

Report of the auditor-general to the Free State Provincial Legislature and the council on the Mangaung Metropolitan Municipality and its entity

Report on the audit of the consolidated financial statements

Qualified opinion

1. I have audited the consolidated financial statements of the Mangaung Metropolitan Municipality and its entity (the group) set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement, and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the consolidated financial statements, including a summary significant accounting policies.
2. In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of this auditor's report, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2024 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 5 of 2023 (Dora).

Basis for qualified opinion

Employee related costs

3. I was unable to obtain sufficient appropriate audit evidence for overtime included in employee related costs in note 46 to the consolidated financial statements, as inadequate processes were in place to ensure that a need was determined for overtime to be worked or to confirm that the municipal officials worked the overtime claimed. I was unable to confirm the overtime included in employee related costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to overtime included in employee related costs stated at R246 048 912 (2023: R204 337 528) in note 46 to the consolidated financial statements.

Context for opinion

4. 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 consolidated financial statements section of my report.
5. I am independent of the group 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.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.
8. Note 66 to the consolidated financial statements indicates that the group was under financial distress requiring the implementation of a mandatory financial recovery plan (FRP) during the year ended 30 June 2024. There was also slow progress in dealing with financial difficulties, as only 28% of the activities contained in the FRP were fully implemented during the year. The group's creditor's payment period was 229 days (2023: 223 days) and its current liabilities exceeded its current assets by R468 209 598 (2023: R406 626 568). In addition, the group owed the water board R921 667 119 (2023: R821 395 331) and Eskom R1 099 284 804 (2023: R737 644 103) as at 30 June 2024, which was long overdue. As stated in note 66, these events or conditions, along with the other matters as set forth in note 66, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Emphasis of matters

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

Restatement of corresponding figures

10. As disclosed in note 75 to the consolidated financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the consolidated financial statements of the group at, and for the year ended, 30 June 2024.

Material impairments

11. As disclosed in notes 5 and 6 to the consolidated financial statements, consumer receivables from exchange transactions and consumer receivables from non-exchange transactions were impaired by R6 988 028 253 (2023: R6 414 505 642) and R1 993 972 053 (2023: R1 703 007 287) respectively.
12. As disclosed in note 52 to the consolidated financial statements, consumer receivables from exchange transactions and consumer receivables from non-exchange transactions were written-off by R692 488 067 (2023: R286 549 814).

Material losses

13. As disclosed in note 54 to the consolidated financial statements, material water distribution losses of R490 552 461 (2023: R454 225 316) were incurred by the group mainly due to burst water pipes, leakages and illegal water connections.
14. As disclosed in note 54 to the consolidated financial statements, material electricity distribution losses of R202 219 217 (2023: R213 876 959) were incurred. Technical losses amounted to R134 812 812 (2023: R161 276 683) and were due to electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. Non-technical losses amounted to R67 406 405 (2023: R71 292 320) and were due to administrative and technical errors, negligence, theft of electricity, tampering with meters, connections which form part of illegal consumption and faulty meters.

Underspending and withholding conditional grants

15. As disclosed in note 23 to the consolidated financial statements, the group materially underspent the conditional grants by R193 594 528 (2023: R368 393 282) due to the group not properly monitoring the usage of grant funding. As disclosed in note 70 to the consolidated financial statements, the National Treasury withheld R296 655 460 (2023: R377 235 539) in conditional grants from the group due to the slow implementation of projects.

Unauthorised expenditure

16. As disclosed in note 67 to the consolidated financial statements, unauthorised expenditure of R1 811 858 259 (2023: R1 354 795 769) was incurred, due to overspending of the budget.

Irregular expenditure

17. As disclosed in note 69 to the consolidated financial statements, irregular expenditure of R278 004 236 (2023: R198 352 449) was incurred, due to non-compliance with supply chain management (SCM) requirements. In addition, the full extent of irregular expenditure is still in the process of being determined.

Fruitless and wasteful expenditure

18. As disclosed in note 68 to the consolidated financial statements, fruitless and wasteful expenditure of R129 962 574 (2023: R189 948 461) was incurred, due to interest paid on late payments to suppliers and delays in capital projects.

Other matter

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

Unaudited disclosure notes

20. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the consolidated financial statements. This disclosure requirement did not form part of the audit of the consolidated financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the consolidated financial statements

21. The accounting officer is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

22. In preparing the consolidated financial statements, the accounting officer is responsible for assessing the group'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 group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the consolidated financial statements

23. My objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.
24. A further description of my responsibilities for the audit of the consolidated financial statements is included in the annexure to this auditor's report. This description, which is located at page xx, forms part of our auditor's report.

Report on the audit of the annual performance report

25. 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 (KPA) presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
26. I selected the following KPA presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected a KPA that measures the group's performance on its primary mandated functions and that is of significant national, community or public interest.

KPA	Page numbers	Objective
Basic service delivery	XX	Service delivery improvement

27. I was engaged to evaluate the reported performance information for the selected KPA against the criteria developed from the performance management and reporting framework, as defined in the general notice. An annual performance report prepared using these criteria provides useful and reliable information and insights to users of the report on the group's planning and delivery on its mandate and planned objectives. My objective was to perform procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

28. The material findings on the reported performance information for the selected KPA are as follows:

Basic service delivery

Fully refurbished sludge digesters in Bloemspruit

29. An achievement of inception report has been approved and the project is ongoing as reported against a target of 30% progress in the construction phase. I could not determine whether the reported achievement was correct, as the indicator was not well defined due to the target not being clearly defined during the planning processes and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining whether the target has been achieved. Moreover, the approved planning documents included a commitment to progress by 30% in the refurbishment of sludge digesters in Bloemspruit. However, an achievement of inception report has been approved and the project is ongoing as reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Lastly, measures taken to improve performance against the underachieved target of 30% progress in the construction phase were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the municipality to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target.

WS5.31 Percentage of total water connections metered

30. An achievement of 67,5% was reported against a target of 0. I could not determine whether the reported achievement was correct, as the indicator was not well defined due to the target not being clearly defined during the planning processes and adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievement might be more or less than reported and was not reliable for determining whether the target has been achieved. Moreover, a target of zero was set for this indicator. No reason for this was provided by the accounting officer. As a result, the target was not useful for measuring and monitoring progress against the municipality's planned objectives. Lastly, the approved planning documents included a commitment to metre 0 water connections. However, an achievement of 67,5% was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

WS4.21 Percentage of industries with trade effluent inspected for compliance

31. An achievement of 53,2% was reported against a target of 0%. I could not determine whether the reported achievement was correct, as the indicator was not well defined due to the target not being clearly defined during the planning processes and adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved. Lastly, a target of zero was set for this indicator. No reason for this was provided by the municipality. Consequently, the target was not useful for measuring and monitoring progress against the municipality's planned objectives.

HS1.13 Hectares of land acquired for human settlements in the municipal area

32. An achievement of 0 was reported against a target of none. However, the target had not been clearly defined during the planning processes, as the nature and required level of performance of the target was not clearly identifiable and a quantifiable level of performance to be achieved was not specified. Furthermore, a target of “none” was set for this indicator. The reason provided by the accounting officer for this is that the National Treasury C88 indicator is a duplication of an already existing municipal indicator. As a result, the target is not useful for measuring and monitoring of, and reporting on, progress against the municipality’s planned objectives. Furthermore, an achievement of 0 was reported against a target of none but the audit evidence showed the actual achievement to be 18,667 hectares. The achievement against the target was better than reported.

HS1.12 Number of serviced sites

33. An achievement of 0 was reported against a target of 0. However, the target had not been clearly defined during the planning process, as the number of sites to be serviced was not clearly stipulated. A target of zero was set for this indicator. No reason for this was provided by the municipality. Consequently, the target was not useful for measuring and monitoring of, and reporting on progress against the municipality’s planned objectives. Moreover, the target also does not relate directly to the indicator, which measures the number of sites to be serviced. This makes it difficult to plan for the achievement of the indicator. As a result, the reported achievement does not provide useful information on the indicator’s achievement. Furthermore, complete construction in the new financial year was reported as a measure aimed at improving performance against the target of 0. However, I could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken. Lastly, the audit evidence showed the actual achievement to be 154 serviced sites. The achievement against the target was better than reported.

EE2.11 Percentage of total residential electricity provision allocated as free basic electricity by 30 June 2024

34. An achievement of 3,86% was reported against a target of percentage of total residential electricity provision allocated as free basic electricity (FBE) by 30 June 2024. However, the target had not been clearly defined during the planning process, as the actual percentage planned to be achieved was not determined. Moreover, no target was set for this indicator. No reason for this was provided by the accounting officer. Consequently, the target is not useful for measuring and monitoring progress against the municipality’s planned objectives. Furthermore, I could not determine whether the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining whether the target had been achieved.

HS2.21 Number of rateable residential properties in the subsidy housing market entering the municipal valuation roll

35. An achievement of none was reported against a target of 0. However, the target had not been clearly defined during the planning process. The target was not specific, as the nature and required level of performance was not clearly identified. The target also did not specify a

quantifiable level of performance to be achieved. Consequently, the reported achievement does not provide useful information on the indicator's achievement. A target of 0 was set for this indicator. The reason provided by the municipality for this was that relevant data for reporting under this indicator was not available. As a result, the target was not useful for measuring and monitoring progress against the municipality's planned objectives.

Refurbished pumpstation

36. The approved planning documents included a commitment to complete the refurbishment of the Hamilton Park pump station. However, an achievement of "inception report completed and continue with refurbishment of pumpstation" was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Moreover, complete close-out of the project in the new financial year (2024-25) was reported as a measure aimed at improving performance against the target of refurbished pumpstation. However, I could not determine if the measure had actually been implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken. Lastly, an achievement of inception report completed and continue with refurbishment of pumpstation was reported against a target of refurbished pumpstation. As a result, I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

WS4.11 Percentage of water treatment capacity unused

37. The approved planning documents included a commitment that 54% of the water treatment capacity will be unused. However, an achievement of 0 was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Furthermore, the contract has to be regularised or new appointment has to be made was reported as a measure aimed at improving performance against the target of 54%. However, I could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken. Lastly, an achievement of 0 was reported against a target of 54% but the audit evidence showed the actual achievement to be 31,41%. The achievement against the target was better than reported.

Refurbished sanitation infrastructure

38. The approved planning documents included a commitment to upgrade a number of kilometres of sewer pipes and to refurbish the sewer systems in Soutpan. However, an achievement of "contractor on site busy with the refurbishment" was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Moreover, the achievement was reported against a target of kilometres of sewer pipes upgraded and/or refurbished and refurbishment work done on sanitation infrastructure. However, the target had not been clearly defined during the planning process, as the number of kilometres of sewer pipes to be upgraded and refurbished was not clearly stipulated. Consequently, the target was not useful for measuring and monitoring of, and reporting on progress against the municipality's planned

objectives. In addition, measures taken to improve performance against the underachieved target were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the municipality to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target. Lastly, I could not determine whether the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

TR6.11 Percentage of unsurfaced road graded

39. An achievement of 55,1% of 1 100 km was reported against a target of 1 100 km. I could not determine if the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining whether the target had been achieved. Moreover, the approved planning documents included a commitment to grade 1 100 km of unsurfaced road. However, an achievement of 55,1% of 1 100 km was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Furthermore, the target of 1 100 km does not relate directly to the indicator, which measures the percentage of unsurfaced roads graded. This makes it difficult to plan for the achievement of the indicator. As a result, the reported achievement did not provide useful information on the indicator's achievement. In addition, adequate processes had not been established to consistently measure and reliably report on the achievement of this indicator and its target of 1 100 km, as we were not able to verify the processes and systems that produce the indicator. Consequently, the municipality would have found it difficult to determine the correct achievement to be reported against the planned target. Lastly, "increase budget allocation for resealing" was reported as a measure aimed at improving performance against the target of 1 100 km. However, I could not determine whether the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. As such, I could not verify whether the reported measures were indeed taken.

% of budget spent – MMM Waste Water Treatment Works refurbishment

40. The approved planning documents included a commitment to spend 100% of the budget on the MMM Waste Water Treatment Works refurbishment project. However, an achievement of "contractor on site busy with the refurbishment" was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Furthermore, measures taken to improve performance against the underachieved target of spend "100% of the budget in sewer refurbishment" were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the municipality to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target. Lastly, the audit evidence showed the actual achievement to be 116,8% of the budget spent. Consequently, the achievement against the target was better than reported.

% of budget spent – Refurbishment of sewer systems

41. The approved planning documents included a commitment to appoint a contractor, prepare for construction and spent the budget for the refurbishment of sewer systems. However, an achievement of “100% contractor on site busy with the refurbishment” was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Furthermore, an achievement of “100% contractor on site busy with the refurbishment” was reported against the target of “appoint contractor and prepare for construction”. However, the target had not been clearly defined during the planning process, as the target was not clear on the percentage budget to be spent and the required level of performance to be achieved. Consequently, the target was not useful for measuring and reporting on progress against the municipality’s planned objectives. Lastly, the audit evidence showed the actual achievement to be 121,83% of the budget spent. The target was still achieved.

Upgraded treatment capacity in megalitres per day

42. The approved planning documents for project Maselspoort WTW upgrading (Maselspoort filters) included a commitment to construct the Maselspoort filters to upgrade the daily treatment capacity of the water treatment plant. However, an achievement of “construction still in progress” was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Moreover, measures taken to improve performance against the underachieved target were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target. Lastly, an achievement of “construction still in progress” was reported against a target of construction of Maselspoort filters. I could not determine whether the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

HS2.22 Average number of days taken to process building applications of less than 500 square meters or less

43. The target in the annual performance report differed from what had been committed to in the approved revised planning documents. The reported target was 30, while the planned target was 0. This change was made without obtaining the required approval, which undermines transparency and accountability. Moreover, an achievement of 26,07 was reported against a planned target of 30. However, the target had not been clearly defined during the planning process. The planned target was not specific, as the nature and required level of performance of the target were not clearly stipulated and did not specify a quantifiable level of performance to be achieved. Consequently, the target was not useful for measuring and reporting on progress against the municipality’s planned objectives. Furthermore, adequate processes had not been established to consistently measure and reliably report on the achievement of this indicator and its planned target of 0, as inconsistencies were noted in the process that produces the actual achievement. Consequently, the municipality would have found it difficult to determine the correct achievement to be reported against the planned target. In addition, the urgent appointment of GM, BCO, senior building inspectors and building inspectors required for service

delivery was reported as a measure aimed at improving performance against the target. However, I could not determine whether the measure had actually been implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken. Lastly, I could not determine whether the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining whether the target had been achieved.

TR6.12 Percentage of surfaced municipal road lanes which has been resurfaced and resealed

44. The target in the annual performance report differed from what was committed to in the approved revised planning documents. The reported target was 10 km/100%, while the planned target was 10 km. This change was made without obtaining the required approval, which undermines transparency and accountability. Moreover, the approved planning documents included a commitment to resurface and reseal 10 km of surfaced municipal road loans. However, an achievement of 0% was reported in the annual performance report. This discrepancy highlights misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. In addition, the planned target of 10 km also does not relate directly to the indicator, which measures the percentage of surfaced municipal road lanes which was resurfaced and resealed. This makes it difficult to plan for the achievement of the indicator. Thus, the reported achievement does not provide useful information on the indicator's achievement. Furthermore, "increase budget allocation" for resealing was reported as a measure aimed at improving performance against the planned target of 10 km. However, I could not determine whether the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. As a result, I could not verify whether the reported measures had indeed been taken. Lastly, an achievement of 0% was reported against a planned target of 10 km. I could not determine whether the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining whether the target had been achieved.

WS4.31 Percentage of wastewater treatment capacity unused

45. The target of installation of metering device to 15 wastewater treatment works (WWTWs) and start measuring does not relate directly to the indicator, which measures the % unused capacity at wastewater treatment facilities. This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievement does not provide useful information on the indicator's achievement. Lastly, "the contract has to be regularised or a new appointment has to be made" was reported as a measure aimed at improving performance against the target. However, I could not determine whether the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken.

HS1.22 Number of title deeds registered to beneficiaries

46. An achievement of 478 title deeds was reported against a target of 1 800 title deeds. However, the audit evidence showed the actual achievement to be only 358 title deeds. Consequently, the underachievement on the target was more than reported. Lastly, "expedite and allocation of more resources" was reported as a measure aimed at improving performance against the target.

However, I could not determine if the measure was actually implemented to improve performance, because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken.

No of households connected with alternative sanitation

47. Neither the indicator nor its target of 300 households connected with alternative sanitation for project alternative sanitation solution was clearly defined during the planning process. This was due to the municipality not clearly defining whether data should be collected for both formal and informal settlements (households), which might result in data not being collected consistently. Consequently, the indicator and its target were not useful for measuring and reporting on progress against the municipality's planned objectives. Lastly, "expedite the appointment of service provider to start with construction" was reported as a measure aimed at improving performance against the target. However, I could not determine if the measure had actually been implemented to improve performance, because adequate supporting evidence was not provided for auditing. As a result, I could not verify whether the reported measures had indeed been taken.

No of individual households connected with water

48. An achievement of "designs approved" was reported for Section R installation of water project against a target of designs approved. However, the audit evidence showed that the designs for this project had not yet been approved. Consequently, the target was not achieved.

WS5.21 Infrastructure leakage index

49. An achievement 5,57 was reported against a target of 1,15. However, the audit evidence showed the actual leakage index to be 7,95. Consequently, the underachievement on the target was more than reported. Lastly, measures taken to improve performance against the underachieved target were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target.

Kilometres of gravel roads upgraded to surface roads per lane

50. Measures taken to improve performance against the underachieved target of 4,4 km for T1432 MAN 10786 BERGMAN SQUARE UPG project were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the municipality to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target.

Number of individual households connected with water and sewer

51. No target was set for this indicator in respect of phase 7 installation of water and sewer project. No reason for this was provided by the accounting officer. Consequently, the target is not useful for measuring and monitoring progress against the municipality's planned objectives. Moreover, "project to resume in the new financial year" was reported as a measure aimed at improving performance against the target. However, I could not determine whether the measure was actually implemented to improve performance because adequate supporting evidence was not

provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken. Lastly, an achievement of 0 households connected with water and sewer was reported against the target. I could not determine whether the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

WS1.11 Number of new sewer connections meeting minimum standards

52. The target of complete stage 2 of the appointment does not relate directly to the indicator, which measures the number of new sewer connections that meet the minimum standards. This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievement does not provide useful information on the indicator's achievement. Moreover, "expedite appointments of PSP" was reported as a measure aimed at improving performance against the target of "complete stage 2 of the appointment". However, I could not determine if the measure was actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken. Lastly, an achievement of 0 was reported against the target. I could not determine whether the reported achievement was correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Overall presentation not comparable and understandable

53. Overall, the performance information for this KPA was not reported in such a way that it could be compared and would be easy to understand, as actual achievements for 2023-24 could not be compared to past performance because the performance information disclosed for 2022-23 were not correctly transferred from the prior year as a baseline. Consequently, the reported performance information was not useful for measuring progress against the planned objectives, which undermines transparency and accountability.

Various indicators

54. I could not determine the accuracy of various reported achievements, as the indicators were not well defined due to the target not being clearly defined during the planning processes and adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievements might be more or less than reported and were not reliable for determining whether the targets have been achieved. Moreover, measures aimed at improving performance against targets were reported. However, I could not determine whether the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken.

Performance indicator	Project name	Planned target	Reported achievement	Reported measure
Bulk water line upgraded	Phase 7 bulk water line upgraded	Construction of bulk water line	None	Project to resume in the new financial year

Number of individual households connected with water and sewer	Sonderwater and Chris Hani installation of water and sewer	Documentation and procurement to appoint contractor	None	Consultant was appointed and has submitted detailed designs for approval
	Phase 9 installation of water and sewer	Documentation and procurement	None	Finalise the dispute with the consultant
No of erven connected water and sewer	Bloemside 4510 installation of water and sewer	Construction	None	New consultant appointed to review designs to resume with construction
	Section H&G installation of water and sewer	Construction	None	Advertise bid to appoint contractor

Various indicators

55. I could not determine the accuracy of various reported achievements, as the indicators were not well defined due to the target not being clearly defined during the planning processes 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 whether the targets had been achieved.

Performance indicator	Project name	Planned target	Reported achievement
Bulk sewer line upgraded	Sonderwater and Chris Hani bulk sewer line upgraded	Construction of bulk sewer line	Construction of bulk sewer line
Number of individual households connected with water and sewer	Soutpan installation of water and sewer	Construction	Construction
Length of road and stormwater constructed	Botshabelo West Main Road and Stormwater	Construction	Construction
Number of erven connected water and sewer	Dewetsdorp installation of water and sewer	Construction	Construction
TR6.21 Percentage of reported pothole complaints resolved within standard		60%	61,64%
Percentage of households receiving basic refuse removal services	Increased access to refuse removal	95%	80%
WS3.21 Percentage of callouts responded to within 48 hours (water)		60%	83,10%

Various indicators

56. I could not determine the accuracy of various reported achievements, as the indicators were not well defined and adequate supporting evidence to clarify the methods and processes for measuring achievement was not provided. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets had been achieved. Lastly, measures aimed at improving performance against targets were reported. However, I could not determine whether the measures had actually been implemented to

improve performance, because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken.

Performance indicator	Planned target	Reported achievement	Reported measure
ENV3.11 Percentage of known informal settlements receiving basic refuse removal services	100% of all identified known informal settlement as per MMM register	80%	Service providers appointed to augment the current shortage of resources
WS3.11 Percentage of callouts responded to within 48 hours (sanitation/wastewater)	60%	27,70%	Increase budget allocation for Sanitation maintenance

Various indicators

57. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

Performance indicator	Project name	Planned target	Reported achievement
Number of individual households connected with water and sewer	Section T installation of water and sewer	Contractor appointed	Contractor appointed
Length of road and stormwater constructed	Caleb Motshabi/ Kgotsong Main Road and Stormwater	3,4 km road and stormwater	3,4 km road and stormwater

Various indicators

58. Achievements were reported against various targets but these targets had not been clearly defined during the planning process. Reasons for this were not provided. Consequently, the targets were not useful for measuring and monitoring of, and reporting on progress against the municipality's planned objectives. Moreover, the targets below also do not relate directly to their indicators. This makes it difficult to plan for the achievement of the indicator. As a result, the reported achievements do not provide useful information on the achievement of the indicators and the irrelevant targets hinder appropriate planning for the achievement of the indicators. Furthermore, adequate processes had not been established to consistently measure and reliably report on various indicators. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. Lastly, based on the audit evidence, the actual achievement for these indicators did not agree to the achievements reported. Consequently, the targets were not achieved.

Performance indicator	Planned target	Reported achievement	Actual achievement	Detail
HS1.31 Number of informal settlements assessed (enumerated and classified)	0	8	0	1. Targets were set at zero and thus did not specify the specific level of performance that the

HS1.32 Number of informal settlements upgraded to phase 2	0	1	0	<p>municipality aimed to achieve for the reporting period under review.</p> <p>2. Management could not provide supporting evidence on the processes that were in place to produce the performance information that had to be reported against these targets.</p>
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Various indicators

59. Achievements were reported against various targets but these targets had not been clearly defined during the planning process. Consequently, the targets are not useful for measuring and monitoring of, and reporting on progress against the municipality's planned objectives.

Performance indicator	Project	Planned target	Detail
Number of waste management facilities developed	New regional waste management facility	Regional waste management facility	The number of waste management facilities to be developed is not clearly identified
ENV5.21 Number of inland water samples tested for monitoring purposes		Samples only taken during seasonal months October to March	The number of samples planned to be tested was not determined
Complete Stage 3 (Designs) and stage 4 (Documentation and Procurement) Start with stage 5 contract	Botshabelo main outfall sewer	Start with stage 5 of the contract	The target did not clearly stipulate the exact point during stage 5 that should be achieved

Various indicators

60. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability.

Performance indicator	Project name	Planned target	Reported achievement
Kilometres of gravel roads upgraded to surface roads per lane	BATHO ROADS: UPGRADING OF ROADS AND STORMWATER	10% of 3 km	0% of 3 km
	T1523: SECTION G UPGRADES	10% of 3,8 km	None
	MAPANGWANA STREET: FREEDOM SQ; UPGRADE	15% of 1,8 km	None

	T1527B; BOCHABELA: STREETS: UPGRADE	15% of 2 km	0% of 2 km
	T1527C: BOCHABELA: STREETS; UPGRADE	18% of 1,6 km	0 km of 1,6 km
	T1528: MAN RD 11388 & 11297: JB MAFORA: UPGRADE	10% of 1,9 km	0% of 1,9 km
	T1522: THA RD 2029, 2044 and 2031: UPGRADE	5% of 4,4 km	0% of 4,4 km
Number of road intersections upgraded	T1539: UPGRADING OF TRAFFIC INTERSECTIONS	80% of 1 intersection	0% of 1 intersection

Various indicators

61. Measures aimed at improving performance against targets were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken. Lastly, I could also not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and were not reliable for determining whether the targets had been achieved or not.

Performance indicator	Project name	Planned target	Reported achievement	Reported measure
Length of road and bridge constructed	Section R access road and bridge	Contractor appointed	None	Finalise the approval of designs to appoint contractor for construction
No of individual households connected with water	Mattharantlheng installation of water and sewer	Designs approved	None	Mattharantlheng installation
	Seroalo Ext 26 installation of water	Contractor appointed	None	Expedite approval of designs and appoint contractor for construction
	Ratau Hlambaza installation of water	Contractor appointed	None	Expedite approval of designs and appoint contractor for construction
Length of road and stormwater constructed	Grassland 4 main road and stormwater	1,93 km road and stormwater	0 km road and stormwater	Awaiting the approval of designs and appointment of contractor from the panel
	Bloemside 4510 road and stormwater	Designs approved	None	New consultant appointed to review designs to resume with construction
No of erven connected water and sewer	Fleurdal installation of water and sewer	22 erven connected	0 erven connected	New consultant appointed to review designs to resume with construction
	Section E1905 installation water and sewer	Designs approved	None	Expedite the approval of designs

No of individual households connected with water and sewer	Mkhonto installation of water and sewer	Appoint contractor	None	Advertise of bid to appoint the contractor
	Saliva installation of water and sewer	Appoint contractor	None	Advertise of bid to appoint the contractor
	Thaba Nchu Ext. 27 and Ratau installation of water and sewer	Appoint contractor	None	Advertise of bid to appoint the contractor
	Tambo Square/ Kgatelopele 2/ Namibia ZCC installation of water and sewer	Contractor appointed	None	Advertise of bid to appoint the contractor
	Section C installation of water and sewer	Contractor appointed	None	Expedite approval of designs and appoint contractor
	Turflaagte ZCC installation of water and sewer	Designs approved	None	Expedite approval of designs
	Rocklands Bobo Square installation of water and sewer	Designs approved	None	Expedite approval of designs
	Winkie Direko Square installation of water and sewer	Designs approved	None	Expedite approval of designs

Various indicators

62. The reported achievements in the annual performance report were inconsistent with the commitments made in the approved planning documents. These discrepancies highlight misalignment between approved plans and operations, while the incorrect reporting undermines transparency and accountability. Lastly, measures aimed at improving performance against targets were reported. I could however not determine if the measures had actually been implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken.

Performance indicator	Project	Planned target	Reported achievement	Reported measure
Kilometres of gravel roads upgraded to surface roads per lane	T1525: BOT RD 601: SECTION D: UPGRADE	5% of 5,6 km	0% of 5,6 km	Resolve budget constraints
No of road intersections upgraded	T1538: UPGRADING INTERSECTION ST GEORGE ST & PRES BRAND	15% of 1 intersection	None	Resolve budget constraints

Various indicators

63. Measures aimed at improving performance against targets were reported. However, I could not determine whether the measures had actually been implemented to improve performance

because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures had indeed been taken.

Performance indicator	Project name	Planned target	Reported achievement	Reported measure
Kilometres of stormwater improved /and or rehabilitated	STORMWATER REFURBISHMENT	3 km	1,671 km of 3 km progress	Resolve budget constraints
TR6.13 KMs of new municipal road network		6,3 km	0	Expedite appointments of PSP
No of individual households connected with water	Wepener Ext. 7 installation of water and sewer	Designs approved	None	Consultant to be appointed in the new financial year
No of individual households connected with sewer	Section D installation of sewer	Contractor appointed	None	Finalise the dispute with consultant
	Section M installation of sewer	Contractor appointed	None	Finalise the dispute with consultant
	Section N installation of sewer	Designs approved	None	Expedite approval of designs and appoint contractor
Refurbished steel tank and pumpstation	DEWETSDORP – STEEL TANK PUMPSTATION REFURBISHMENT	Appoint PSP and contractor	None	Request funds to implement the project in the new financial year 2024-25
Refurbished sluice gate	REFURBISH AND UPGRADE SLUICE GATE SYSTEM AT MASELSPOORT	Appoint professional service provider	None	Request funds to implement the project in the new financial year 2024-25
WS2.11 Number of new water connections meeting minimum standards		Appoint contractor and start with construction to connect 300 households	0	Expedite appointments of PSP

Various indicators

64. Achievements were reported against various targets but these targets had not been clearly defined during the planning process as the targets did not clearly stipulate the number of megalitres that the treatment capacity should be upgraded with. Consequently, the targets were not useful for measuring and reporting on progress against the municipality's planned objectives. Furthermore, measures aimed at improving performance against targets were reported. However, I could not determine whether the measures had actually been implemented to improve performance, because adequate supporting evidence had not been provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

Performance indicator	Project	Planned target	Reported achievement	Reported measure
Upgraded treatment capacity in megalitres per day	NORTH EASTERN WWTW MECHANICAL AND ELECTRICAL WORKS (SLUDGE STREAM)	Upgraded treatment capacity in megalitres per day	None	The contract has to be regularised or new appointment has to be made.
	EXTENSION BOTSHABELO WWTW CIVIL	Upgraded treatment capacity in megalitres per day	None	The contract has to be regularised or new appointment has to be made.
	EXTENSION BOTSHABELO WWTW MECH AND ELECTRICAL	Upgraded treatment capacity in megalitres per day	None	The contract has to be regularised or new appointment has to be made.
	STERKWATER WWTW PHASE 3 MECH AND ELECTRICAL (LIQUID STREAM)	Upgraded treatment capacity in megalitres per day	None	The contract has to be regularised or new appointment has to be made.

Other matters

65. I draw attention to the matters below.

Achievement of planned targets

66. 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.
67. 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

<i>Targets achieved: 45%</i>		
<i>Budget spent: 111%</i>		
Key indicators not achieved	Planned target	Reported achievement
Kilometers of gravel roads upgraded to surface roads per lane Project: Mapangwana street: freedom sg upgrade	15% of 1,8 km	None
Kilometers of gravel roads upgraded to surface roads per lane. Project: T1523: section G upgrades	10% of 3 km	None
Kilometers of gravel roads upgraded to surface roads per lane. Project: T1525: Bot RD 601: Section D: upgrade	15% of 5,6 km	0% of 5,6km

Kilometers of gravel roads upgraded to surface roads per lane Project: T1428A Main Road 198199&200 boch	PSP Appointments	None
Number of road intersections upgraded Project: T1538: Upgrading intersection St George & Pres Brand	5% of 1 intersection	None
TR6.12 Percentage of surfaced municipal road lanes which have been resurfaced and resealed	10 km/100%	0%
TR6.13 KMs of new municipal road network	6,3 Km	0
Dewetsdorp – steel tank pumpstation refurbishment Project: Refurbished Steel Tank and Pumpstation	Appoint PSP and contractor	None
Refurbish and upgrade sluice gate system at Maselspoort Project: Refurbished Sluice Gate	Appoint a professional service provider	None
Northeastern WWTW mechanical and electrical works (sludge stream) Project: Upgraded treatment capacity in megaliters per day	Upgraded treatment capacity in megaliters per day	None
WS1.11 Number of new sewer connections meeting minimum standards	Complete stage 2 of the appointment	0
WS2.11 Number of new water connections meeting minimum standards	Appoint contractor and start with construction to connect 300 households	0
WS4.11 Percentage of water treatment capacity unused	54	0
WS4.31 Percentage of wastewater treatment capacity unused	Installation of metering device to 15 WWTWs and start measuring	0
No of individual households connected with water Project: Matlharantlheng installation of water and sewer	Contractor appointed	None
No of individual households connected with water and sewer Project: Sonderwater and Chris Hani installation of water and sewer	Contractor appointed	None
No of individual households connected with water and sewer Project: Mkhonto installation of water and sewer	111 households	None
No of individual households connected with water and sewer Project: Saliva installation of water and sewer	124 households	None
No of individual households connected with water and sewer Project: Phase 9 installation of water and sewer	Construction	None

No of individual households connected with water Project: Phase 7 installation of water and sewer	Construction	0 households connected with water and sewer
Bulk water line upgraded Project: Phase 7 bulk water line upgraded	Construction of bulk water line	None
No of individual households connected with water and sewer 200 households connected with water Project: Thaba-Nchu Ext.27 and Ratau installation of water and sewer	390 households connected with water and sewer 200 households connected with water	None
Length of road and stormwater constructed Project: Grassland 4 Main Road and Stormwater	1,93 km road and stormwater	0 km road and stormwater
No of individual households connected with water and sewer Project: Tambo Square/Kgatelopele 2/Namibia ZCC installation of water and sewer	Construction	None
No of individual households connected with sewer Project: Section D installation of sewer	200 households connected with sewer	None
No of individual households connected with sewer Project: Section M installation of sewer	200 households connected with sewer	None
No of individual households connected with water Project: Seroalo Ext 26 installation of water	Contractor appointed	None
No of individual households connected with water Project: Ratau Hlambaza installation of water	Contractor appointed	None
Length of road and bridge constructed Project: Section R access road and bridge	Contractor appointed	None
No of households connected with alternative sanitation Project: Alternative sanitation solutions	300 households connected with alternative sanitation	0 households connected with alternative sanitation
No of individual households connected with water and sewer Project: Section C installation of water and sewer	48 households	None
No of individual households connected sewer Project: Section N installation of sewer	Contractor appointed	None
No of individual households connected water Project: Wepener Ext 7 installation of water and sewer	Contractor appointed	None

No of individual households connected water and sewer Project: Turflaagte ZCC installation of water and sewer	Construction	None
No of individual households connected water and sewer Project: Rocklands Bobo Square installation of water and sewer	18 households	None
No of individual households connected water and sewer Project: Winkie Direko Square installation of water and sewer	Construction	None
No of erven connected water and sewer Project: Fleurdal installation of water and sewer	22 erven connected	0 erven connected
No of erven connected water and sewer Project: Bloemside 4510 installation of water and sewer	87 erven connected	None
No of erven connected water and sewer Project: Section H&G installation of water and sewer	Construction	None
No of erven connected water and sewer Project: Section E1905 installation water and sewer	Construction	None
Length of roads and stormwater constructed Project: Bloemside 4510 road and stormwater	Construction	None
Hectares of land acquired Project: Acquisition of land for informal settlements relocations	Hectares of land acquired	0 hectares of land acquired
Number of households living in informal settlements provided with water Project: Klipfontein water connections	400 households connected with water	0 households with access to communal water
Indicator: HS1.12 Number of serviced sites	162	0
Indicator: HS1.13 Hectares of land acquired for human settlements in the municipal area	Hectares of land acquired	0
Indicator: HS2.21 Number of ratable residential properties in the subsidy housing market entering the municipal valuation roll	0	None

Material misstatements

68. 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. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

69. 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 group's compliance with legislation.
70. 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.
71. 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 group, 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.
72. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Financial statements and annual reports

73. 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 non-current assets, current assets, liabilities, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
74. The council failed to adopt an oversight report containing the council's comments on the 2022-23 annual report, as required by section 129(1) of the MFMA.

Procurement and contract management

75. Some of the invitations to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2).
76. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. A similar limitation was also reported in the prior year.
77. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. A similar limitation was also reported in the prior year.

Expenditure management

78. Money owed by the group was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
79. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The value of R278 004 236 as disclosed in note 69, is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM requirements and recurring expenditure from contracts that were reported as irregular in prior financial years.
80. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R129 962 574, as disclosed in note 68 to the consolidated financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest paid due to late payments to suppliers and delays in capital projects.
81. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R1 811 858 259, as disclosed in note 67 to the consolidated financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending the budget.

Utilisation of conditional grants

82. The urban settlement development grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
83. Performance in respect of programmes funded by the informal settlements upgrading partnership grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.
84. Performance in respect of programmes funded by the neighbourhood development partnership grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Consequence management

85. Unauthorised expenditure incurred by the group was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
86. Irregular expenditure incurred by the group were not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
87. Fruitless and wasteful expenditure incurred by the group was not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.
88. Allegations of financial misconduct laid against officials of the municipality were not investigated by the disciplinary board, relevant treasury or an independent investigator or team of investigators appointed by council, as required by municipal regulations on financial misconduct procedures and criminal proceedings 5(4).

Strategic planning and performance management

89. Measurable performance targets were not set for each of the key performance indicators (KPIs) for the financial year, as required by section 41(1)(b) of the Municipal Systems Act 32 of 2000 (MSA) and municipal planning and performance management regulation 12(1).
90. The performance management system and related controls were inadequate, as established processes for performance planning, monitoring, measurement, review and reporting were not implemented and managed, as required by municipal planning and performance management regulation 7(1).

Revenue management

91. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.
92. Revenue due to the group was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
93. Accounts for service charges were not prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.
94. Interest was not charged on all accounts in arrears, as required by section 64(2)(g) of the MFMA.

Asset management

95. 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.
96. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.

Human resource management

97. Financial interests were not disclosed by the municipal manager within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
98. Financial interests were not disclosed by the senior managers within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
99. Job descriptions were not established for all posts in which appointments were made, as required by section 66(1)(b) of the MSA and regulation 7(1) of municipal staff regulations.
100. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of municipal staff regulations.

Environmental management

101. The Botshabelo, Thaba Nchu, BloemIndustria, Bainsvlei, Northern Works, Welvaart, Bloemspruit, Dewetsdorp, Wepener, Soutpan and Vanstadensrus Wastewater Treatment Works did not have valid operating licences, as required by section 22(1)(b) of the National Water Act 36 of 1998 (NWA).
102. The Bloemspruit, Sterkwater, BloemIndustria, North Eastern, Northern Works, Botshabelo, Thaba Nchu, Bainsvlei, Welvaart, Sterkwater, North Eastern Works, Dewetsdorp, Wepener, Soutpan and Van Stadensrus WWTW were not safeguarded and maintained to prevent defective, depleted, malfunctioning, misused and vandalised infrastructure, as required by section 63(1)(a) of the MFMA.
103. The Wepener and Northern solid waste management facilities did not have valid operating licences, as required by section 20(b) of the National Environmental Management: Waste Act 59 of 2008 (NEMWA).

Other information in the annual report

104. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the consolidated financial statements, the auditor's report and the selected KPA presented in the annual performance report that have been specifically reported on in this auditor's report.
105. My opinion on the consolidated 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.
106. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements and the selected KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
107. 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

108. I considered internal control relevant to my audit of the consolidated financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

109. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
110. There has been a slow response by the council and senior management to address governance concerns within the group, caused by the high vacancy rate within key municipal divisions and this resulted in repeat material findings relating to the financial statements, annual performance report and compliance with legislation.
111. Senior management did not adequately monitor and enforce the implementation of the corrective measures included in the audit action plan to address inadequate internal control measures, slow response to audit matters and apply consequence management for weaknesses identified during previous years' audits.
112. Senior management inadequately addressed material weaknesses and did not, in all instances, take corrective action to ensure that the administration and management of overtime were addressed, as there is no approved policy or standard operating procedures in place to address the weaknesses identified. The lack of proper processes, procedures and internal controls resulted in a material finding included in this report.
113. The council, accounting officer and senior management did not prioritise, develop and apply standard operating procedures to manage performance reporting, including the safeguarding of information and effective monitoring and evaluation of reported performance information against the set indicators resulting in repeat material findings in the annual performance report for several years.
114. The accounting officer and senior management did not establish effective standard operating procedures and internal controls that assist them in exercising their oversight responsibility, regarding compliance with laws and regulations, resulting in repeat material non-compliance included in this report.
115. Management's lack of detailed review of the underlying records that are used to prepare the financial statements resulted in material misstatements, these misstatements were not detected and corrected or prevented by the group's internal processes. The corrected misstatements resulted in material non-compliance included in this report and the supporting records that could not be provided resulted in the qualified opinion included in this report.

Material irregularities

116. 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.

Material irregularities identified during the audit

117. The material irregularities identified are as follows:

The municipality's information technology assets not adequately maintained and safeguarded

118. During May 2021, the municipality appointed a service provider for cybersecurity enterprise data protection and cybersecurity solutions and management. The service provider performed an assessment of the municipality's security infrastructure and communicated to management findings that should be addressed and mitigating processes to be implemented to avoid cybersecurity attacks. The AGSA also reported various shortcomings relating to the safeguarding and lack of maintenance of the information technology assets of the municipality for the past financial years, including the 2022-23 financial year. The shortcomings communicated to management included:

- A lack of cybersecurity guidance documents
- No vulnerability management and cybersecurity risk management process
- Inadequate business continuity plan and disaster recovery
- Insecure configurations and principles of least functionality.

119. Irrespective of the findings raised and recommendations made by the AGSA and the service provider, management did not take proactive measures to strengthen the information technology systems, and consequently did not adequately safeguard and maintain the municipality's information technology assets as required by section 63(1)(d) of the MFMA.

120. During October 2023, a security breach of the municipality's information technology network occurred, which immediately rendered all information technology applications used by the municipality inoperable, including its financial system, human resource management system and communications systems. The financial system was fully restored on 18 January 2024, while the other systems were restored on 30 November 2023. This cyberattack disrupted the operations of the municipality and is likely to result in substantial harm to the municipality when it is unable to provide services to its community.

121. I notified the accounting officer of the material irregularity on 17 July 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I notified the accounting officer on 4 December 2024 of the following recommendations, which should be implemented by 4 July 2025, with a progress report after three months:

- a) The non-compliance should be investigated to determine the root cause for the non-compliance and to identify officials that might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- b) Based on the root causes identified, appropriate action should be taken to develop and commence with the implementation of a cybersecurity framework supported by an adequate action plan(s) to ensure the safeguarding and maintenance of the municipality's information

and communication technology assets, as required by section 63(1)(a) of the MFMA. The plan should include anticipated timeframes for the following key areas as a minimum:

- Service continuity and disaster recovery
 - Determining the appropriate information and communication technology (ICT) personnel structure, filling ICT vacancies and continuously developing the skills of ICT personnel
 - A cybersecurity awareness programme
 - Processes for threat detection
 - A register for cyber incidents
 - Implement key information technology (IT) general controls for immediate compliance and stability
 - Terms of reference for the ICT steering committee
 - The review and updating of the ICT policies and procedures
- c) Disciplinary proceedings should commence without undue delay, against all officials who have allegedly committed an act of financial misconduct or an office, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- d) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer should report the allegation to the municipal council, the provincial treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

122. I will follow up on the implementation of the recommendations after the due date.

Construction of new community hall in Thaba Nchu – payment for contract price adjustments due to professional services not being available

123. During March 2020, the municipality appointed professional service providers from an existing panel of service providers for quantity surveying, structural engineering- and architectural services for the construction of a new community hall in Thaba Nchu Community Centre. The appointment term of the service providers on the panel was from 15 January 2020 to 14 January 2023. During June 2022, the municipality appointed a contractor for this project, with a contract period of 18 months. Due to the delay in the appointment of the contractor to this project, the contract period of the contractor was not aligned to the contract period of the professional service providers.
124. The accounting officer extended the appointment term of the professional service providers to 8 March 2023 and again to 31 July 2023; however, there were periods during which there were no professional services appointed for the project, resulting in delays experienced by the contractor. Contrary to the requirements of 62(1)(a) of the MFMA, all reasonable steps were not taken to ensure that professional services are available on the project, to ensure that the resources of the municipality are used in an economic manner.
125. The contractor subsequently submitted two claims totalling R3 603 622,99 for contract price adjustments due to professional services not being available on the project, resulting in delays experienced by the contractor. The claims were paid by the municipality on 26 May 2023 and 14

June 2023 respectively, resulting in a financial loss for the municipality as there was no benefit obtained from these payments.

126. I notified the accounting officer of the material irregularity on 3 June 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I notified the accounting officer on 4 December 2024 of the following recommendations, which should be implemented by 4 July 2025, with a progress report after three months:

- a) The non-compliance should be investigated to determine the root cause and to determine if any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of MFMA.
- b) Appropriate action should be taken to develop and commence with the implementation of an action plan to address the root causes identified through the investigation and prevent further losses. The plan should include anticipated timeframes and address the following as a minimum:
 - processes to remedy the existing or preventing future misalignment of professional service providers appointments and contract periods.
 - monitoring the performance of contractors as required by section 116(2) of the MFMA.
- c) The full financial loss should be quantified and all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- d) Disciplinary proceedings should commence without undue delay against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- e) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer should report the allegation to the municipal council, the provincial treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

127. I will follow up on the implementation of the recommendations after the due date.

Construction of fire station in Botshabelo – payment for contract price adjustments due to professional services not being available

128. During March 2020, the municipality appointed professional service providers from an existing panel of service providers for quantity surveying, structural engineering- and architectural services for the construction of a fire station in Botshabelo. The appointment term of the service providers on the panel was from 15 January 2020 to 14 January 2023. During June 2022, the municipality appointed a contractor for this project, with a contract period of 18 months. Due to the delay in the appointment of the contractor to this project, the contract period of the contractor was not aligned to the contract period of the professional service providers.

129. The accounting officer extended the appointment term of the professional service providers to 8 March 2023 and again to 31 July 2023; however, there were periods when there were no professional services appointed for the project, resulting in delays experienced by the contractor. Contrary to the requirements of 62(1)(a) of the MFMA, all reasonable steps were not taken to

ensure that professional services are available on the project, to ensure that the resources of the municipality are used in an economic manner.

130. The contractor subsequently submitted two claims totalling R1 894 739,13 for contract price adjustments due to professional services not being available on the project, resulting in delays experienced by the contractor. The claims were paid by the municipality on 13 December 2023 and 7 June 2023 respectively, resulting in a financial loss for the municipality as there was no benefit obtained from these payments.
131. I notified the accounting officer of the material irregularity on 5 June 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I notified the accounting officer on 4 December 2024 of the following recommendations, which should be implemented by 4 July 2025, with a progress report after three months:
- a) The non-compliance should be investigated to determine the root cause and to determine if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of MFMA.
 - b) Appropriate action should be taken to develop and commence with the implementation of an action plan to address the root causes identified through the investigation and prevent further losses. The plan should include anticipated timeframes and address the following as a minimum:
 - processes to remedy the existing or preventing future misalignment of professional service providers appointments and contract periods.
 - monitoring the performance of contractors, as required by section 116(2) of the MFMA.
 - c) The full financial loss should be quantified and all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
 - d) Disciplinary proceedings should commence without undue delay against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
 - e) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer should report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.

132. I will follow up on the implementation of the recommendations after the due date.

Installation of internal services Vista Park Extension 3 – contractual obligations not settled within 30 days

133. The municipality entered into an agreement with a developer during December 2021 for the installation of internal services for Vista Park Extension 3. The project was funded from the informal settlement upgrading partnership grant. In terms of clause 4.3.4 of the agreement entered into, all progress payments shall be made by the municipality to the developer within 30 days of the issuing of the payment certificate.

134. During June 2023, the developer submitted a payment certificate the municipality, which included interest charges of R1 570 727,13. The interest charges related to previous payment certificates of the developer which were not settled within 30 days as required by clause 4.3.4 of the agreement and section 65(2)(e) of the MFMA. The late payment of payment certificates is likely to result in a financial loss of R1 570 727,13 for the metro, due to the liability to pay interest to the developer.

135. I notified the accounting officer of the material irregularity on 14 June 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I notified the accounting officer on 4 December 2024 of the following recommendations, which should be implemented by 4 July 2025, with a progress report after three months:

- a) The non-compliance should be investigated to determine the root cause and to determine if any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of MFMA.
- b) The full financial loss should be quantified and all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- c) Disciplinary proceedings should commence without undue delay against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- d) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer should report the allegation to the municipal council, the provincial treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.

136. I will follow up on the implementation of the recommendations after the due date.

Pollution of water resources not prevented – Thaba Nchu Wastewater Treatment Works

137. The Thaba Nchu Wastewater Treatment Works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spilling and discharge of raw/untreated sewerage into the adjacent environment, including the groundwater, the Sepane River, the Modder River and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the National Environmental Management Act 197 of 1998 (NEMA) and section 19(1) of the National Water Act 36 of 1998 (NWA). The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

138. I notified the accounting officer of the material irregularity on 11 March 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. I determined that the accounting officer is not taking appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Material irregularities in progress

139. I identified other material irregularities during the audit and notified the accounting officer of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, the responses of the accounting officer were not yet due for some material irregularities, while I had not yet completed the process of evaluating the responses for the remainder. These material irregularities will be included in next year's auditor's report.

Status of previously reported material irregularities

Reasonable steps not taken to safeguard zoo animals

140. The accounting officer did not ensure that all reasonable steps had been taken to safeguard the municipality's zoo animals, as required by section 63(2)(c) of the MFMA. Some of these animals could not be located and verified during the 2021-22 year-end asset verification process, resulting in the municipality impairing these assets. The impairment resulted in a material financial loss of R1 761 416 for the municipality, which was disclosed as an impairment loss in note 46 to the 2021-22 financial statements.

141. The accounting officer was notified of this material irregularity on 3 November 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I referred the material to the Public Protector South Africa (PPSA) on 18 March 2024 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the PPSA on 26 August 2024 and the investigation is currently in progress. I further recommended that the accounting officer should take the following actions to address the material irregularity, which should have been implemented by 8 July 2024, and report progress within three months:

- a) Investigate the non-compliance in terms of chapter 15 of the MFMA, to determine if any official was responsible for the failure to safeguarding the municipal assets which led to the municipality losing custodianship of the animals, including the possible theft of the 79 animals.
- b) Disciplinary proceeding should commence against any official who has allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct Procedures and Criminal Proceedings.
- c) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer should report the allegation to the municipal council, the provincial treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceeding.

- d) Reasonable steps should be taken to safeguard the biological assets in the custody of the municipality from any further losses as required by section 63(1)(a) of the MFMA.
- e) If it appears that the municipality suffered the financial loss through theft, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

142. The accounting officer has not adequately implemented or made satisfactory progress with the implementation of the above recommendations. I am in the process of making a decision on further actions to be taken.

Construction of trunk routes for IPTN roads infrastructure network phase 1C Chief Moroka link route – payment for extension of time not in terms of the contract

143. The municipality entered into a contract with a contractor for the construction of trunk routes for integrated public transport network (IPTN) roads infrastructure network: Phase 1C Chief Moroka link route. During November 2019 and October 2020, the contractor submitted extension of time claims totalling R2 987 553 for delays experienced on the project. However, the claims were however not submitted within the stipulated timeframe as outlined in the contract; consequently the contractor was not entitled to additional payment and discharging the municipality of all liability in relation with these claims. An official of the municipality recommended the claims for payment, even though the municipality had no contractual obligation to pay for the extension of time. The official consequently did not ensure the economic use of the financial resources of the municipality, as required by section 78(1)(b) of the MFMA. The payment of these claims resulted in a material financial loss of R2 987 553 for the municipality, which was disclosed as part of the fruitless and wasteful expenditure in note to the 2020-21 financial statements.

144. The accounting officer was notified of this material irregularity on 29 April 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I recommended that the accounting officer should take the following actions to address the material irregularity, which should have been implemented by 28 January 2024:

- a) The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- b) All entities and/or person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- c) Disciplinary proceedings should commence without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- d) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer should report the allegation to the municipal council, the provincial treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

- e) If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

145. The accounting officer has not adequately implemented or made satisfactory progress with the implementation of the above recommendations. I am in the process of making a decision on further actions to be taken.

Reasonable steps not taken to prevent fuel losses

146. The municipality has accounted for losses on their fuel inventory during the 2019-20 to 2022-23 financial years as follows:

Financial year	Fuel losses
2022-23	R1 124 393
2021-22	R2 008 202
2020-21	R4 483 763
2019-20	R1 914 097
Total loss	R9 530 455

147. Irrespective of fuel inventory losses being incurred for on an annual basis, the accounting officer did not take all reasonable steps to prevent these losses from occurring as required by section 62(1)(d) of the MFMA. Investigations were not conducted to determine the reasons for the losses, standard operating procedures were not developed and implemented for the management of fuel inventory and there was a lack of maintenance of fuel storage and distribution infrastructure. The fuel inventory losses are likely to result in a financial loss for the municipality.

148. I notified the accounting officer of the material irregularity on 27 November 2023. The accounting officer did not take appropriate action to resolve the material irregularity. I notified the accounting officer on 4 December 2024 of the following recommendations, which should be implemented by 4 July 2025, with a progress report after three months:

- a) The non-compliance should be investigated to determine the root cause for the fuel losses and if any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- b) The financial loss should be quantified and all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- c) Reasonable steps should be taken to implement expenditure controls for the provision of fuel services to prevent further losses as required by section 62(1)(d) of the MFMA.
- d) Disciplinary proceedings should commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by

section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

- e) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer should report the allegation to the municipal council, the provincial treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- f) If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

149. I will follow up on the implementation of the recommendations after the due date.

Pollution of water resource not prevented – Botshabelo Wastewater Treatment Works

150. The Botshabelo Wastewater Treatment Works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spilling and discharge of raw/untreated sewerage into the adjacent environment, including the groundwater, the Klein Modder River and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

151. The accounting officer was notified of this material irregularity on 20 October 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the Department of Water and Sanitation (DWS) on 27 February 2024 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 15 April 2024 and the investigation is currently in progress.

Pollution of water resource not prevented – Sterkwater Wastewater Treatment Works

152. The Sterkwater Wastewater Treatment Works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spilling and discharge of raw/untreated sewerage into the adjacent environment, including the groundwater, the Renosterspruit and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

153. The accounting officer was notified of this material irregularity on 20 October 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the DWS on 27 February 2024 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 15 April 2024 and the investigation is currently in progress.

Poor management of the Southern landfill site

154. The municipality has been operating the Southern waste landfill site in a manner that is not in compliance with its licence conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control and inadequate separation of waste disposed at the site, improper or lack of compacting and cover to limit gas emission impacting on air quality, spontaneous combustions and fires posing safety risks and air pollution, lack of stormwater management and leachate detection to prevent continued contamination of the soil and groundwater and no proper air, water and effluent sampling points to monitor air and water pollution.
155. The municipality consequently did not dispose of and treat waste in an environmentally sound manner and in a manner that does not endanger health or the environment as required by section 16(1) of the National Environmental Management Waste Act 59 of 2008 (NEMWA). The municipality further did not take reasonable measures to prevent pollution or degradation of the environment from occurring, continuing or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site, communities adjacent to the landfill site as well as exposed to, and dependent on, the groundwater resources.
156. The accounting officer was notified of this material irregularity on 10 November 2022. The accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the Department of Forestry, Fisheries and the Environment (DFFE) on 27 March 2024 for investigation as provided for in section 5(1A) of the PAA. On 14 May 2024 DFFE sub-referred the material irregularity to the Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA) for further investigation. The referral was accepted by DESTEA on 2 September 2024 and the investigation is currently in progress.

Poor management of the Northern landfill site

157. The municipality has been operating the Northern waste landfill site in a manner that is not in compliance with its licence conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control and inadequate separation of waste disposed at the site, improper or lack of compacting and cover to limit gas emission impacting on air quality, spontaneous combustions and fires posing safety risks and air pollution, lack of stormwater management and leachate detection to prevent continued contamination of the soil and groundwater and no proper air, water and effluent sampling points to monitor air and water pollution.
158. The municipality consequently did not dispose and treat waste in an environmentally sound manner and in a manner that does not endanger health or the environment as required by section 16(1) of the NEMWA. The municipality further did not take reasonable measures to prevent pollution or degradation of the environment from occurring, continuing or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site, communities adjacent to the landfill site as well as exposed to, and dependent on, the groundwater resources.

159. The accounting officer was notified of this material irregularity on 22 January 2024 and invited the accounting officer to make a written submission on the actions taken and that will be taken to address the matter. I determined that the accounting officer is not taking appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Other reports

160. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated financial statements or my findings on the reported performance information or compliance with legislation.

161. The Special Investigating Unit (SIU) received allegations of corruption within the metro police and IPTN at the municipality for the period starting in 2017 to date. However, the municipality has not submitted all the requested documents to the SIU. The SIU is still analysing the partially submitted information to establish the legitimacy of the allegations. These proceedings were still in progress at the date of this auditor's report.

162. An independent consultant was investigating an allegation of improper procurement of buses and appointment or rollout of the infrastructure project for the IPTN for the period starting in the 2015-16 financial year to date. The investigation is still in progress. The outcome of the first stage of the investigation was completed and submitted to the National Treasury for assessment and tabling in the council. The investigation report is still being assessed by the National Treasury, while the second stage of the investigation is still in progress.

163. The Directorate for Priority Crime Investigation (Hawks) was investigating an allegation of overtime payments to VIP bodyguards employed in the offices of the political office-bearers, which covered the period from 2017 to December 2021. These proceedings were still in progress at the date of this auditor's report.

164. The Hawks were investigating allegations of irregularities in the municipality's procurement processes regarding a security service tender awarded for the period 1 March 2019 to 28 February 2021. The outcome was unknown as the investigation report was in progress at the date of this auditor's report.

165. An independent legal firm was appointed to provide a legal opinion on allegations of the irregular appointment and payment of political staff. It is alleged that the political staff were appointed to occupy positions that were not vacant or provided for in the staff establishment for a period of two months starting in January 2022. The investigation was concluded on 25 February 2022 and resulted in the salaries being disclosed as irregular expenditure. The report was issued to the Municipal Public Accounts Committee (MPAC) on 19 April 2022; however, the MPAC has not finalised its own report on this matter.

166. An independent consultant is investigating allegations on unverifiable overtime claims, paid to municipal staff during the 2022 and 2023 financial years. The investigation is expected to be completed on 30 June 2025. The investigation was in progress at the date of this auditor's report.

167. The Hawks investigated allegations of fraudulent payments made to a supplier pertaining to the indigent register, for the period 7 March 2022 until 31 August 2023. Allegations were made that a junior official's signature from the municipality was forged to certify the delivery of services that were reportedly not provided. The National Director of Public Prosecutions handed down judgment on 19 March 2024, concluding on the validity of this matter.

Auditor-General

Cape Town

27 January 2025



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. 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

2. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated financial statements and the procedures performed on reported performance information for selected KPA and on the group's compliance with selected requirements in key legislation.

Consolidated financial statements

3. In addition to my responsibility for the audit of the consolidated financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the consolidated 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 group'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 consolidated 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 group 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 consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated 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 group to cease operating as a going concern
 - evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and determine whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

4. 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.
5. 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

6. 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), Sections: 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), Sections: 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(1)(a), 63(2)(a), 63(2)(c), Sections: 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), Sections: 65(2)(e), 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), 129(1), Sections: 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 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), Regulations: 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), Regulations: 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), Regulations: 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), Regulations: 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), Regulations: 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 5 of 2023	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), Sections: 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 54A(1)(a), 56(1)(a), 57(2)(a), Sections: 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b), Parent municipality with ME: Sections: 93B(a), 93B(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), Regulations: 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: Municipal Staff Regulations	Regulations: 7(1), 31
National Environmental Management: Waste Act 59 of 2008	Section: 20(b)
National Water Act 36 of 1998	Section: 22(1)(b)
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), Regulations: 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)