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

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of Metsimaholo 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 Metsimaholo 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 Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for qualified opinion

Property plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence that roads infrastructure, sanitation infrastructure and water supply infrastructure in property plant and equipment in note 11 to the financial statements had been properly accounted for due to the non-submission of supporting documentation in support of these capital assets. In addition, restatements were made to rectify prior year's misstatements, but the restatements could not be substantiated by supporting evidence. I was unable to confirm these assets by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to roads infrastructure, sanitation infrastructure and water supply infrastructure included in property plant and equipment stated at R207 923 221 (2024: R230 075 828), R373 997 522 (2024: R352 279 663), R177 641 523 (2024: R149 870 332) in note 11 to the financial statements respectively.

4. In addition, the municipality did not account for plant and machinery, furniture and office equipment, motor vehicles, IT equipment, community assets, electrical infrastructure, roads infrastructure, water supply infrastructure, and sanitation infrastructure included in property, plant and equipment in note 11 in accordance with GRAP 17, *Property, plant and equipment* for the current and prior years. This was because the municipality incorrectly impaired some capital asset classes that did not have indicators of impairment and depreciated some capital asset classes using incorrect useful lives. In addition, some capital asset classes owned by the municipality were not recorded in the fixed asset register. I was unable to determine the full extent of the misstatement of plant and machinery stated at R16 565 742 (2024: R10 406 027),

furniture and office equipment stated at R1 930 745 (2024: R 2 420 072), motor vehicles stated at R11 720 668 (2024: R7 338 622), IT equipment stated at R3 106 586 (2024: R3 182 163), community assets stated at R106 637 407 (2024: R106 180 800), electrical infrastructure stated at R226 874 341 (2024: R247 802 607), roads infrastructure stated at R207 923 221 (2024: R230 075 828), water supply infrastructure stated at R177 641 523 (2024: R149 870 332), and sanitation infrastructure stated at R373 997 522 (2024: R352 279 663) in note 11 to the financial statements, impairment of assets, stated at R22 757 495 in note 37 to the financial statements and depreciation and amortisation – property, plant and equipment, stated at R45 442 610 (2024: R39 246 222) in note 36 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the surplus for the year and the accumulated surplus.

Investment property

5. I was unable to obtain sufficient appropriate audit evidence for investment property, due to non-submission of information in support of these investment properties for the current and prior year. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to investment property stated at R335 837 042 (2024: R336 654 706) in note 10 to the financial statements.

6. Furthermore, the municipality did not account for investment property in accordance with GRAP 16, *Investment Property.* This was because the municipality did not recognise all investment properties owned. In addition, the municipality incorrectly impaired investment property that did not have indicators of impairment in the prior years which also impacted the opening and closing balances. I was unable to determine the full extent of the misstatement of investment property, stated at R335 837 042 (2024: R336 654 706) in note 10 to the financial statements, Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Irregular expenditure

7. The municipality disclosed expenditure that does not meet the definition of irregular expenditure as defined in Chapter 1 of the MFMA, as irregular expenditure for the current and corresponding period. I was unable to determine the full extent of the overstatement of irregular expenditure, stated at R917 745 294 (2024: R904 268 508) in note 60 to the financial statements, as it was impractical to do so.

Contracted services

8. The municipality did not correctly account for expenditure for contracted services in accordance with GRAP 1, *Presentation of Financial Statements* as expenditure for contracted services was recognised at incorrect amounts. In addition, the municipality incorrectly classified repairs and maintenance, operating costs and intangible assets as contracted services which resulted in the overstatement of contracted services in note 40 to the financial statement by R24 345 385, overstatement of trade payables in note 16 to the financial statements by R17 255 808, understatement of repairs and maintenance in note 46 to the financial statements by R5 017 497, and operating cost in note 44 to the financial statements by R1 117 001 and understatement of intangible assets in note 12 to the financial statements by R955 078. Additionally, there was an impact on the surplus for the year and accumulated surplus.

9. Furthermore, I was unable to obtain sufficient, appropriate evidence for sewerage services included in contracted services as adequate supporting evidence was not provided to support these services. I was unable to confirm sewerage services included in contracted services by alternative means. Consequently, I was unable to determine whether an adjustment was necessary to the sewerage services included in contracted services stated at R26 619 394 in note 40 to the financial statements.

Payables from exchange transactions

10. During 2024, the municipality did not account for trade payables included in payables from exchange transactions in note 16 of the financial statements in accordance with GRAP 104, *Financial Instruments* as unreconciled differences were identified between the amount recorded in the creditor's listing and supplier statements. Consequently, trade payables included in payables from exchange transactions in note 16 were understated by R18 287 968 and operating cost in note 44 to the financial statements were understated by the same amount. Additionally, there was an impact on the surplus for the period and on the 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 financial statements was also modified because of the possible effect of this matter on the comparability of trade payables included in payables from exchange transactions for the current period.

Context for opinion

11. 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.

12. 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.

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

Emphasis of matters

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

Restatement of corresponding amounts

15. As disclosed in note 65 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2025

Material uncertainty relating to claims against the municipality

16. With reference to note 52 to the financial statements, the municipality is a 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

17. As disclosed in note 39 to the financial statements, material electricity distribution losses of R49 994 162 (2024: R43 918 767) were incurred by the municipality mainly due to technical issues.

18. As disclosed in note 45 to the financial statements, material water distribution losses of R85 772 802 (2024: R106 313 116) were incurred by the municipality mainly due to technical issues.

Material impairments

19. As disclosed in note 4 and 6 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R3 300 423 376 (2024: R3 076 012 037).

Unauthorised expenditure

20. As disclosed in note 58 to the financial statements, unauthorised expenditure of R29 484 200 (2024: R83 950 621) was incurred, due to overspending of the budget.

Underspending of the conditional grant

21. As disclosed in note 20 to the financial statements, the municipality materially underspent the conditional grants by R35 989 614 mostly the municipal infrastructure grant and the municipal disaster recovery grant.

Other matter

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

Unaudited disclosure notes

23. 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

24. 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.

25. 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

26. 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.

27. 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 on page xx, forms part of my auditor's report.

Report on the audit of the annual performance report

28. 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.

29. 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 measure 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

30. 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.

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

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 the 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:

Basic service delivery and infrastructure development

Various indicators

35. Based on the audit evidence, the actual achievement for below indicators did not agree to the achievements reported. Consequently, the achievements against the target were lower than reported.

Indicator	Target	Reported achievement	Actual achievement
Cumulative % of households with access to basic water supply by 30 June of each year	Cumulative 3% of 15644 households not connected to basic water supply by 30 June 2025.	13.4% achieved, 2100 HHs House connections completed/access to basic water supply. Sasolburg North infrastructure project. Pipes installed: 45.237km	0

Indicator	Target	Reported achievement	Actual achievement
% of households with access to basic sanitation (Circular 88 Indicators)	75% of 46716 households with access to basic sanitation by 30 June 2025	26.47% (3091) of 11679 backlog house connections constructed in Sasolburg North infrastructure project.	0
m² of roads resealed / repaired (Circular 88 Indicators)	7000m² of roads resealed/ repaired by 30 June 2025	24 400 m²	0

Various indicators

36. 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. Furthermore, measures aimed at improving performance against targets were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

Indicator	Target	Reported achievement	Reported measure
% of sewer call outs responded to within 24 hours (Circular 88 Indicators)	100% sewer call outs responded to within 24 hours by 30 June 2025	77.62%	Procurement of additional bakkies and filling vacant budgeted positions. Implementation of a help desk to control the complaints.
Cumulative % of households with access to basic electricity service standard by 30 June of each year	85% of 46716 households have access to basic electricity service standard by 30 June 2025	74.2%	To align SDBIP targets accurately with approved, funded projects of the Department
% of unplanned outages that are restored to supply within industry standard timeframes	100% call outs responded to within 24 hours by 30 June 2025	0%	1. Three LDVs were procured in the current quarter. 2. Expedite repairs and maintenance of fleet. 3. Accelerate replacement of dysfunctional/bypassed prepaid meters.
% of pothole complaints resolved within the standard time after being reported (Circular 88 Indicators)	100 % of pothole complaints resolved within 72hrs after being	97.44%	Timeous procurement of resources as potholes are a challenge especially when there have been

Indicator	Target	Reported achievement	Reported measure
	reported, by 30 June 2025		heavy rainfalls as well as to improve on the maintenance of roads.

Various indicators

37. 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
% of Water call outs responded to within 24 hours (Circular 88 Indicators)	100% Water call outs responded to within 24 hours by 30 June 2025	100%
Number of kilometres gravel roads graded (Circular 88 Indicators)	20 kms gravel roads graded by 30 June 2025	25,1
m² of Potholes repaired/ sealed	4 500m² of Potholes repaired/ sealed by 30 June 2025	4585m²

Various indicators

38. Measures aimed at improving performance against targets were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

Indicator	Target	Reported achievement	Reported measure
Number of kilometres of obsolete asbestos/old water pipes replaced with Upvc	5 kms asbestos/old water pipes replaced by 30 June 2025	3.360 km	To ensure completion of multi-year project as per project plan
% Minimization Water distribution losses per year	Water distribution loss minimized to 30% by 30 June 2025	30,5%	Municipality needs to fast-track the undertaking of an audit to monitor illegal/bypassed connections as well as faulty meters for replacement with new meters. Attend to burst water pipes and leaks timeously. To also have mechanisms to monitor water usage by indigents.

Indicator	Target	Reported achievement	Reported measure
% Compliance with Blue Drop Water Quality accreditation system	≥95% Compliance with Blue Drop Water Quality accreditation system by 30 June 2025	93.25%	1. Repair or replace aging pipes and 2. Routine inspection and maintenance. 3. Procure testing equipment and calibration of laboratory testing equipment. 4. Increase frequency of testing and monitoring to mitigate any associated risks with water quality. 5. Develop contingency plans for supply and delivery of water treatment chemicals.
Number of sewer connections to consumer units installed (Circular 88 Indicators)	1000 sewer connections to consumer units installed in Gortin by 30 June 2025	619	Contractor to be placed on intervention procedures of which failure to improve may result in termination of services
% Compliance with Green Drop Quality accreditation system	≥90% Compliance with Green Drop Quality accreditation system by 30 June 2025	57,4%	1. Contractor appointed to upgrade the Oranjeville WWTW from 0.48 Ml/day to 4Ml/day.
% reduction in electricity distribution losses annually	20% reduction in electricity distribution losses by 30 June 2025	24,6%	Municipality needs to undertake an audit to monitor illegal/bypassed connections as well as replace faulty/dysfunctional meters.
Number of High mast lights erected/installed	5 High Mast Lights Erected/Installed (Deneysville & Oranjeville) by 30 June 2025	0	The project is envisaged to be implemented in the 2025/26 financial year.
Number of kilometres unsurfaced road network built	1.5km of kilometres unsurfaced road network built by 30 June 2025	0	Project to be advertised in the next financial year.
% of comments within 10 working days on building plans received to be approved within specified period, 30 days < 500m²	100% of comments within 10 working days on building plans received to be approved within specified period, 30 days < 500m² by 30 June 2025	77,3%	Fasttrack the appointment of advertised SEA positions within the division.
Number of kilometres of new municipal roads built (Circular 88 Indicators)	1.3km of new municipal roads built by 30 June 2025	0	Progress to be tracked and target to be achieved in 2025/26 financial year
Number of additional kilometres of stormwater drainage constructed	4km kilometres of storm water drainage constructed by 30 June 2025	0	Progress to be tracked and target to be achieved in next FY

Indicator	Target	Reported achievement	Reported measure
% on Reduction of irregular expenditure on the baseline amount quarterly basis annually (IDP 1.44)	100% on Reduction of irregular expenditure on the baseline amount quarterly basis by 30 June 2025	0	Finalise all the outstanding Panel of service providers to reduce the irregular expenditure in the next financial year
Identification of new land for the new landfill site(s)	Identification of new land for the new landfill site(s) by 30 June 2025	0	A task team with ISA and the municipality appointed on the support initiative
% of Fire incidents effectively attended to as and when they occur, Sasolburg 7 minutes, Deneysville 20 minutes, and Oranjeville 45 minutes for both Formal & Informal households and businesses in the respective areas.	100% of Fire incidents effectively attended to as and when they occur, Sasolburg 7 minutes, Deneysville 20 minutes, and Oranjeville 45 minutes for both Formal & Informal households and businesses in the respective areas by 30 June 2025	63,50%	To fast track the building of the fire station
% on Reduction of irregular expenditure on the baseline amount quarterly basis annually (IDP 1.69)	100% on Reduction of irregular expenditure on the baseline amount quarterly basis by 30 June 2025	0%	Ensure proper planning to adhere to SCM processes

Other matters

39. I draw attention to the matters below.

Achievement of planned targets

40. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

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

Basic service delivery and infrastructure development

Targets achieved: 36%

Budget spent: 96.26%

Key service delivery indicator not achieved	Planned target	Reported achievement
Cumulative % of households with access to basic water supply by 30 June of each year	Cumulative 3% of 15644 households not connected to basic water supply by 30 June 2025.	13.4% achieved, 2100 HHs House connections completed/access to basic water supply. Sasolburg North infrastructure project. Pipes installed: 45.237km
Number of kilometres of obsolete asbestos/old water pipes replaced with Upvc	5 kms asbestos/old water pipes replaced by 30 June 2025	3.360 km
% Minimization Water distribution losses per year	Water distribution loss minimized to 30% by 30 June 2025	30,5%
% Compliance with Blue Drop Water Quality accreditation system	≥95% Compliance with Blue Drop Water Quality accreditation system by 30 June 2025	93.25%
Number of new water connection to piped water (tap) (Circular 88 Indicators)	1 500 new water connection to piped water (tap): Mooidraai by 30 June 2025	0
% of households with access to basic sanitation (Circular 88 Indicators)	75% of 46716 households with access to basic sanitation by 30 June 2025	26.47% (3091) of 11679 backlog house connections constructed in Sasolburg North infrastructure project.
Number of sewer connections to consumer units installed (Circular 88 Indicators)	1000 sewer connections to consumer units installed in Gortin by 30 June 2025	619
% of sewer call outs responded to within 24 hours (Circular 88 Indicators)	100% sewer call outs responded to within 24 hours by 30 June 2025	77,62%
% Compliance with Green Drop Quality accreditation system	≥90% Compliance with Green Drop Quality accreditation system by 30 June 2025	57,4%
Cumulative % of households with access to basic electricity service standard by 30 June of each year	85% of 46716 households have access to basic electricity service standard by 30 June 2025	74,20%
Number of new household electricity connections installed (Circular 88 Indicators)	400 new electricity house connections installed in Themba Kubheka by 30 June 2025	251

% of unplanned outages that are restored to supply within industry standard timeframes	100% call outs responded to within 24 hours by 30 June 2025	0%
% reduction in electricity distribution losses annually	20% reduction in electricity distribution losses by 30 June 2025	24.6%
Number of High mast lights erected/installed	5 High Mast Lights Erected/Installed (Deneysville & Oranjeville) by 30 June 2025	0
Number of kilometres unsurfaced road network built	1.5km of kilometres unsurfaced road network built by 30 June 2025	0
% of pothole complaints resolved within the standard time after being reported (Circular 88 Indicators)	100 % of pothole complaints resolved within 72hrs after being reported, by 30 June 2025	97%
% of comments within 10 working days on building plans received to be approved within specified period, 30 days < 500m²	100% of comments within 10 working days on building plans received to be approved within specified period, 30 days < 500m² by 30 June 2025	77,3%
Number of kilometres of new municipal roads built (Circular 88 Indicators)	1.3km of new municipal roads built by 30 June 2025	0
Number of additional kilometres of stormwater drainage constructed	1.3 km kilometres of storm water drainage constructed by 30 June 2025	0
% on Reduction of irregular expenditure on the baseline amount quarterly basis annually (IDP 1.44)	100% on Reduction of irregular expenditure on the baseline amount quarterly basis by 30 June 2025	0%
Identification of new land for the new landfill site(s)	Identification of new land for the new landfill site(s) by 30 June 2025	0
% of Fire incidents effectively attended to as and when they occur, Sasolburg 7 minutes, Deneysville 20 minutes, and Oranjeville 45 minutes for both Formal & Informal households and businesses in the respective areas.	100% of Fire incidents effectively attended to as and when they occur, Sasolburg 7 minutes, Deneysville 20 minutes, and Oranjeville 45 minutes for both Formal & Informal households and businesses in the respective areas by 30 June 2025	63,50%

% on Reduction of irregular expenditure on the baseline amount quarterly basis annually (IDP.1.69)	100% on Reduction of irregular expenditure on the baseline amount quarterly basis by 30 June 2025	0%

Material misstatements

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

43. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

44. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

45. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Annual financial statements and annual report

47. 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 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

48. 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.

Consequence management

49. 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.

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

51. I was unable to obtain sufficient appropriate audit evidence that losses resulting from irregular expenditure were recovered from the liable person, as required by section 32(2) of the MFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

52. Losses resulting from irregular expenditure were certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA.

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

54. Allegations of financial misconduct laid against officials of the municipality were not investigated by the disciplinary board, relevant treasury or an independent investigator or team of investigators appointed by council, as required by municipal regulations on financial misconduct procedures and criminal proceedings 5(4).

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 irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.

57. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R3 435 641as disclosed in note 59 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

58. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R29 484 200as disclosed in note 58 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Revenue management

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

Strategic planning and performance

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

Conditional grants

61. Performance in respect of programmes funded by the regional bulk infrastructure grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Procurement and contract management

62. Sufficient appropriate audit evidence could not be obtained that goods and services within the prescribed transaction values for formal written price quotations were procured using price quotations as required by SCM Regulation 17(1)(a) and (c).

63. Sufficient appropriate audit evidence could not be obtained that quotations were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

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

65. Sufficient appropriate audit evidence could not be obtained that quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) Preferential Procurement Policy Framework Act and its regulations.

66. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2022 Preferential Procurement Regulation 4(4) and 5(4).

67. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5.

68. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA.

69. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA.

Other information in the annual report

70. The accounting officer is responsible for the other information included in the annual report The other information does not include the financial statements, the auditor's report and those selected KPA presented in the annual performance report that have been specifically reported on in this auditor's report.

71. 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.

72. 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.

73. 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

74. 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.

75. 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.

76. The accounting officer did not in all instances implement proper record keeping in a timeously manner to ensure that complete, relevant, and accurate information is accessible and available to support the financial statements.

77. There was no effective review process by the accounting officer, internal audit and the audit committee on the performance information process and reporting.

78. The accounting officer did not at all instances ensure that controls on compliance with laws and regulations is implemented effectively in the municipality.

79. The council did not ensure that the municipal public accounts committee investigated the unauthorised, irregular expenditure and fruitless and wasteful expenditure and the investigation reports are considered before write offs.

Material irregularities

80. 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

Pollution of water resource not prevented – Oranjeville wastewater treatment works

81. 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.

82. 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 (DWS) for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on the same day, and the investigation is currently in progress.

Pollution of water resource not prevented - Deneysville (Refengkotso) wastewater treatment works

83. 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.

84. 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 D W S for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on the same day, and the investigation is currently in progress.

Poor management of the Sasolburg waste landfill site

85. 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.

86. 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.

87. 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 (DESTEA) affairs for further investigation. The referral was accepted by DESTEA on 2 September 2024, and the investigation is currently in progress.

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

88. 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.

89. 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.

90. 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 accounting officer did not take appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Auditor - General.

Bloemfontein

05 December 2025

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor’s report

1. The annexure includes the following:

   - The auditor-general’s responsibility for the audit
   - The selected legislative requirements for compliance testing

Auditor-general’s responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality’s internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
   - conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause 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), 33(1)(c)(ii); 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), 165(1), 165(2)(a), Sections 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), Sections: 165(2)(b)(vii), 166(2)(b), Sections 166(2)(a)(iv), 166(5),170, 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), 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 57A, 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), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(iii), 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), 27(4)(a)(i)
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 24 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)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43

Legislation	Sections or regulations
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), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), Regulations: 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)