

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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Metsimaholo Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, 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 Metsimaholo Local Municipality as at 30 June 2024, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).

Basis for qualified opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for the land and buildings, community, infrastructure, IT equipment and plant and machinery included in property, plant and equipment as unexplained reconciling differences were identified in the opening balances between the asset registers and the financial statements, which also impacted the current year's carrying values. As described in note 61 to the financial statements, the restatements were made to rectify the prior year's misstatements, but the restatements could not be substantiated by supporting audit evidence. I was unable to confirm the land and buildings, community, infrastructure, IT equipment and plant and machinery by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the land and buildings, community, infrastructure, IT equipment and plant and machinery stated at R25 238 526 (2023: R26 526 704); R171 356 487 (2023: R173 804 781); R1 186 888 605 (2023: R1 176 385 045); R4 031 568 (2023: R4 315 610) and R17 374 830 (2023: R21 163 227) respectively included in property, plant and equipment in note 10 to the financial statements.

Investment property

4. I was unable to obtain sufficient appropriate audit evidence for investment properties and for the restatement of the corresponding figures as unexplained reconciling differences were identified in the opening balances between the asset register and the financial statements, which also impacted the current year's carrying values. As described in note 61 to the financial statements, the restatement was made to rectify the prior year's misstatements, but the

restatements could not be substantiated by supporting audit evidence. I was unable to confirm the investment properties by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the investment properties stated at R440 763 848 (2023: R441 818 305) in note 9 to the financial statements.

Receivables from exchange transactions

5. The municipality did not account for receivables from exchange transactions in accordance with GRAP 104, *Financial instruments* as the municipality recognised its own billing accounts as receivables. Consequently, receivables from exchange transactions included in note 4 to the financial statements were overstated by R31 090 476 (2023: R17 286 917). Additionally, there was an impact on the service charges, deficit for the year and accumulated surplus.

Payables from exchange transactions

6. The municipality did not account for trade payables included in payables from exchange transactions in note 15 to the financial statements in terms *GRAP 104, Financial instruments* as differences were identified between the creditor's listings and supplier statements. Consequently, trade payables included in payables from exchange transactions in note 15 to the financial statements were understated by R18 287 968 and operating costs in note 40 to the financial statements were overstated by the same amount. Additionally, there was an impact on the deficit for the year and accumulated surplus.
7. During 2023, I was unable to obtain sufficient appropriate audit evidence for trade payables included in the payables from exchange transactions in note 15 to the financial statements as unexplained reconciling differences were identified between the creditor's age analysis and the financial statements. The municipality could also not provide supplier statements for some of the trade payables recorded. The municipality processed year-end adjustments to trade payables, however, they could not provide adequate supporting evidence in respect thereof. I was unable to confirm the trade payables by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the trade payables included in the payables from exchange transactions stated at R64 130 173 in note 15 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2023 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 trade payables included in the payables from exchange transactions for the current period.

Depreciation and amortisation

8. I was unable to obtain sufficient appropriate audit evidence for depreciation and amortisation for property, plant and equipment included in note 33 to the financial statements due to unexplained reconciling differences identified between the amounts recorded in the asset registers and financial statements. I was unable to confirm the depreciation and amortisation by alternative means. Consequently, I was unable to determine the depreciation and amortisation for property, plant and equipment stated at R82 789 129 (2023: R94 116 576) in note 33 to the financial statements.

Irregular expenditure

9. The municipality did not accurately record irregular expenditure in the financial statements, as required by section 125(2)(d) of the MFMA. This was due to unexplained differences identified in the irregular expenditure registers and the documentation in support of accounting records. Consequently, this resulted in the irregular expenditure included in note 56 to the financial statements being understated by R28 680 633 for the current and corresponding periods.

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 Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
12. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Restatement of corresponding figures

14. As disclosed in note 61 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipality, and for the year ended, 30 June 2024.

Material uncertainty relating to claims against the municipality

15. With reference to note 48 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

Material losses

16. As disclosed in notes 35 and 41 to the financial statements, material electricity distribution losses of R43 918 767 (2023: R89 333 996) and water distribution losses of R106 313 116 (2023: R68 107 070) were incurred by the municipality mainly due to leakages, burst water pipes, line losses, tampering and theft.

Material impairments

17. As disclosed in notes 4 and 6 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R3 064 241 140 (2023: R2 591 090 942).
18. As disclosed in note 38 to the financial statements, material losses of R24 862 724 were incurred as a result of a write-off of irrecoverable trade debtors.

Unauthorised expenditure

19. As disclosed in note 54 to the financial statements, the municipality incurred unauthorised expenditure of R83 950 621 due to overspending on the budget.

Other matter

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

Unaudited disclosure notes

21. 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

22. 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.
23. 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

24. 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.

25. 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

26. 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.

27. I selected the following KPA presented in the annual performance report for the year ended 30 June 2024 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
Basic service delivery and infrastructure development	XX	Ensure universal access to reliable and quality basic municipal services by all communities

28. 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.

29. 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 the measures taken to improve performance.

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

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

Basic service delivery and infrastructure development

Number of kilometres of storm water drainage constructed

32. An achievement of 4,0376 km of new storm water drainage constructed by 30 June 2024 in wards 1 & 8 respectively was reported against a target of 4 kilometers of storm water drainage planned for construction by 30 June 2024. However, the audit evidence showed the actual achievement to be only 3,3976 km. Consequently, the achievement against the target was lower than reported.

Various indicators

33. 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
1.29 (i) % of comments within 10 working days on building plans to be approved (specified period of time) (30 days <500m ²) (New).	100 % of approved building plans within specified period of time (30 days <500m ² and 60 days >500m ² by 2024	100% of technical comments made on the submitted building plans
1.29 (ii) % of comments within 10 working days on building plans to be approved (specified period of time) (60 days >500m ²) (New).	100 % of approved building plans comments within specified period of time (30 days <500m ² and 60 days >500 m ²) (New)	100% of technical comments made on the submitted building plans

Other matters

34. I draw attention to the matters below.

Achievement of planned targets

35. 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.

36. 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 service delivery and infrastructure development

<i>Targets achieved: 52,7%</i> <i>Budget spent: 92,2%</i>		
Key indicators not achieved	Planned target	Reported achievement
1.1. Water Services Development Plan (WSDP) developed, annually reviewed and submitted to Council for approval.	(WSDP) developed and submitted to Council for approval by 30 June 2024	0
1.2. Water and Sewer Master Plan developed	Water and Sewer Master Plan developed by 30 June 2024	0
1.3. Number of conventional water meters replaced with prepaid meters in all the identified areas.	1000 conventional water meters replaced with prepaid meters in all the identified areas by June 2023	0
1.4. Number of kms of obsolete asbestos/old water pipes replaced	5 km asbestos/old water pipes replaced by 30 June 2024	0,21 km (210m)
1.5. % Minimization of water distribution losses	Water distribution loss minimized to 30% by 30 June 2024	43% water distribution loss
1.6. % Compliance with blue drop water quality accreditation system	99% compliance with blue drop water quality accreditation system by 30 June 2024	97,4% compliance with blue drop water quality accreditation system.
1.9. Water and Sanitation Maintenance Plan developed and submitted to Council for approval	Water and Sanitation Maintenance Plan developed and submitted to Council for approval by 30 June 2024	0

1.10. Number of sewer of connections to consumer units installed (Circular 88 Indicators)	6 037 sewer connections to consumer units installed 2 962 (Moodraai) 30 June 2024	0
1.11. % of call outs responded to within 24 hours (Circular 88 Indicators)	100% call outs responded to within 24 hours by 30 June 2024	54,61% of call outs responded to within 24 hours.
1.12. % compliance with green drop quality accreditation system	100% compliance with green drop quality accreditation system by 30 June 2024	16,9685% compliance with green drop quality accreditation system.
1.14. Integrated Energy Plans (IEP) developed, annually reviewed, and submitted to Council for approval	INEP developed, annually reviewed and submitted to Council for approval by 30 June 2024	0
1.16. % of electricity distribution losses minimized	% of electricity distribution losses minimized to 20% by 30 June 2024	29% electricity distribution losses
1.17. Number of high mast lights erected	5 high mast lights erected/installed (Sasolburg & Vaalpark) by 30 June 2024	0
1.19. Number of m ² of new municipal roads built Circular 88 Indicators)	7 000m ² of roads resealed/repared by 30 June 2024	0 m ²
1.27. Number of progress reports submitted on monitoring of all capital projects submitted to Council	4 progress reports submitted on monitoring of all capital projects submitted to Council by 30 June 2024	3 progress reports on monitoring of all capital projects submitted to Council.
1.29 (i). % of comments within 10 working days on building plans to be approved (specified period of time) (30 days <500m ²)	100 % of approved building plans within specified period of time (30 days <500m ² by 30 June 2024	79,75% of technical comments made on the submitted building plans

1.29 (ii). % of comments within 20 working days on building plans to be approved (specified period of time) (60 days >500m ²)	100 % of approved building plans comments within specified period of time (60 days>500 m ²)	79,25% of technical comments made on the submitted building plans
1.30. % of OPEX allocation/budgeted spent (project management unit)	100% of allocated OPEX budget spent by 30 June 2024	90% OPEX budget spent
1.32. % of vacancy rate maintained to 75% of total staff compliment / establishment (project management)	75% of total staff compliment / establishment maintained by 30 June 2024	42% vacancy rate
1.35. Integrated Waste Management Plan (IWMP) developed, annually reviewed and submitted to Council for approval	Develop IWMP and submit to Council for approval by June 2024	0
1.39. Number of landfill site(s) established, licenced & operational in Sasolburg	1 landfill site(s) established, licenced & operational in Sasolburg	0
1.40. Number of sports & recreational Parks developed	1 sports & recreational parks developed by 30 June 2024	0
1.43. Review of Disaster Management Plan	Disaster Management Plan reviewed by 30 June 2024	0
1.51. % of OPEX allocation/budgeted spent (public safety)	100% of allocated OPEX budget spent by 2024	91% OPEX budget spent
1.52. % of CAPEX Allocation/ Budgeted spent (public safety)	100% of allocated CAPEX budget spent by 2024	11% CAPEX budget spent
1.54. % of vacancy rate maintained at 25% of total departmental staff compliment/ establishment (public safety)	75% of total staff compliment/ establishment maintained by 30 June 2024	45% vacancy rate

Material misstatements

37. I identified 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 all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

38. 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.
39. 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.
40. 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.
41. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

42. 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, current assets, liabilities, 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.

Expenditure management

43. Reasonable steps were not taken to prevent irregular 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.
44. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R4 548 428 as disclosed in note 55 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was due to late payments to the Department of Water and Sanitation and Eskom.

Assets 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.

Strategic management and planning

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

Human resource management

47. 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 Systems Act 32 of 2000 and regulation 31 of Municipal Staff Regulations.

Consequence management

48. 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.
49. 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.
50. Fruitless and wasteful 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.

Procurement and contract management

51. Sufficient appropriate audit evidence could not be obtained that all contracts were awarded in accordance with the legislative requirements as documentation in support of the procurement process could not be obtained.
52. The performance of the contractors or 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.
53. 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.
54. 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 SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
55. Some of the contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

Other information in the annual report

56. 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 have been specifically reported on in this auditor's report.
57. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation does 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.
58. 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.
59. 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

60. 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.
61. 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.
62. Management did not in all instances implement proper record keeping in a timely manner to ensure that complete, relevant, and accurate information is accessible and available to support the financial statements.
63. Senior management did not implement corrective measures included in the audit action plan to ensure that the weaknesses relating to the financial, performance and SCM were addressed.
64. Management's lack of detailed review of the financial statements and the underlying records resulted in material misstatements that were not detected by the municipality's internal processes.
65. The municipal public accounts committee did not perform any investigation on unauthorized, irregular and fruitless and wasteful expenditure to determine if any official was responsible and

for possible recovery and or write-off and implement consequences. This resulted in repeat non-compliance with laws and regulations.

Material irregularities

66. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularities identified during the audit

Upgrading of Oranjeville wastewater treatment works - reasonable steps not taken to safeguard materials on site and construction works

67. The municipality appointed a contractor on 29 June 2021 for the upgrading of the Oranjeville wastewater treatment works at a total cost of R56 488 519,29. The project was planned to be completed within 14 months, with practical completion to be achieved on 21 September 2022. On 26 June 2023 the municipality issued a termination letter to the contractor in terms of clause 9.2 of the General Conditions of Contract for Construction Works, 2015 3rd Edition and ordered the contractor to vacate the site and hand it over to the municipality. The contract was terminated due to non-performance by the contractor.
68. During a site visit conducted by the audit team on 12 October 2023, it was identified that some of the incomplete works and material on site, with a cost of R5 905 228,26 were not safeguarded. Steel reinforcement materials on site as well as the steel reinforcement on the incomplete biological reactors, clarifiers and the pump station were corroded and exposed to weather conditions. In addition, materials amounting to R2 111 135,79 were no longer on site. Since termination of the contract, the accounting officer did not ensure that the construction works and materials were safeguarded as required by section 63(1)(a) of the MFMA. The non-compliance is likely to result in a material financial loss for the municipality, if steps are not taken to safeguard the assets of the municipality.
69. I notified the accounting officer of the material irregularity on 1 July 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. The following actions have been taken or is in progress to resolve the material irregularity:
- The accounting officer has allocated security to the construction site after the removal of the contractor on 20 July 2023.
 - The accounting officer has issued a letter of demand on 4 June 2024 for the recall of the performance guarantee to the cover the cost of lost material and corrosion.
 - The terminated contractor has submitted final account for works which will be offset against the cost of materials lost and degraded work in progress.
70. I will follow-up on the implementation of the planned actions and actions in progress during my next audit.

Status of previously reported material irregularities

Pollution of water resource not prevented – Oranjeville wastewater treatment works

71. The Oranjeville wastewater treatment works (including its pump stations) 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 sewage into the adjacent environment, including the groundwater, Vaal Dam and its extended water course. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management Act 107 of 1998 (NEMA) and section 19(1) of the National Water Act 36 of 1998 (NWA). The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resource.
72. The accounting officer was notified of this material irregularity on 17 November 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. 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 - Deneysville (Refengkotso) wastewater treatment works

73. The Deneysville (Refengkotso) wastewater treatment works (including its pump stations) 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 sewage into the adjacent environment, including the groundwater, Vaal Dam and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the NEMA and section 19(1) of the NWA. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resource.
74. The accounting officer was notified of this material irregularity on 16 November 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. 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.

Poor management of the Sasolburg waste landfill site

75. The municipality has been operating the Sasolburg waste landfill site in a manner that is not in compliance with its license conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control, improper or lack of compacting and cover to limit gas emission, lack of stormwater management and leachate detection and no proper air and effluent sampling points to monitor air pollution.
76. The municipality consequently did not dispose and treat waste in an environmental sound manner that does not endanger health or the environment as required by section 16(1) of the National Environmental Management Waste Act 59 of 2008. The municipality further did not take reasonable measures to prevent pollution or degradation from occurring, continuing or recurring as required by section 28(1) of NEMA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site and communities adjacent to the landfill site.
77. The accounting officer was notified of this material irregularity on 17 November 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 referred the material irregularity to the Department of Forestry, Fisheries and the Environment (DFFE) on 27 March 2024 for investigation as provided for in section 5(1A) of the PAA. On 14 May 2024 DFFE sub-referred the material irregularity to the Free State Department of Economic, Small Business Development, Tourism and Environmental (DESTE) affairs for further investigation. The referral was accepted by DESTE on 2 September 2024 and the investigation is currently in progress.

Auditor - General.

Bloemfontein

14 January 2025



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. The annexure includes the following:
 - The auditor-general's responsibility for the audit
 - The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

2. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected KPA and on the municipality's compliance with selected requirements in key legislation

Financial statements

3. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
 - conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause 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), Sections 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 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, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 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), 57(2)(a), Sections 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)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	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)

Legislation	Sections or regulations
	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)
MSA: Municipal Staff Regulations	Regulations: 7(1), 31