Report of the auditor-general to Gauteng Provincial Legislature and council on Emfuleni Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of Emfuleni 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, and the cash flow statement and title of the statement of comparison of budget information with actual information 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 possible effects of the matters described in the basis for qualified opinion section of this audit's report, the financial statements present fairly, in all material respects, the financial position of Emfuleni Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with SA Standards of Generally Recognised Accounting Practices (GRAP) and the requirements of the Municipality Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2024 (Dora).

Basis for qualified opinion

Receivables from exchange transactions

3. The receivables from exchange transactions were not evaluated and allocated correctly in their accounting records as required GRAP 104, *Financial instruments*, which resulted in receivables from exchange transactions disclosed in note 3 to the financial statements being misstated. I was unable to determine the value of the misstatement of receivables from exchange transactions, as it was impracticable to do so.

General expenses

4. The maintenance of property, plant and equipment expenses were not classified correctly in their accounting records as required by GRAP 01, *Presentation of financial statements,* which resulted in maintenance of property, plant and equipment expenses disclosed in note 7 to the financial statements being misstated. I was unable to determine the value of the misstatement of maintenance of property, plant and equipment expenses, as it was impracticable to do so.

Statement of comparison of budgets and actual amounts

5. The comparison of budget and actual amounts was not prepared accurately as required by GRAP 24, Presentation of budget information in the financial statements, which resulted in statement of comparison of budget and actual amounts being misstated. This resulted in the statement of comparison of budget and actual amounts relating to statement of financial

position being understated as well as statement of financial performance being overstated by R2 540 746 806 and R413 770 082, respectively.

Context for opinion

6. 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.

7. 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.

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

Material uncertainty related to going concern

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

10. I draw attention to note 38 to the financial statements, which indicates that Gauteng provincial executive has intervened at the municipality in terms of section 139(1)(b) and Section 139(5)(a) of the Constitution. These events or conditions, along with the other matters as set forth in note 38, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

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

Material impairments – Receivables from non-exchange transactions

12. As disclosed in note 4 to the financial statements, material losses of R2 322 207 142 was incurred as a result of allowance for impairment of total receivables from non-exchange transactions.

Material losses – water and electricity

13. As disclosed in note 39 to the financial statements, material electricity losses of R607 897 768 (2023-24: R751 036 434) was incurred, which represents 25% (2023-24: 24,8%) of total electricity purchased.
14. As disclosed in note 39 to the financial statements, material water losses of R880 821 168 (2023-24: R836 278 422) was incurred, which represents 57,4% (2023-24: 62,1%) of total water purchased.

Other matter

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

Unaudited disclosure notes

16. 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

17. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and 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.

18. 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.

19. Responsibilities of the auditor-general for the audit of the financial statements. 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.

20. 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 of the annexure to the auditor's report, forms part of my auditor's report.

Report on the audit of the annual performance report

21. 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 presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Objective	Page numbers	Purpose
Basic services and infrastructure	[XX]	To ensure quality basic service delivery to communities

23. I evaluated the reported performance information for the selected key performance area 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.

24. 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 measures taken to improve performance.

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

26. The material findings on the reported performance information for the selected key performance area are as follows:

Basic services and infrastructure

27. Material findings reporting paragraphs – per indicator or per group of indicators with similar findings.

Various indicators with limitations

28. 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
BS.01 / C88 – Percentage reduction of electricity distribution losses measured in kilowatt hours (23.8% to 13.8%)	10%	-10,9%
BS.02 / C88 – Number of valid customer applications for new electricity connections processed, completed and installed	120	329
BS.05 / C88 – Number of electricity prepaid, smart meters or online LPUs replaced / installed	4 460	2 130
BS.21 – Percentage of water distribution losses reduced in line with water reduction plan	5%	57,4%
BS.37 – Square meters of grass (horticultural) cut in accordance with maintenance plan for identified areas	650 000m^2	6 915 009 m^2
BS.35 – Square meters of sports and recreational facilities maintained.	1 765 131 m^2	2 643 356 m^2

Length in metres of old water pipes replace / repaired

29. An achievement of 580 metres was reported against a target of 1100m. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the target was not achieved.

Number of environmental management and preservation programmes implemented

30. An achievement of 13 was reported against a target of 12. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the underachievement on the target was more than reported.

Number of indigents households registered

31. The indicator was not clearly defined during the planning process. The title of the indicator is not consistent with the definition of the indicator as the objective of the indicator measures

verification process of indigents applications. Consequently, the indicator is not useful for measuring and reporting on progress against planned objectives.

Other matter

32. I draw attention to the matter below.

Achievement of planned targets

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

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

Basic services and infrastructure

Targets achieved: 67%

Budget spent: Not available per key performance area

Key service delivery indicators not achieved	Planned target	Reported achievement
BS. 01/C88 – Percentage reduction of electricity distribution losses measured in kilowatt hours (23,8% to 13,8%)	10%	-10,9%
BS. 03 – Number of electrical substations refurbished, repaired or maintained. 1.Sonlandpark Substation refurbishment, 2. VRG 59 Substation, 3. Three Rivers Substation.	3	1
BS. 05/ C88 – Number of electricity prepaid smart meters or online LPUs replaced / installed	4 460	2 130
BS. 13 – Number of illegal dumps cleaned	160	135
BS. 14 – Percentage of activities implemented in line with permit conditions (applicable to Palmsprings Landfill Site)	83%	66,46%
BS. 17 – Number of new water meters installed or replaced in accordance with the maintenance programme and unplanned schedule	1 000m	326m

Targets achieved: 67% *Budget spent: Not available per key performance area*		
Key service delivery indicators not achieved	**Planned target**	**Reported achievement**
BS. 19 – Length in meters of old water pipes replaced / repaired	1100m	326m
BS. 25 – Number of components of wastewater treatment works refurbished or repaired/maintained	18	0
BS. 26 – Number of sewers pumpstation refurbished, repaired or maintained	6	0
BS. 34 – Number of feasibility studies conducted to develop cemetery space	1	0
BS. 40 – Length in kilometres of sewer pipeline constructed (upgrading Union Str Bulk Sewer Line in Vereeniging) (0,52km)	0,52km	0,51km
BS. 43 – Length in kilometres of sewer pipeline constructed (gravity sewer pipeline from industrial through Boipating / Tshepiso to PS4) (4,9km)	4,9km	3,9km

Material misstatements

35. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Basic services and infrastructure. Management did not correct the misstatement, and I reported material findings in this regard.

Report on compliance with legislation

36. 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.

37. 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.

38. 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.

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

Annual financial statements

40. 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, current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

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

42. Reasonable steps were not taken to prevent irregular expenditure amounting to R20 402 658 as disclosed in note 37 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations and expired contracts.

43. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R208 472 407, as disclosed in note 36 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The fruitless and wasteful expenditure relates to interest charge by suppliers.

44. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R3 043 026 795, as disclosed in note 35 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the public works budget vote.

Revenue management

45. Reasonable steps were not taken to ensure that the municipality had and maintained a management, accounting and information system which recognises revenue when it is earned; accounts for debtors; and as required by section 64(2) (e) and (f) of the MFMA.

Consequence management

46. 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.

47. Unauthorised expenditure was certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(a)(ii) of the MFMA.

48. 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.

49. 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.

50. Fruitless and wasteful 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)(a)(ii) of the MFMA.

Procurement and contract management

51. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2017 Preferential Procurement Regulations 11 and/or 2022 Preferential Procurement Regulation 4(4) and 5(4).

52. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board Act 38 of 2000 (CIDB Act) and CIDB Regulations 17 and 25(7A).

53. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service (Sars) to be in order, in contravention of SCM Regulation 43.

54. Bid specifications for some of the tenders were drafted in a biased manner and did not allow all potential suppliers to offer their goods or services, in contravention of SCM Regulation 27(2)(a).

55. The performance of 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.

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

Other information in the annual report

57. The accounting officer is responsible for the other information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.

58. 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.

59. 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 key performance area

presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

60. 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

61. 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.

62. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified and the material findings on the annual performance report and the material findings on compliance with legislation included in this report. The accounting officer did not exercise effective oversight to ensure that the annual financial statements and performance report are properly reviewed by senior management for completeness and accuracy before submitting for auditing and that there is consequence management for contravening applicable laws and regulations.

63. The accounting officer did not ensure that commitments made in prior year were actioned as evidenced by repeat audit findings on performance information and compliance with laws and regulations.

64. Senior management did not adequately implement action plans designed to prevent the recurring instances of non-compliance. Consequence management relating to deviating from policies and procedures relating to compliance with laws and regulations were not implemented adequately, consistently and effectively.

65. Senior management did not implement and maintain an effective accounting system to ensure that accounts debtors were accurate.

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.

Status of previously reported material irregularities

Alleged negligence of duties disciplinary processes not finalised within the required timeframe

67. Alleged negligence of duties disciplinary processes not finalised within the required timeframe. This resulted in non-compliance with paragraph 16.4 of South African local government bargaining council disciplinary procedure collective agreement.

68. The accounting officer was notified of the material irregularity on 15 November 2024. The following actions have been taken to resolve the material irregularity:

    - The disciplinary process was finalised on 13 March 2025 where a recommendation of dismissal sanction was made in favour of the municipality. The municipality has terminated the service of the said employee; however, the said official has appealed the process which is now in the hands of the Local Government Bargaining Council. The municipality is currently defending the matter while the salary of the said official was stopped.

69. The material irregularity is resolved.

Alleged bribery and corruption disciplinary processes not finalised within the required timeframe

70. Alleged bribery and corruption disciplinary processes not finalised within the required timeframe. This resulted in non-compliance with paragraph 16.4 of South African local government bargaining council disciplinary procedure collective agreement.

71. The accounting officer was notified of the material irregularity on 15 November 2024. The following actions have been taken to resolve the material irregularity:

    - The disciplinary process of the said employees was finalised on 27 June 2025, and the outcome process recommended a dismissal, and the matter refers is now closed.

72. The material irregularity is resolved.

Other reports

73. An independent consultant investigated allegations of various misconduct at the request of the municipality, which covered the period 01 July 2024 to date. These proceedings were in progress at the date of this auditor's report.

Johannesburg

Auditor-General

15 December 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence