MFMA. The financial plan should include realistic timeframes and milestones to be achieved and include as a minimum strategy to:
- Increase revenue
- Increase the collection of revenue
- Efficiently manage the available resources of the municipality by accurate budgeting, budget management and cost cutting
- Negotiate a reasonable payment arrangement with Eskom and properly budget for the amounts to be paid.

88. The accounting officer has not adequately implemented or made satisfactorily progress with implementation of the above recommendation. I am in the process of making a decision on further actions to be taken.

Pollution of water resource not prevented – Kroonstad Wastewater Treatment Works

89. The Kroonstad Wastewater Treatment Works has not been operating effectively and in need of maintenance and repair work. 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 from occurring, continuing or recurring, as required by section 28(1) of the National Environmental Management Act 107 of 1998 and section 19(1) of the National Water Act 36 of 1998. The discharge of raw / untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

90. The accounting officer was notified of this material irregularity on 31 October 2022. The accounting officer did not take appropriate action to resolve the material irregularity. On 27 February 2024, I referred the material irregularity to the Department of water and sanitation for investigation as provided for in section 5(1A) of the PAA. The investigation is currently in progress.

Pollution of water resource not prevented – Viljoenskroon Wastewater Treatment Works

91. The Viljoenskroon Wastewater Treatment Works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spilling and discharge of raw/untreated sewerage into the adjacent environment, including the groundwater, Olifantsdrift River and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation from occurring, continuing or recurring, as required by section 28(1) of the National Environmental Management Act 107 of 1998 and section 19(1) of the National Water Act 36 of 1998. The

discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

92. The accounting officer was notified of this material irregularity on 31 October 2022. The accounting officer did not take appropriate action to resolve the material irregularity. On 27 February 2024, I referred the material irregularity to the Department of Water and Sanitation for investigation as provided for in section 5(1A) of the PAA. The investigation is currently in progress.

Other reports

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

2. No investigation reports were made available by municipality.

Bloemfontein

29 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 financial statements and the procedures performed on reported performance information for the selected KPA and on the municipality's compliance with selected requirements in key legislation

Financial statements

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

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

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), Sections 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), Sections 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), Sections 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), Sections 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 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), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), , 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), , 34(a), 34(b) Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 54A(1)(a)56(1)(a), Sections 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Division of Revenue Act 5 of 2023	Section 11(6)(b), 12(5), 16(1); 16(3)

Legislation	Sections or regulations
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)