

Report of the auditor-general to the Mpumalanga Provincial Legislature and the Council on the Govan Mbeki Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Govan Mbeki Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year ended as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material, the financial position of Govan Mbeki Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the Auditor-General for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty related to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 56 to the financial statements, which indicates a net loss of R733 209 396 was incurred during the year ended June 2025, and, as of that date, the current liabilities exceeded its total assets by R2 830 403 390. As stated in note 56, these events or conditions, along with other matters as set forth in note 56, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.
9. As disclosed in the note 16 to the annual financial statements, material impairment of receivables from non-exchange transactions of R380.2 million (2023-2024: R 466.1 million) was incurred as a result of an impairment provision for doubtful debts
10. As disclosed in the note 18 to the annual financial statements, material impairment of consumer debtors of R 2,9 billion (2023-2024: R2,8 billion) was incurred as a result of an impairment provision for doubtful debts.
11. As disclosed in note 46 to the financial statements, material electricity losses of 255 558 011 units (2023-2024: 326 424 277 units) were incurred, which represented 48% (2023-2024: 59%) of the total electricity purchased.
12. As disclosed in note 46 to the financial statements, material water losses of 12,875,081 units (2023-2024: 14 994 581units) were incurred, which represented 44% (2023-2024: 48%) of the total water purchased.
13. As disclosed in note 54 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the municipality and for the year ended 30 June 2025.

Other matters

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.
15. 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

16. 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.
17. 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

18. 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.
19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

20. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance area presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
21. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected a key performance area that measures the municipality's performance on its primary mandated functions, and that is of significant national, community or public interest.

Key performance area	Page numbers	Purpose
KPA 2 – Sustainable physical infrastructure and improve customer care services	XX	To provide sustainable services, optimise operations and improve customer care

22. I evaluated the reported performance information for the selected key performance area against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.
23. In performing the audit, my procedures focused on the material indicators relating to water, sanitation, human settlements and related infrastructure, as well as electricity and energy, roads and transport services.
24. I performed procedures to test whether:
- The indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives

- All the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included.
- The indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable, so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time-bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance, as well as how performance will be evaluated
- The indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- The reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- There is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets/measures taken to improve performance

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

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

KPA 2 – Sustainable physical infrastructure and improve customer care services

Square metres (m²) of tarred roads repaired and maintained by 30 June 2025.

27. An achievement of 16643m² was reported against a target of 38850m². However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially more than reported. Consequently, it is likely that the achievement against the target was better than reported.

Other matters

28. I draw attention to the matters below.

Achievement of planned targets

29. 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.

30. 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 reasons for any underachievement of targets/measures taken to improve performance are included in the annual performance report on pages [xx to xx].

KPA 2 – Sustainable physical infrastructure and improve customer care services

<i>Targets achieved: 25%</i> <i>Budget spent: 100%</i>		
Key performance indicator not achieved.	Planned target	Reported achievement
Number of Township Establishment Applications accepted and considered within 12 months as at 30 June 2025	3	0
Percentage (%) of Complete (Compliant) Land Development Applications (LDA), (but exclude Township applications, applications with objections and applications that are not complete or rejected/aborted), Evaluated and Finalised within 90 working days by 30 June 2025	100%	54%
Percentage (%) of Completed (Compliant) Building Plans Applications Evaluated and Finalised within 90 days, including applications from previous financial year with finalisation date that falls under the current year of assessment in line with the service standards as follows: 1. Building plan application where the area of a building is less than 500m ² , the application should be Finalised within 30 days. 2. Building plan application where the area of a building is 500m ² or larger, the application should be Finalised within 60 days of receipt of the application by 30 June 2025	100%	84%
Percentage (%) reduction of Energy losses as per the previous year-end actual energy losses recorded by 30 June 2025	30%	21.86%
Square metres (m ²) of tarred roads repaired and maintained by 30 June 2025	38550 m ²	16643.15 m ²
Kilometres (KMs) of Gravel Roads maintained 30 June 2025	200	178.27
Number of households with access to a basic level of water as at 30 June 2025 of the financial year	69000	61190
Number of households with access to a basic level of sanitation as of 30 June 2025 of the financial year	69000	55381

Material misstatements

31. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 2:

Sustainable physical infrastructure and improved customer care services. Management did not correct the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

32. 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.
33. 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.
34. 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.
35. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements and annual reports

36. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets, liabilities, and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected

Expenditure Management

37. Reasonable steps were not taken to prevent irregular expenditure amounting to R83.4 million as disclosed in note 59 to the annual financial statements, as required by section 62(1)(d) of the MFMA.
38. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R250.2 million as disclosed in note 58 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.
39. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R 888.9 million, as disclosed in note 57 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.
40. Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.

Procurement and contract management

41. Some of the contracts and quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of section 2(1)(a) of the Preferential Procurement Policy Framework Act and its regulations

Other information in the annual report

42. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
43. 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.
44. 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 programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
45. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

46. 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.
47. The matters reported below are limited to the significant internal control deficiencies that resulted in a qualified opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
48. Management did not ensure a thorough review of the annual performance report before approval, which is necessary to confirm that all reported information is supported by valid evidence and is accurate

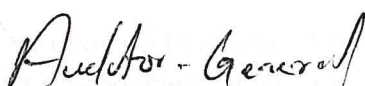
Material irregularities

49. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Pollution of water resources has not prevented – Embalenhle Wastewater Treatment Works.

50. The municipality failed to take reasonable measures to prevent significant pollution or degradation of the environment from occurring, continuing or recurring, or to minimise and rectify such pollution or degradation of the environment, in contravention of Section 28(1) of the National Environmental Management Act 107 of 1998 (NEMA) and Section 19(1) of the National Water Act 36 of 1998 (NWA). A site visit to the Embalenhle Wastewater Treatment Works was conducted by AGSA on 15 October 2021 and 17 August 2023. During the site visit, it was observed that there was vandalism and theft of equipment and cabling. Maintenance and repair needs that include the site palisades and subsequent access control were noted. Infrastructural and mechanical decay that impacted the operational processes and effective treatment, and the quality of effluent disposal was also noted. Consequently, some parts of the plant are non-functional, resulting in serious wastewater overflows inside and outside the plant, overflowing at sumps and the Trichardt spruit next to the plant.
51. Although the municipality has a licence to discharge wastewater into the Trichardt Spruit, when untreated or inadequately treated wastewater is discharged into the surrounding environment, the pollution impacts the environment and health of the users that are dependent on contaminated water resources (i.e. surface water, water course or groundwater) whether it is used for consumption by humans, livestock, for domestic or agricultural (irrigation) purposes. It can result in multiple water-borne diseases and therefore can have a detrimental impact on the health of the community and surrounding agricultural activities. The non-compliance is likely to result in substantial harm to the general public if it continues unabated.
52. The accounting officer was notified of this material irregularity on 30 November 2023 and was invited to make a written submission on the actions taken and those that will be taken to address the matter. The accounting officer responded between 26 January 2024 and 17 September 2024 with the actions taken to resolve the material irregularity. During the 2023/24 financial year the municipality took various actions to resolve the material irregularity, however, they were not sufficient to deal with the quality of the emission that is discharged into the spruit.
53. I have determined that the accounting officer is not taking appropriate action to resolve the MI. I am in the process of making a decision on further actions to be taken.


Mbombela

28 November 2025



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor General's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes 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 as of the date of this auditor's report. However, future events or conditions may cause the municipality to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of audit work performed for the purposes of the group audit. I remain solely responsible for my audit opinion.

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), 32(6)(a), Sections 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), Sections 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), Sections 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), Sections 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulation 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), 17(1)(b), Regulations 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a) and (b), 29(5)(a)(ii), 29(5)(b)(ii), Regulations 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), Regulations 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Sections 11(6)(b), 12(5), 16(1); 16(3)

Legislation	Sections or regulations
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	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), 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)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 27(1), 29(1)(b)(ii), 29(2)(a), Sections 29(2)(c), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, Sections 43(2), 56(a), 57(2)(a), 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), Sections 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 Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(5)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)

