

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Mogale City 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, 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, the financial statements present fairly, in all material respects, the financial position of the Mogale City Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP), the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for opinion

3. 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.
4. 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Material impairments – Receivables from exchange transactions

7. As disclosed in note 4 to the financial statements, the receivables from exchange transactions balance has been significantly impaired. The allowance for impairment of receivables from exchange transactions is R2 379 303 368 (2023-24: R2 046 072 031) as a result of the irrecoverable monies owed to the municipality from service charges and other revenue.

Material impairments – Receivables from non-exchange transactions

8. As disclosed in note 3 to the financial statements, the receivables from non-exchange transactions balance has been significantly impaired. The allowance for impairment of receivables from non-exchange transactions is R609 883 858 (2023-24: R587 780 736) as a result of the irrecoverable monies owed to the municipality from property rates and traffic fines revenue.

Material losses – Electricity

9. As disclosed in note 42 to the financial statements, material electricity losses of R187 666 408 (2023-24: R164 063 951) were incurred, which represents 14,06% (2023-24: 32,56%) of total electricity purchased. Losses were due to unmetered supplies, faulty meters, dysfunctional and old technology meters measuring inaccurate usage, tampered meters for electricity theft, illegal connections, heat losses due to distribution and reticulation of electricity.

Material losses – Water

10. As disclosed in note 42 to the financial statements, material water losses of R103 939 591 (2023-24: R164 063 951) were incurred, which represents 19,29% (2023-24: 32,56%) of total water purchased. Losses were due to amongst others leaking water storage reservoirs, aged water pipelines infrastructure and long turnaround time to pipe bursts repairs due to staff shortages.

Restatement of corresponding figures

11. As disclosed in note 49 to the financial statements, the corresponding figures for 30 June 2025 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2024.

Other matter

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

Unaudited disclosure notes

13. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. These disclosure requirements did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting officer for the financial statements

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

15. 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

16. 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.
17. 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 XXX forms part of my auditor's report.

Report on the audit of the annual performance report

18. 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.
19. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected the key performance area that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Key performance area	Page numbers	Purpose
Basic service delivery and infrastructure development	XX	To provide sustainable services to the community.

20. 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.
21. 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 measures taken to improve performance.

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

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

Basic service delivery and infrastructure development

Percentage of gravel road maintenance service requests completed in line with requests received

24. An achievement of 86.4% was reported against a target of 100%. Adequate processes had not been established to consistently measure and reliably report on the achievement of this indicator and its target. Currently the municipality receives requests for gravel roads maintenance service through multiple sources of communication, some of which are not verifiable. Consequently, the municipality would have found it difficult to determine the correct achievement to be reported against the planned target

Percentage of roads and stormwater maintenance service requests completed in line with requests received

25. An achievement of 100% was reported against a target of 100%. Adequate processes had not been established to consistently measure and reliably report on the achievement of this indicator and its target. Currently the municipality receives requests for roads and stormwater maintenance service through multiple sources of communication, some of which are not verifiable. Consequently, the municipality would have found it difficult to determine the correct achievement to be reported against the planned target

Number of indigent household applications processed

26. An achievement of 5 332 was reported against a target of 5 000. However, the audit evidence showed that invalid and unverifiable applications were counted as an achievement, thus we could not reliably measure the achievement reported. Consequently, the reported actual achievement is overstated.

Other matters

27. I draw attention to the matters below.

Achievement of planned targets

28. 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.

29. 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: 76%		
Budget spent: Not available per key performance area		
Key service delivery indicators not achieved	Planned target	Reported achievement
KPI 1: SIP (913) Percentage implementation of Leratong 15ML reservoir project milestones in line with the plan	100%	0%
KPI 2: SIP Number of houses completed in Dr Sefularo	50	0
KPI 3: SIP Number of houses completed in Dr Motlana	50	0
KPI 4: SIP Number of houses completed in Brickvale	279	200
KPI X1: SIP Percentage implementation of project milestones for the Kagiso Water Supply Tower in line with the project plan	100%	40%

KPI 5: SIP (801) Percentage implementation of Pr4: Roads Rehabilitation and Resurfacing project milestones in line with the plan	100%	50%
KPI 2: IDS (883) Percentage implementation of Percy steward WWTW refurbishment project milestones in line with the Project plan	100%	92.92%
KPI X1: IDS Percentage implementation of Flip Human WWTW refurbishment project milestones in line with the Project plan	100%	79.1%
KPI X2: IDS Percentage implementation of Project milestones for Lusaka 2 and 3 sewer pumpstation in line with the milestones in the Project plan	100%	88.9%
KPI X4: IDS Percentage implementation of Project milestones for Ethambalethu Sewer pumpstation refurbishment in line with the milestones in the Project plan	100%	0%
KPI2: IDS % of gravel road maintenance service requests completed is line with requests received	100%	86.40%
KPI 9: IDS (988) Percentage of electricity small Connections application requests processed	100%	95.40%

Material misstatements

30. 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 key performance area. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

31. 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.
32. 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.

33. 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.
34. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, annual performance report and annual report

35. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of property, plant and equipment, cash flow statement, segment reporting, payables from exchange transactions, intangible assets, VAT, commitments, work in progress taking longer to complete and prior period adjustments identified in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Consequence management

36. 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.

Other information in the annual report

37. 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 key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.
38. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
39. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with 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.
40. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and 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

- 41. 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.
- 42. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
- 43. The accounting officer and senior management did not adequately implement action plans designed to prevent recurring non-compliance with laws and regulations and findings on financial and performance management.
- 44. The accounting officer and senior management did not ensure that adequate processes were in place to review the financial statements and performance report submitted for audit and to ensure the information submitted is of the right quality and is accurate and complete.

Material irregularities

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

Status of previously reported material irregularities

Pollution of water resource and degrading of the environment not prevented at Percy Stewart wastewater treatment works

- 46. The municipality did not take reasonable measures at the Percy Stewart wastewater treatment works (WWTW) to prevent pollution and 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 and section 19(1) of the National Water Act 36 of 1998. The Percy Stewart wastewater treatment works has not been functional for a number of years due to neglected maintenance, which has resulted in the discharge of inadequately treated effluent into the Bloubankspruit River, the adjacent environment and farmland and contamination of the groundwater in the surrounding area.
- 47. This has resulted in continued spillage and discharge of raw and untreated sewerage into the Bloubankspruit River and environment adjacent to the wastewater works. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.
- 48. The accounting officer was notified of the material irregularity on 27 March 2024 and invited to make a written submission on the actions taken and which will be taken to address the matter.
- 49. The accounting officer has taken the following actions in the 2024/25 financial year to address the material irregularity:

- Advertised the position of manager water and sanitation in February 2024 and appointed the manager in May 2024.

50. Engagements are on-going with the national Department of Water and Sanitation to secure funding to address infrastructure needs at the WWTW. A budget of R38 255 982 has been allocated for the 2024-25 financial year to refurbish the WWTW.

- The accounting officer has increased security personnel at the WWTW to safeguard the assets at the WWTW.

51. I have considered the actions taken by management and consider these to be in progress as not all the actions committed to by management were performed to address the irregularity. The internal control environment within the wastewater treatment works has improved because increased 24-hour security was visible during verification, and the refurbishment had started in the 2025/26 financial year.

52. I will follow up on the progress made on the implementation of these actions during my next audit.

Other reports

53. An investigation was performed by the SIU, based on the allegations of procurement irregularities, dating back to prior periods. Management was in the process of implementing the recommendations.

Auditor General

Johannesburg

30 November 2025



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

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

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 the selected key performance area and on the municipality's compliance with selected requirements in key legislation.

Financial statements

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 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 the 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.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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.

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

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), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 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), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
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), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)

Legislation	Sections or regulations
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: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 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)