AUDITOR-GENERAL
SOUTH AFRICA

AUDIT REPORT

Alfred Duma Local Municipality

2024-25

Report of the auditor-general to KwaZulu-Natal Provincial Legislature and the council on Alfred Duma Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Alfred Duma 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, statements of changes in net assets, cash flow statement and the comparison of statement 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 Alfred Duma Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 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 in note 56 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 impairments

8. As disclosed in note 5 to the financial statements, the municipality recognised an allowance for impairment of R128,80 million (2023-24: R174,15 million) on receivables from exchange transactions as the recoverability of these amounts was doubtful.

9. As disclosed in note 6 to the financial statements, the municipality recognised an allowance for impairment of R601,17 million (2023-24: R492,04 million) on receivables from non-exchange transactions as the recoverability of these amounts was doubtful.

Materia losses

10. As disclosed in note 46 to the financial statements, material losses of R 100,24 million (2023-24: R 19,59 million) was incurred as a result of a write-off of irrecoverable trade debtors.

11. As disclosed in note 37 to the financial statements, material electricity losses of R 61,35 million (2023-24: R54,17 million) was incurred, which represents 16,47% (2023-24: 16%) of total electricity purchased. Technical losses amounted to R 18,62 million (2023-24: R17,01 million) and was due to power dissipation in the electricity system components. Non-technical losses amounted to R 42,73 million (2023-24: R 37,17 million) and were due to theft of electricity.

Other matters

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. This disclosure requirement did not form part of the audit of financial statements and, accordingly, I do not express an opinion on it.

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 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.

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 at page 10, 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 a 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 ensure improved access to basic service

20. I evaluated the reported performance information for the 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 and for the measures taken to improve performance.

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

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

Basic service delivery and infrastructure development

Various indicators

24. Various indicators and their targets were not clearly defined during the planning process. Consequently, the indicators and their targets are not useful for measuring and reporting on progress against the municipality's planned objectives.

Indicator	Target	Detail
Number (in kilometres) of rehabilitation ELM Street in ward 20 by 30 June 202	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for rehabilitation of 0,29 kilometres (km) ELM Street in ward 20 by 30 June 2025	There were inconsistences between the quarterly targets, yearly targets and reported achievement. This discrepancy highlights misalignment within the approved plans, while the incorrect reporting undermines transparency and accountability.
Number (in kilometres) of rehabilitation Madras road in ward 10 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for rehabilitation of 0,5km Madras road in ward 10 by 30 June 2025	
Number (in kilometres) of resurfacing Tanjore road in ward 10 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for resurfacing of	

Indicator	Target	Detail
	0,68km Tanjore road in ward 10 by 30 June 2025	
Number (in kilometres) of rehabilitation of Newcastle road in ward 22 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for rehabilitation of 0,65km Newcastle road in ward 22 by 30 June 2025	
Number (in kilometres) of rehabilitation of Shepstone road in ward 22 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for rehabilitation of 1,3km Shepstone road in ward 22 by 30 June 2025	
Number (in kilometres) of resurfacing of Chisty place in ward 13 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for resurfacing of 2,1km Chisty place in ward 13 by 30 June 2025	
Date of refurbishment of kwaMnangeni low water crossing in ward 30 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for refurbishment of kwaMnangeni low water crossing in ward 30 by 30 June 2025	
Date of reconstruction of Burford cemetery low water crossing in ward 14 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for reconstruction of Burford cemetery low water crossing in ward 14 by 30 June 2025	
Number (in kilometres) for rehabilitation of KwaMaythanqaza to C1 cemetery main at ward 3 and 5 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for rehabilitation of 1,8km KwaMaythanqaza to C1 cemetery main road 1,8km in ward 3 /5 by 30 June 2025	
Number (in kilometres) damage to infrastructure poles/ lines –Danskraal industrial area at ward 22 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for the damage to infrastructure poles/ lines– Danskraal industrial area 3km in ward 22 by 30 June 2025	There were inconsistences between the quarterly targets, yearly targets and reported achievement. This discrepancy highlights misalignment within the approved plans, while the incorrect reporting undermines transparency and accountability. Furthermore, the indicator and target do not include the actions to be implemented by the municipality.

Indicator	Target	Detail
Date of refurbishment of Mtateni low water crossing in ward 17 by 30 June 2025	Commencement with supply chain management processes for the appointment of a suitable service provider/ contractor for refurbishment of Mtateni low water crossing in ward 17 by 30 June 2025	There were inconsistences between the quarterly targets, yearly targets and reported achievement. Furthermore, there were inconsistencies between the planned indicator and planned targets This discrepancy highlights misalignment within the approved plans, while the incorrect reporting undermines transparency and accountability.

Other matter

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 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

Targets achieved: 77%

Budget spent: 98%

Key indicator not achieved	Planned target	Reported achievement
Number of households provided with electricity infrastructure by ADLM to accommodate new connections in terms of the ESKOM schedule 5b programme by 30 June 2025	346	204
Percentage of households with access to basic solid waste removal in the Urban Area by 30 June 2025	100%	99%
Number of Households in Mgwiji Farm and Mhlwaneni Phase 2- Ward 24, to be electrified and ready for commissioning by Eskom by 30 June 2025	120	60
Number of Households in KwaZimba Phase 2- Ward 29 , to be electrified and ready for commissioning by Eskom by 30 June 2025	71	0
Date of Electrical Refurbishment at Jantha, Eric Troutman and Two (2) Newcastle Road Substations in Wards 20/21 and 22 by 30 June 2025	30 June 2025	One transformer in Eric Troutman Ward 21 was refurbished by 30 June 2025.
Date of Ladysmith Animal Pound Farm in Ward 11-Phase 2 to be constructed by 30 June 2025	30 June 2025	Not achieved

Targets achieved: 77% *Budget spent: 98%*		
Key indicator not achieved	**Planned target**	**Reported achievement**
Date of Pedestrian Bridge- Phase 2 to be constructed at Dalinkosi in Ward 30 by 30 June 2025	30 June 2025	Not achieved.
Number (in kilometres) of resurfacing of Chisty place in ward 13 by 30 June 2025	Commencement with SCM Processes for the appointment of a suitable service provider/ contractor for resurfacing of Chisty place 2,1km in ward 13 by 30 June 2025	The service provider was not appointed by 30 June 2025.
Date of reconstruction of Burford cemetery low water crossing in ward 14 by 30 June 2025	Commencement with SCM Processes for the appointment of a suitable service provider/ contractor for reconstruction of Burford cemetery low water crossing in ward 14 by 30 June 2025	The service provider was not appointed by 30 June 2025.
Number of Title deeds generated and distributed in respect of the Enhanced Extended Discount benefit Scheme (EEDBS) and housing projects by 30 June 2025	20	0
Number of houses repaired/ reconstructed and newly constructed within Human Settlements projects by 30 June 2025	40	37

Material misstatements

28. 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

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 finding on compliance with the selected legislative requirements, presented per compliance theme, is as follows:

Annual financial statements

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

Other information in the annual report

34. 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 the selected key performance area presented in the annual performance report that has been specifically reported on in this auditor's report.

35. 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.

36. 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.

37. 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

38. 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.

39. 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 finding on compliance with legislation included in this report.

40. Management did not adequately review the financial statements to ensure compliance with GRAP and the requirements of the MFMA.

41. Management did not adequately review the service delivery budget implementation plan to ensure that the indicators and targets contained therein are compliant with the framework for managing programme performance information.

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 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 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 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.

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)
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)

Legislation	Sections or regulations
Annual Division of Revenue Act 24 of 2024	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), 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)