



AUDITOR-GENERAL
SOUTH AFRICA

REPORT OF THE AUDITOR-GENERAL

Umdoni Municipality

For the year ended 30 June 2025

Report of the auditor-general to KwaZulu-Natal Provincial Legislature and the council on Umdoni Municipality

Report on the audit of the financial statements

Opinion

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

Restatement of corresponding figures

7. As disclosed in note 46 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.

Allowance for impairment

8. As disclosed in note 3 and 4 to the financial statements, the municipality recognised an allowance for the impairment of both receivables from exchange transactions and receivables from non-exchange transactions to the value of R37,44 million (2023-24: R35,40 million) and R111,76 million (2023-24: R113,98 million) respectively.

Unspent conditional grants

9. As disclosed on note 11 to the financial statements, the municipality disclosed unspent conditional grants of R11,53 million (2023-24: R6,94 million).

Other matters

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

Unaudited disclosure notes

11. 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

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA 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.
13. 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

14. 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.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

16. 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 development priority presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Development priority	Page numbers	Purpose
Basic service delivery and infrastructure development	XX	Provision of basic services and infrastructure which includes the rehabilitation of roads, refuse removal and the construction of sports fields

18. I evaluated the reported performance information for the selected development priority 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.

19. 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
- 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
- there is adequate supporting evidence for the achievements reported and for the measures taken to improve performance

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

21. The material findings on the reported performance information for the selected development priority are as follows:

Basic service delivery and infrastructure development

Various indicators

22. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

Indicator	Target	Reported achievement
BSD1.1 - Number of KMs of Roads Rehabilitated	Refurbish 8000m of gravel and concrete sections (1-Jiza Rd ,2-Phondweni Rd,3-Majola Rd, 4-Maphumulu Rd, 5-Mbulala Nkukhu,6-Mndaweni Rd, 7-Mashilo Rd, 8-Mhlangamkhulu Rd, 9-Cele,11-Somkhandu, 13-Ryland,14-VictoRd, 16-Shezi Rd,17-Estaladini Rd, 18-320 Rd & 19-Mathabethe Rd) by 30 June 2025	Refurbished 6400m of gravel and concrete sections (1-Jiza Rd ,2-Phondweni Rd,3-Majola Rd, 4-Maphumulu Rd, 5-Mbulala Nkukhu,6-Mndaweni Rd, 7-Mashilo Rd, 8-Mhlangamkhulu Rd, 9-Cele,11-Somkhandu, 13-Ryland,14-VictoRd, 16-Shezi Rd,17-Estaladini Rd, 18-320 Rd & 19-Mathabethe Rd) by 30 June 2025
BSD1.2 - Number of meters of gravel and concrete sections	Refurbish 8000m of gravel and concrete sections (1-Jiza Rd ,2-Phondweni Rd,3-Majola Rd, 4-Maphumulu Rd, 5-Mbulala Nkukhu,6-Mndaweni Rd, 7-Mashilo Rd, 8-Mhlangamkhulu Rd, 9-Cele,11-Somkhandu, 13-Ryland,14-VictoRd, 16-Shezi Rd,17-Estaladini Rd, 18-320 Rd & 19-Mathabethe Rd) by 30 June 2025	Refurbished 6400m of gravel and concrete sections (1-Jiza Rd ,2-Phondweni Rd,3-Majola Rd, 4-Maphumulu Rd, 5-Mbulala Nkukhu,6-Mndaweni Rd, 7-Mashilo Rd, 8-Mhlangamkhulu Rd, 9-Cele,11-Somkhandu, 13-Ryland,14-VictoRd, 16-Shezi Rd,17-Estaladini Rd, 18-320 Rd & 19-Mathabethe Rd) by 30 June 2025

Various Indicators

23. Some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and reported achievements. 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
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BSD3.4 - Percentage of Shange Access Road regravelled	Regravel 100% of Shange Access Road by 31 December 2024	Regravelle 100% of Shange Access Road by 31 December 2024
BSD3.5 - Percentage of Hazelwood area (Gravel road) regravelled	Re-gravel 100% Hazelwood Area (Gravel Road) by 31 December 2024	Re-gravelled 100% Hazelwood Area (Gravel Road) by 31 December 2024
BSD3.6 - Percentage of Mphemba Access Road regravelled	Achieved Re-gravel 100% Mphemba Access Road by 31 December 2024	Re-gravelled 100% Mphemba Access Road by 31 December 2024
BSD37 - Percentage of Bushy Grove rehabilitated	Rehabilitate 100% of Bushy Grove by 31 December 2024	Rehabilitated 100% of Bushy Grove by 31 December 2024

BSD4.2 - Percentage of Oswanini Community Hall constructed and completed

24. The reported measures taken to improve performance against the underachieved target of 0%, did not agree to the audit evidence. The audit evidence indicated the measures to be leadership and labour engagements and not bid committee sitting as reported in the annual performance report. Consequently, the reported measures are not reliable for helping to understand the actions taken by the municipality to address performance gaps and to assess the effectiveness of strategies to improve future performance against the target.

Other matters

25. I draw attention to the matters below.

Achievement of planned targets

26. 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.

27. 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 / measures taken to improve performance are included in the annual performance report on pages xx to xx.

Basic service delivery and infrastructure development

<i>Targets achieved: 79%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of meters of gravel and concrete sections	Refurbish 8000m of gravel and concrete sections (1-Jiza Rd ,2-Phondweni Rd,3-Majola Rd, 4-Maphumulu Rd, 5-Mbulala Nkukhu,6-Mndaweni Rd, 7-Mashilo Rd, 8-Mhlangamkhulu Rd, 9-	Refurbished 6400m of gravel and concrete sections (1-Jiza Rd ,2-Phondweni Rd,3-Majola Rd, 4-Maphumulu Rd, 5-Mbulala Nkukhu,6-Mndaweni Rd, 7-Mashilo Rd, 8- Mhlangamkhulu Rd, 9-Cele,11-Somkhandu, 13-

Targets achieved: 79%		
Key service delivery indicator not achieved	Planned target	Reported achievement
	Cele,11-Somkhandu, 13-Ryland,14-VictoRd, 16-Shezi Rd,17-Estaladini Rd, 18-320 Rd & 19-Mathabethe Rd) by 30 June 2025	Ryland,14-VictoRd, 16-Shezi Rd,17-Estaladini Rd, 18-320 Rd & 19-Mathabethe Rd) by 30 June 2025
Percentage of Nsongeni Road upgraded from Gravel to Asphalt	Upgrade 100% of Nsongeni Road from Gravel to Asphalt by 30 June 2025	Upgraded 58% of Nsongeni Road from Gravel to Asphalt by 30 June 2025
Percentage of Dumisa Community Halls and Skills Centre Refurbished	Refurbish 100% of Dumisa Community Hall and Skills Centre by 30 June 2025	Refurbished 70% of Dumisa Community Hall and Skills Centre by 30 June 2025
Percentage of Oswanini Community Hall constructed and completed	Construct and Complete 30% of Oswanini Community Hall by 30 June 2025	Constructed and Completed 0% of Oswanini Community Hall by 30 June 2025

Material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing.

These material misstatements were in the reported performance information for Basic service delivery and infrastructure development. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

29. 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.

30. 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.

31. 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.

32. 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

33. 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, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

34. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R26,42 million (2023-24: R6,58 million) as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure is caused by unbudgeted non-cash
35. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R0,27 million (2023-24 R0,11 million) as disclosed in note 50 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was caused by interest on late payments
36. Reasonable steps were not taken to prevent irregular expenditure amounting to R303,31 million (2023-24: R16,36 million) as disclosed in note 51 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain regulations.

Procurement and contract management

37. Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). Similar non-compliance was also reported in the prior year.
38. Awards were made to providers who were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM Regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM Regulation 38(1).

Human resource management

39. Financial interests were not disclosed by the senior managers within 60 days from date of appointment, as required by Regulation on appointment and conditions of employment of senior managers 36(1)(a) on appointment and conditions of employment of senior managers.
40. The staff members did not enter into a performance agreement within the prescribed period, as required by regulation 35(1) of the Municipal Staff Regulations.

Strategic planning and performance

41. The performance management system and related controls were inadequate as they did not ensure that effective monitoring, reviewing and reporting processes were conducted, as required by municipal planning and performance management regulation 7(1). This is evidenced by material findings in the reported indicators.

Consequence management

- 42. 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.
- 43. 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.

Other information in the annual report

- 44. 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 those selected development priority presented in the annual performance report that have been specifically reported on in this auditor's report.
- 45. 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.
- 46. 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 development priority presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 47. 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

- 48. 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.
- 49. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
- 50. Management did not have an effective management records system that assist in easy retrieval for audit purposes. Management did not implement proper internal controls to ensure that appropriate records are maintained to support the audit trail and enhance accurate reporting with GRAP standards and performance management framework. Furthermore, procurement and contract management practices were not always effective in ensuring compliance with relevant laws and regulations.

Other reports

51. I draw attention to the following engagement conducted by various parties. The report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

52. There are currently two investigations taking place:

- The two investigations are being investigated by the Directorate for Priority Crime Investigations (Hawks). One of which relates to procurement and contract management fraud during the 2020-21 period amounting to R6,7 million, while the other matter investigated by the Hawks relates to the theft of fuel.

AUDITOR-GENERAL

Pietermaritzburg

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 selected development priorities 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 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

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	Section 1 - Paragraphs (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a) & (b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
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), 13(c)(i), 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), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)

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