



AUDITOR - GENERAL
SOUTH AFRICA

The accounting officer
Private Bag X10005
Balfour
2410

30 November 2024

Reference: 02634REG/23-24

Dear Sir

Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of Dipaleseng Local Municipality for the year ended 30 June 2024

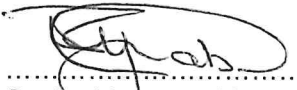
1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act No. 25 of 2004 (PAA) read in conjunction with section 188 of the Constitution of the Republic of South Africa section 126(3) of the Municipal Finance Management Act 56 of 2003 (MFMA).
2. We have not yet received the other information that will be included in the annual report with the audited financial statements and the annual performance report and have thus not been able to establish whether there are any inconsistencies between this information and the audited financial statements, the annual performance report or our report on compliance with legislation. You are requested to supply this information as soon as possible. Once this information is received it will be read and should any inconsistencies be identified these will be communicated to you and you will be requested to make the necessary corrections. Should the corrections not be made we will amend and reissue the audit report.
3. In terms of section 121(3) of the MFMA you are required to include the auditor's report in the municipality's annual report to be tabled.
4. Prior to printing or copying the annual report which will include the auditor's report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the Auditor-General of South Africa for verification of the audit-related references in the auditor's report and for confirmation that the financial statements, annual performance report and other information are those documents that have been read and audited. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
 - The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
5. Please notify the undersigned Senior Manager well in advance of the date on which the annual report containing this audit report will be tabled.

6. The confidentiality of information obtained in an engagement must be observed at all times. In terms of section 50 of the PAA and the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (*including International Independence Standards*), members of the staff of the Auditor General (AG), , may not disclose or make available any information obtained during an audit, other than the final auditor's report, to any third party without the permission of the AG or his/her delegate, unless this is to a legislature or internal committee of a legislature or a court in a criminal matter.
7. Until the steps described in paragraphs 2 and 4 of this document are completed and the annual report is tabled as required by section 127(2) of the MFMA, the audit report is not a final and public document and you are therefore requested to treat it as confidential.
8. Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed



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Senior Manager: Mpumalanga Business Unit

Enquiries: Jennifer Mutavayi
Telephone: (013) 756 0800
Fax: (013) 756 0800

Report of the auditor-general to the Mpumalanga Provincial Legislature and the municipal council on the Dipaleseng Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Dipaleseng Local Municipality 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 information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Dipaleseng Local Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the applicable Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Divisions of Revenue Act 5 of 2023 (DORA).

Basis for qualified opinion

Irregular expenditure

3. The municipality did not fully record irregular expenditure in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. This was because expenditure incurred in contravention of the supply chain management (SCM) legislation was not detected and appropriately disclosed in the financial statements. Consequently, I was unable to determine the full extent of the understatement of irregular expenditure, stated at R 239,35 million in note 53 to the financial statements as it was impracticable to do so.

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 financial statements section of my report.
5. I am independent of the Dipaleseng Local Municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 48 to the financial statement, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2024.

Material losses - Electricity

9. As disclosed in note 54 to the financial statements, material electricity losses of R 34,73 million (2022-23: R25,18 million) were incurred, which represented 35.05% (2022-23: 28.22%) of total electricity purchased.

Material losses – Water

10. As disclosed in note 54 to the financial statements, material water losses of R52,24 million (2022-23: R52,32 million) were incurred, which represented 72% (2022-23: 76%) of total water purchased.

Material impairments - Receivables from exchange transactions

11. As disclosed in note 10 to the financial statements, material impairment of R513,66 million (2022-23: R477,57 million) was incurred as a result of the municipality not being able to recover monies owed by consumers, the debt was impaired.

Material impairments - Receivables from non-exchange transactions

12. As disclosed in note 11 to the financial statements, material impairment of R93,59 million (2022-23: R82,00 million) was incurred as a result of the municipality not being able to recover monies owed by consumers, the debt was impaired.

Other matters

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

15. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

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

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 18, forms part of our auditor's report.

Report on the annual performance report

19. 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 information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
20. I selected the following material performance indicators related to basic service delivery presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Performance indicators
Number of household with access to Waste removal by 30 June 2024
Number of new household with access to waste removal by 30 June 2024 (RidgeView)
Number of new household with access to waste removal by 30 June 2024(Balfour North)
Number of informal settlement receiving basic refuse removal services
Number of household provided with water services by 30 June 2024
Number of new household connected to the internal water reticulation by 30 June 2024(Ridgeview)
Number of new household connected to the internal water reticulation by 30 June 2024(Balfour North)
Number of Household with provided with sanitation services by 30 June 2024
Number of new Household with provided with sanitation services by 30 June 2024(Ridgeview)
Number of new Household connected to internal sewer reticulation (Balfour)
Number of Household provided with electricity services by 30 June 2024
Number of new Household connected to the internal electricity reticulation services by 30 June 2024(Ridgeview)
Number of new Household connected to the internal electricity reticulation services by 30 June 2024(Balfour)
Percentage% increase in Blue Drop status by 30 June 2024
Percentage% increase in Green Drop status by 30 June 2024
KMs of new paving roads upgraded by 30 June 2024
KMs of new gravel roads upgraded by 30 June 2024
Meter squared of roads patched by 30 June 2024
Percentage % reduction in technical and distribution water loses by 30 June 2024
Percentage % reduction in technical and distribution electrical losses by 30 June 2024
Number of MIG projects completed by 30 June 2024
Number of INEP projects completed by 30 June 2024
Number of MDRG projects completed by 30 December 2023

21. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

22. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets /measures taken to improve performance.

23. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

24. The material findings on the reported performance information for the selected material indicators are as follows:

Various indicators

25. Measures taken to improve performance against underachieved targets 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 for assessing the effectiveness of strategies to improve future performance against targets.

Indicator	Target
Number of new household with access to waste removal by 30 June 2024(Balfour North)	40
Number of new household connected to the internal water reticulation by 30 June 2024(Balfour North)	40
Number of new Household connected to internal sewer reticulation (Balfour)	40
Number of new Household connected to the internal electricity reticulation by 30 June 2024(Balfour)	40
Percentage% increase in Blue Drop status by 30 June 2024	30%
Percentage% increase in Green Drop status by 30 June 2024	20%
Percentage % reduction in technical and distribution water loses by 30 June 2024	30%
Percentage % reduction in technical and distribution electrical losses by 30 June 2024	50%
Number of MIG Projects completed by 30 June 2024	3
Number of INEP Projects completed by 30 June 2024	3

Various indicators

26. A comparison of the actual performance for the year against the prior year performance was not included in the annual performance report. Consequently, the reported information is not useful for evaluating progress over time and for identifying areas of improvement.

Performance indicators
Number of household with access to Waste removal by 30 June 2024
Number of new household with access to waste removal by 30 June 2024 (RidgeView)
Number of new household with access to waste removal by 30 June 2024(Balfour North)
Number of informal settlement receiving basic refuse removal services
Number of household provided with water services by 30 June 2024
Number of new household connected to the internal water reticulation by 30 June 2024(Ridgeview)
Number of new household connected to the internal water reticulation by 30 June 2024(Balfour North)
Number of Household with provided with sanitation services by 30 June 2024
Number of new Household with provided with sanitation services by 30 June 2024(Ridgeview)
Number of new Household connected to internal sewer reticulation (Balfour)
Number of Household provided with electricity services by 30 June 2024
Number of new Household connected to the internal electricity reticulation services by 30 June 2024(Ridgeview)
Number of new Household connected to the internal electricity reticulation services by 30 June 2024(Balfour)
Percentage% increase in Blue Drop status by 30 June 2024
Percentage% increase in Green Drop status by 30 June 2024
KMs of new paving roads upgraded by 30 June 2024
KMs of new gravel roads upgraded by 30 June 2024
Meter squared of roads patched by 30 June 2024
Percentage % reduction in technical and distribution water loses by 30 June 2024
Percentage % reduction in technical and distribution electrical losses by 30 June 2024
Number of MIG projects completed by 30 June 2024
Number of INEP projects completed by 30 June 2024
Number of MDRG projects completed by 30 December 2023

Various indicators

27. 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.

Indicator	Target	Detail
Number of household with access to Waste removal by June 2024	14 590	I could not determine whether the reported achievement was correct as adequate supporting evidence was not provided to validate the methods and processes for measuring achievement used.
Number of new household with access to waste removal by 30 June 2024 (RidgeView)	180	
Number of new household with access to waste removal by 30 June 2024(Balfour North)	40	
Number of informal settlement receiving basic refuse removal services	4	
Number of household provided with water services by June 2024	14 750	
Number of new household connected to the internal water reticulation by 30 June 2024(Ridgeview)	180	
Number of new household connected to the internal water reticulation by 30 June 2024(Balfour North)	40	
Number of Household with provided with sanitation services by 30 June 2024	14 300	
Number of new Household with provided with sanitation services by 30 June 2024(Ridgeview)	180	
Number of new Household connected to internal sewer reticulation (Balfour)	40	
Number of Household provided with electricity services by June 2024	13 750	
Number of new Household connected to the internal electricity reticulation by 30 June 2024(Ridgeview)	180	
Number of new Household connected to the internal electricity reticulation by 30 June 2024(Balfour)	40	
KMs of new paving roads upgraded by 30 June 2024	0.802	
KMs of new gravel roads upgraded by 30 June 2024	40	
Meter squared of roads patched by 30 June 2024	3 000	
Number of MIG Projects completed by 30 June 2024	3	
Number of INEP Projects completed by 30 June 2024	3	
Number of MDRG Projects completed by 30 December 2023	3	

Various indicators

28. 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 were not provided. Consequently, the reported achievements might be more or less than reported and were not reliable for determining if the targets have been achieved.

Indicator	Target	Reported achievement
Percentage% increase in Blue Drop status by 30 June 2024	30%	8%
Percentage% increase in Green Drop status by 30 June 2024	20%	5%
Percentage % reduction in technical and distribution water loses by 30 June 2024	30%	0%
Percentage % reduction in technical and distribution electrical losses by 30 June 2024	50%	0%

Other matters

29. I draw attention to the matters.

Achievement of planned targets

30. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements/measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

31. The table that follows provides information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report. The measures taken to improve performance are included in the annual performance report on pages xx to xx.

Basic service delivery

Targets achieved: 60.3%		
Budget spent: 100%		
Key basic service delivery indicators not achieved	Planned target	Reported achievement
Number of new household with access to waste removal by 30 June 2024(Balfour North)	40	0
Number of new household connected to the internal water reticulation by 30 June 2024(Balfour North)	40	0
Number of new Household connected to internal sewer reticulation (Balfour)	40	0

Number of new Household connected to the internal electricity reticulation services by 30 June 2024(Balfour)	40	0
Percentage% increase in Blue Drop status by 30 June 2024	30%	8%
Percentage% increase in Green Drop status by 30 June 2024	20%	5%
Percentage % reduction in technical and distribution water loses by 30 June 2024	30%	0%
Percentage % reduction in technical and distribution electrical losses by 30 June 2024	50%	0%
Number of MIG projects completed by 30 June 2024	3	2
Number of INEP projects completed by 30 June 2024	3	0

Material misstatements

32. 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 the misstatements and I reported material findings in this regard.

Report on compliance with legislation

33. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
34. 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.
35. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
36. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

37. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
38. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM prescripts.
39. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R29,92 million, as disclosed in note 52 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by late payment of suppliers.
40. Reasonable steps were not taken to prevent unauthorised expenditure of R240,52 million, as disclosed in note 51 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the budget.

Procurement and contract management

41. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c).
42. Sufficient appropriate audit evidence could not be obtained that goods and services within the prescribed transaction value for competitive bids were procured by inviting competitive bids and that deviations approved by the accounting officer were only if it was impractical to invite competitive bids, as required by SCM Regulations 19(a) and 36(1).
43. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5.
44. 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.
45. 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. .

Asset management

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

Consequence management

47. Some of the unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

48. Some of the irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
49. Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.

Grant Management

50. Performance in respect of programmes funded by the Municipal Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 5 of 2023).
51. Performance in respect of programmes funded by the Integrated National Electrification Programme Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 5 of 2023)

Strategic planning and performance management

52. The performance management system and related controls were not maintained as it did not describe how the performance planning, monitoring, measurement, review, reporting, improvement processes should be conducted and organised and managed at the indicator level, as required by municipal planning and performance management regulation 7(1).
53. The SDBIP for the year under review did not include monthly operational and capital expenditure by vote as required by section 1 of the MFMA.

Financial statements, performance and annual reports

54. 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, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.
55. The 2022/23 annual report was not made public after being tabled in the council, as required by section 127(5)(a)(i) of the MFMA.
56. The oversight report adopted by the council on the 2022/23 annual report was not made public, as required by section 129(3) of the MFMA.

Other information in the annual report

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

58. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
59. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in development priority presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
60. 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

61. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
62. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report control.
63. Those charged with leadership did not implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
64. Management did not review and monitor compliance with applicable laws and regulations.
65. Management did not implement controls over daily and monthly processing and reconciling of transactions.
66. Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Material irregularities

67. 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

68. The material irregularities identified are as follows:

Poor management of the Greylingstad waste landfill site

69. The Municipality has been operating the Greylingstad waste landfill site in a manner that is not in compliance with its license conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control to the site, serious illegal waste dumping / disposals on roads to and from the site and immediate surroundings, improper or lack of compacting and cover to limit gas emission impacting on air quality, burning of waste posing safety risks and air pollution, no control over water runoff or leachate management, encroachment of dwellings – housing developments incur in and around the site, the site is close to communal developments and related activities, no monitoring and sampling of surface / groundwater / gas monitoring, wind-blown waste was evident, particularly along the access road around the waste body, no dust management / suppression on the site.

70. The municipality consequently did not dispose and treat waste in an environmentally sound 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. The municipality further did not take reasonable measures to prevent pollution or degradation from occurring, continuing or recurring as required by section 28(1) of NEMA. The municipality also did not ensure that any other situation exists, which causes, has caused or is likely to cause pollution of a water resource, must take all reasonable measures to prevent any such pollution from occurring, continuing or recurring as required by section 19(1) of the NWA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site and communities adjacent to the landfill site and to the environment dependent on the affected air, soil and water resources.

71. The accounting officer was notified of this material irregularity on 25 January 2024 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Poor management of the Grootvlei waste landfill site

72. The municipality has been operating the Grootvlei waste landfill site without a valid licence or permit. A closure licence was issued to the municipality in the year 2014 to restore and rehabilitate the site and surrounds. The Municipality has been operating the landfill site in a manner that is not in compliance with license conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control to the site, serious illegal waste dumping / disposals on roads to and from the site and immediate

surroundings, improper or lack of compacting and cover to limit gas emission impacting on air quality, burning of waste posing safety risks and air pollution, encroachment of dwellings – housing developments incur in and around the site. The site is close to communal developments and related activities, no monitoring and sampling of surface/ gas monitoring, wind-blown waste was evident, particularly along the access road around the waste body, no dust management / suppression on the site.

73. The municipality consequently did not dispose and treat waste in an environmentally sound 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. The municipality further did not take reasonable measures to prevent pollution or degradation from occurring, continuing or recurring as required by section 28(1) of NEMA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site and communities adjacent to the landfill site and environment dependent on the affected air and soil.
74. The accounting officer was notified of this material irregularity on 14 March 2024 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Pollution of water resource not prevented at the Balfour wastewater treatment plant

75. The Balfour 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 sewage into the adjacent environment, including the groundwater, Blesbokspruit 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 resource.
76. The accounting officer was notified of this material irregularity on 11 April 2024 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Pollution of water resource not prevented at the Grootvlei (Extension 1) mine wastewater treatment plant

77. The Grootvlei (Extension 1) mine wastewater treatment works has not operated effectively. This has resulted in continued spilling and discharge of raw/untreated sewage into the adjacent environment, including the groundwater, Grootvlei Dam, the nearby Molspruit River which subsequently feeds into the Vaal 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 resource.

78. The accounting officer was notified of this material irregularity on 27 June 2024 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Status of previously reported material irregularities

Eskom not paid within 30 days of receiving the relevant invoice or statement

79. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

80. The non-compliance is likely to result in a material financial loss for the Dipaleseng local municipality. This is due to the municipality still owing money to Eskom and continuously not making payments within 30 days.

81. However, the municipality is still incurring interest on ESKOM. Consequently, as disclosed in note 52 of the annual financial statements interest of late payments to suppliers of R29,92 million was incurred in 2023-24 financial statements.

82. The accounting officer was notified of this material irregularity on 12 June 2023 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Poor management of the Balfour waste landfill site

83. The Municipality has been operating the Balfour waste landfill site in a manner that is not in compliance with its license conditions and the minimum legislative requirements for waste disposal at a landfill site, which is evidenced by poor access control, Improper or lack of compacting and cover to limit gas emission impacting on air quality, Burning of waste posing safety risks and air pollution, lack of storm water management and leachate detection to prevent continued contamination of the soil and groundwater, Site erosion was evident near and around the site bodies and o monitoring and sampling of surface / groundwater / gas monitoring.

84. The municipality consequently did not dispose and treat waste in an environmentally sound 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. The municipality further did not take reasonable measures to prevent pollution or degradation from occurring, continuing or recurring as required by section 28(1) of NEMA. The municipality also did not ensure that any other situation exists, which causes, has caused or is likely to cause pollution of a water resource, must take all reasonable measures to prevent any such pollution from occurring, continuing or recurring as required by section 19(1) of the NWA. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site and communities adjacent to the landfill site and to the environment dependent on the affected air, soil and water resources.

85. The accounting officer was notified of this material irregularity on 24 November 2023 and was invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer failed to make the written submission within the stipulated period and therefore did not take appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Full and proper records not kept

86. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of property plant and equipment, unspent conditional grants, revenue from exchange transactions, cash and cash equivalents, expenditure (contracted services) and distribution losses (electricity and water), as required by section 62(1) (b) of the MFMA.

87. The non-compliance contributed to a disclaimer of audit opinion as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.

88. The lack of full and proper records is likely to result in substantial harm to the municipality as it has a negative impact on the municipality's ability to discharge its service delivery mandate.

89. The accounting officer was notified of this material irregularity on 9 May 2022. The following actions have been taken to resolve the material irregularity:

90. The accounting officer responded to the notification on 6 October 2022 and the accounting officer subsequently indicated that a financial recovery plan is currently being implemented and is being monitored by the accounting officer and stakeholders with the aim of improving the financial sustainability. The following actions have been taken to resolve the material irregularity:

- During the 2022/23 an action plan was developed to address the specific key areas (property plant and equipment, unspent conditional grants, revenue from exchange transactions, cash and cash equivalents, expenditure (contracted services) and distribution losses (electricity and water)) that led to the disclaimer audit opinion.
- In August 2022, the council appointed an accounting officer to ensure stability in leadership position and to institutionalise the internal controls on daily and monthly processing of transactions.
- In March 2022, the municipality appointed a Chief Financial to assist the accounting officer to institutionalise the internal controls on daily and monthly processing of transactions.
- During 2022/23 council approved the records management policy. The policy was duly implemented since its approval.
- During 2022/23, an adequate filing system was in progress to ensure that accounting records are easily retrievable when required.
- During 23/24 management developed and commenced with the implementation of an action plan to address poor record keeping
- The accounting officer is implementing the financial recovery plan under the support of the National Government Intervention. There are various revenue enhancement

programmes that the municipality is implementing to ensure improvement in the revenue collection. The implementation of the financial recovery plan is ongoing.

91. Based on the above actions that have been taken to resolve the material irregularity. I considered all the substantiating evidence provided and I have concluded that appropriate actions have been taken to address the material irregularity and it is considered resolved. I will continue to monitor the impact of the initiatives implemented in accordance with the financial recovery plan during my subsequent audit.

Auditor-General

Auditor-General

Mbombela

30 November 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b) Parent municipality with ME: Sections 93B(a), 93B(b) Parent municipality with shared control of ME: Sections 93C(a)(iv), 93C(a)(v)
MSA: Municipal Planning and performance	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)

Legislation	Sections or regulations
Management Regulations, 2001	
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)