Report of the auditor-general to Limpopo Provincial Legislature and council on Mogalakwena Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Mogalakwena Local Municipality set out on pages ... to ..., 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 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 Mogalakwena Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Financial 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.

7. With reference to note 3 of the accounting officer report in the financial statements, the municipality disclosed a subsequent event. The Special Investigating Unit (SIU) conducted an investigation against a former service provider who was fraudulently awarded a tender by the municipality in the 2017-18 financial year. The tender was for a total value of R167 919 973 (VAT inclusive) for a period of 18 months. Following the investigation, the SIU found that the awarding of the tender to service provider by municipality was characterised by irregularities. The tender was declared unlawful and invalid and therefore set aside and service provider was

directed to pay an amount of R68 866 909 with interest at a prescribed legal rate to the date of payment.

8. As disclosed in note 40 to the financial statements, material electricity non-technical losses of 27 354 118 units (2023-2024: 37 857 820 units) was incurred, which represents 16% 2024: 22%) of total electricity purchased. This was due to illegal connections and faulty meters.

9. As disclosed in note 43 to the financial statements, material losses of R217 717 306 were incurred as a result of non-payment by consumers and non-collection of revenue by the municipality.

10. In reference to note 49 to the financial statements, the municipality is the defendant in various litigations. The municipality is opposing these claims, as it believes there are reasonable grounds to defend each claim. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

11. As disclosed in note 61 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2025.

Other matter

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

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

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 the annexure to the auditor's report, 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 development priorities presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Development priorities	Page numbers	Purpose
KPA 2: Basic Service Delivery and Infrastructure Development	[XX]	The development priority exists to improve efficiency of municipal infrastructure and provision of basic services
KPA 3: Local Economic Development	[XX]	Create inclusive and well-coordinated investment opportunities for the growth of the economy

20. I evaluated the reported performance information for the selected development priorities 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. In performing the audit, my procedures focused on the material indicators relating to water, sanitation, and related infrastructure, as well as electricity and roads.

22. 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 reasons provided for measures taken to improve performance.

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

24. I did not identify any material findings on the reported performance information for the selected priorities.

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 explanations for measures taken to improve performance.

Material misstatements

27. 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 and local economic development. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

28. 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.

29. 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.

30. 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.

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

Annual financial statements, performance and annual report

32. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 122(1) of the MFMA.

    Material misstatements identified by the auditors in the submitted financial statements were subsequently corrected and/or the supporting records were provided subsequently, resulting in the financial statements receiving a unqualified audit opinion.

Expenditure management

33. Money owed by the municipality was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.

34. Reasonable steps were not taken to prevent irregular expenditure as required by section 62(1)(d) of the MFMA.

35. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

Asset management

36. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

37. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Procurement and contract management

38. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention with supply chain management (SCM) regulation 17(1)(a) and (c).

39. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

40. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) and 2022 preferential procurement regulation 4(4) and 5(4). Similar non-compliance was also reported in the prior year.

41. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) of the PPPFA and its regulations. Similar non-compliance was also reported in the prior year.

42. Awards were made to providers [who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions in contravention with section 112(1)(j) of the MFMA and SCM regulation 44.

Human resource management

43. Staff member(s) did not enter into a performance agreement within the prescribed period, as required by regulation 35(1) of the municipal staff regulations.

44. Acting staff member's performance agreements were not amended to include the key performance areas and key performance indicators of the acting position, as required by regulation 43 of the municipal systems regulations.

Other information in the annual report

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

46. 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.

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

48. 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

49. 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.

50. The matters reported below are limited to the significant internal control deficiencies that resulted in the opinion and, material findings on the annual performance report and the material findings on compliance with legislation included in this report.

51. Leadership did not adequately exercise effective monitoring over the implementation of the audit action plan resulting in recurring prior year findings.

52. Senior management did not adequately oversee the operations of the municipality, as the financial statements and annual performance report contained material misstatements not detected by the municipality's own system of internal control.

53. Internal controls for monitoring compliance with legislation were ineffective as it did not detect and prevent instances of non-compliance with legislation.

54. The municipality's reactive approach in addressing inadequate systems of internal controls in preparing financial statements, predetermined objectives and compliance to laws and regulations reports, indicates that mitigating processes are not effective.

Material irregularities

55. 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

Ineffective management of Rebone landfill site

56. In terms of section 16(1) of the National Environmental Management Waste Act 107 of 2008, A holder of waste must, within the holder's power, take all reasonable measures to:

    (a) avoid the generation of waste and where such generation cannot be avoided, to minimize the toxicity and amounts of waste that are generated

    (b) reduce, re-use, recycle and recover waste

    (c) where waste must be disposed of, ensure that the waste is treated and disposed of in an environmentally sound manner

    (d) manage the waste in such a manner that it does not endanger health or the environment or cause a nuisance through noise, odour or visual impacts

    (e) prevent any employee or any person under his or her supervision from contravening this act, and

(f) prevent the waste from being used for an unauthorised purpose

57. Section 28(1) of the National Environment Management Act 59 of 1998 states that every person who causes, has caused or may cause significant pollution or degradation of the environment must take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring, or, in so far as such harm to the environment is authorized by law or cannot reasonably be avoided or stopped, to minimize and rectify such pollution or degradation of the environment.

58. In terms of paragraph 2.1.1(a) of the General waste: Small landfill: B (G:S:B) permit- Rebone waste disposal site, *the activities must be managed and operated in accordance with an environmental management system that inter alia identifies and minimises risk of pollution, including those arising from operations, maintenance, accidents, incidents and non-conformances and those drawn to the attention of the permit holder as a result of complaints.* In addition, paragraph 5.1.1 of the G:S:B permit- Rebone waste disposal site, states *the permit holder must ensure that the site is operated in such a manner that nuisance conditions or health hazards, or the potential creation of nuisance conditions or health hazards are prevented.* Furthermore, paragraph 5.2.3 of the G:S:B permit- Rebone waste disposal site, states that *the permit holder must ensure that litter and mud arising from the activities must be cleared from affected areas outside the site as soon as practicable and wind-blown waste and litter must be picked up and removed from fences and vegetation on a daily basis.*

59. Contrary to the above requirements, during the site visit performed at Rebone waste disposal site on the 31 October 2023, we identified that waste on site was not being managed in a manner that is in compliance with National Environmental Management Waste Act and the G:S:B permit. Waste was identified outside the waste disposal site and this has potential to endanger health of the public and/or cause environmental harm. Specifically, we noted the following matters:

- The site has a wire fence and a gate; however, it does not appear to be in accordance with the minimum height requirement of 1.8m per paragraph 1.3.1 of the permit
- No compacting or covering of the waste is done.
- Wind-blown litter is scattered outside of the site.
- There are livestock roaming around the waste disposal site.

60. The non-compliance is likely to result in substantial harm. The mismanagement and the lack of monitoring of the site has a negative impact on the environment and may result in polluted air and the emission of other toxins which pose significant health and safety risks to the general community of Rebone.

61. The extent of the harm could, however, not be determined with absolute certainty. The non-compliance is therefore likely to result in substantial harm if remedial actions are not taken and if the waste disposal site is not managed in full compliance with the requirements of the permit and other applicable legislation to address and prevent pollution and harm to the community.

62. The accounting officer was notified of the material irregularity on 18 March 2024, and the following actions were taken to resolve the material irregularity:

- The municipality appointed a service provider on 13 May 2024 for the hiring of plant and plant operations for management and maintenance of Rebone waste disposal site for the duration of 36 months. The service provider and the project manager developed a monthly schedule of activities for management of the site to comply with the conditions as imposed by the Limpopo Department of Economic Development and Tourism.

- All waste that was identified outside the waste disposal site, which may endanger health to the public and/or environmental harm, is being cleared by the service provider. Waste compacting and covering is now being done at the site.

- The waste disposal site is now properly fenced in compliance with applicable laws as a 2.4-meter fence has been installed at the site.

- Dust suppression is done regularly, waste disposal gas monitoring done regularly, survey to determine waste deposition volumes done regularly and maintenance of the access gravel road to the site is being done.

- The service provider has implemented controls and management of reclamation activities to ensure compliance with permit conditions.

63. A follow up visit was performed on 23 October 2024 and 11 November 2025 and the municipality further implemented the following:

    - The waste disposal site has a newly installed weighbridge; the system was tested and found to be in good working order.

    - Two notice boards were observed by the entrance of the site to prohibit unauthorised entry. The notices were written in two official languages as per the permit amendments.

Dust suppression, waste compacting and covering was performed.

64. I received your written submission on 26 November 2025. I considered the representations made and the substantiating documents provided and have concluded that appropriate actions have been taken to address the material irregularity. Therefore, I will not pursue this matter any further.

Auditor - General

Polokwane

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 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)
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)