AUDITOR-GENERAL
SOUTH AFRICA

The accounting officer
Emalahleni Local Municipality
P. O. Box 3
Emalahleni
1035

30 November 2025

Reference: 02584REG2024-25

Dear Sir

Report of the Auditor-General on the financial statements, annual performance report, compliance with legislation and other legal and regulatory requirements of Emalahleni for the year ended 30 June 2025

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) (municipality) 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 Business Unit Leader 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), or an audit firm appointed in terms of section 25 of the PAA, 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

Vanuja Maharaj
Head of Portfolio

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Emalahleni 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, the cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Emalahleni Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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. As disclosed in note 59 to the financial statements, which indicates that the municipality incurred a deficit of R1,69 billion (2023-24: R1,13 billion) during the year ended 30 June 2025 and that, as of that date, the municipality's current liabilities exceeded its assets by R10,08 billion (2023-24: R8,45 billion). In addition, total liabilities exceeded total assets by R4,18 billion (2023-24: R2,49 billion).These events or conditions, along with other matters as set forth in

note 59, 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 note 13 to the financial statements, the receivables from non-exchange transactions balance was significantly impaired. The total impairment of receivables from non-exchange transactions was R1,85 billion (2023-24: R1,28 billion).

10. As disclosed in note 17 to the financial statements, the consumer debtors balance was significantly impaired. The total impairment of consumer debtors was R8,24 billion (2023-24: R7 billion).

11. As disclosed in note 45 to the financial statements, material electricity losses of R649,48 million (2023-24: R558,08 million) was incurred, which represented 30% (2023-24: 30%) of total electricity purchased. These were due to ageing and deteriorating infrastructure as well as illegal connections.

12. As disclosed in note 46 to the financial statements, material water losses of R166,36 million (2023-24: R154,42 million) were incurred, which represented 47% (2023-24: 48%) of total water units purchased. These were due to ageing and deteriorating infrastructure as well as illegal connections.

13. As disclosed in note 57 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2025.

Other matter

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. This description, which is located at page xx, forms part of my 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
Infrastructure and basic service delivery	XX	To provide access to habitable, sustainable and affordable intergraded human settlements To increase access to efficient and sustainable basic services To provide an enabling environment for social and recreational development

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. I performed procedures to test whether:

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

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

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

Infrastructure and basic service delivery

Various indicators

26. Based on the audit evidence, the actual achievement for four indicators did not agree to the achievements reported. Consequently, the targets were not achieved, the underachievements on the targets were more than reported, and the achievements against the target were lower than reported.

Indicator	Target	Reported achievement	Actual achievement
Average percentage achieved in compliance with SANS 241:15	Achieve 95% of average compliance in accordance with SANS 214:2015	Achieved 94,2% average compliance in accordance with SANS 241:2015	Achieved 72,01% average compliance in accordance with SANS 241:2015
Number of electrical smart metres audited	Audit 200 electrical smart meters	222 electrical smart meters were audited	187 electrical smart meters were audited

Number of electricity meters audited	Audit 4 000 electricity meters	6 488 electricity meters were audited	4 714 electricity meters were audited
Number of formalised stands with new water connections installed	Install 1000 new connections in formalised stands	Installed 2 310 new water connections in formalised stands	Installed 1 766 new water connections in formalised stands

Ensure that a percentage of additional households receive waste collection services

27. An achievement of 100% additional household received waste collection services was reported against the target “Ensure that 100% additional households receive waste collection services”. I could not determine whether the reported achievement was correct, as the indicator was not well defined 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 had been achieved.

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 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 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.

Infrastructure and basic service delivery

Targets achieved: 79 %

Budget spent: 118 %

Key service delivery indicator not achieved	Planned target	Reported achievement
Number of electricity meters installed	Install 1 700 electricity meters	Installed 1 432 electricity meters
Number of water samples taken and tested	Take and test 1 368 water samples	688 water samples were taken and tested
Average percentage achieved in compliance with SANS 241:15	Achieve 95% of average compliance in accordance with SANS 214:2015	Achieved 94,2% average compliance in accordance with SANS 241:2015

Number of wastewater samples taken and tested	Take and test 336 wastewater samples	171 wastewater samples taken and tested.
Number of components being upgraded in the Klipspruit wastewater treatment works (WWTW) in line with the project schedule	Six components being upgraded in Klipspruit WWTW in line of project schedule	Six x final components being upgraded in Klipspruit WWTW in terms of project schedule not completed
Metres of sewer reticulation pipelines installed	Install 100 meters of sewer reticulation pipelines installed at Empumelelwani	Installed zero metres of sewer reticulation pipelines at Empumelelweni (contractor terminated)
Number of meters of outfall sewer pipelines installed at Empumelelweni	Install 3 000 meters of outfall sewer pipelines installed at Empumelelweni	Installed 2805,34 metres of outfall sewer pipelines at Empumelelweni
Number of metres of water link and bulk pipes installed at Siyanqoba/Klarinet	Install 900 metres of water link and bulk pipes installed at Siyanqoba/Klarinet	Installed 467 Witbank of water link and bulk pipes at Siyanqoba/Klarinet
Number of stormwater drainage systems constructed in Empumelelweni	Construct two stormwater drainage systems in Empumelelweni	Constructed one stormwater drainage systems in Empumelelweni
Number of informal settlements with access to waste-handling service	A total of 12 informal settlements with access to waste-handing service	Nine informal settlements with access to waste-handling services
Number of solid waste separation conducted at source at gated communities (Green village and Witbank dam)	Conduct two solid waste separations at source gated communities Green village and Witbank dam)	One solid waste separation conducted at source at gated community (Green village)

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 infrastructure and basic service delivery. Management did not correct all of 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

36. The financial statements submitted for auditing were not fully 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, current liabilities, expenditure, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

37. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) the MFMA.

38. Reasonable steps were not taken to prevent unauthorised expenditure of R1,80 billion, as disclosed in note 60 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 certain votes on the approved budget.

39. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R271,34 million, as disclosed in note 61 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 interest incurred on late payment to Eskom.

40. Reasonable steps were not taken to prevent irregular expenditure of R92,24 million as disclosed in note 62 to the annual financial statements, as required by section 62(1)(d) of the MFMA.

Strategic planning and performance

41. The performance management system and related controls were inadequate as they did not describe how the performance monitoring, measurement, review, reporting and improvement processes should be organised, as required by municipal planning and performance management regulation 7(1).

Other information in the annual report

42. The accounting officer is responsible for the other information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.

43. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

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

45. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and 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

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 the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

48. The accounting officer and senior managers did not implement adequate processes and controls for recording, reviewing and reporting to ensure credible, complete and accurate financial and performance information. This resulted in recurring material misstatements in the financial statements and performance reports.

49. The accounting officer failed to implement effective consequence management for unauthorised, irregular, fruitless and wasteful expenditure, resulting in repeat non-compliance with legislation.

Material irregularities

50. 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

Department of Water and Sanitation not paid within 30 days of receiving the invoice or relevant statement

51. The municipality failed to ensure that the payments due to the Department of Water and Sanitation (DWS) were made within 30 days of receiving the relevant invoice or statement, in contravention of section 65(2)(e) of the MFMA. The municipality incurred interest as a result of the late payments of R9,97 million in the 2019-20 financial year, which was disclosed as fruitless and wasteful expenditure in note 60 to the 2019-20 annual financial statements.

52. The non-compliance was likely to result in a material financial loss when the interest expense is paid.

53. The accounting officer was notified of this material irregularity (MI) on 4 June 2021 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 on 29 June 2021 with the actions taken to resolve the MI. My assessment is that the actions taken are not appropriate to resolve the MI.

54. I recommend that the accounting officer take the following actions to address the MI, which should be implemented by 31 May 2023, with progress reports every two months.

55. Appropriate action should be taken to implement the financial recovery plan of the municipality to address the financial problems that are preventing the municipality from paying the DWS within 30 days, as required by section 65(2)(e) of the MFMA. The strategies to be implemented should include measures to:

    - implement revenue enhancement interventions to increase the collection of revenue
    - efficiently manage the available resources of the municipality to optimise and reduce costs by eliminating wastage while obtaining value in respect of all costs incurred
    - reduce water distribution losses
    - negotiate a reasonable payment arrangement with the DWS and properly budget for the amounts to be paid.

56. On 31 May 2023 and 15 June 2023, the accounting officer's responses to the actions implemented were received. I evaluated the accounting officer's responses and substantiating documentation received on the implementation of the recommendations. As some of the actions taken to address the MI were still in progress and not yet completed, I granted the accounting officer an additional six months up to 1 July 2024 to implement the recommendations. A progress report had to be provided on 1 April 2024 on the implementation of the recommendations and was received on 2 April 2024 and duly assessed.

57. On 5 July 2024, the accounting officer provided a final response and substantiating documentation on the implementation of recommendations. Shortcomings were identified in the response, which were communicated to the accounting officer on 27 August 2024. The accounting officer provided a supplementary response on 17 October 2024, but this response did not address all the shortcomings identified and a follow-up letter was issued on 18 October 2024 to highlight the shortcomings that were not addressed. No response was

provided to this letter, and I was not able to conclude on whether the recommendations were appropriately implemented or if satisfactorily progress was made with the implementation.

58. I notified the accounting officer on 24 February 2025 of the following remedial actions to address the MI, which should have been implemented by 24 August 2025 with a progress report every two months:

- Appropriate actions must be taken to improve the implementation of the financial recovery plan to address the financial problems that are preventing the municipality from paying the DWS within 30 days, as required by section 65(2)(e) of the MFMA. The strategies to be implemented must include measures to:

  - improve on the implementation of the revenue enhancement interventions with the intention to increase the collection of revenue;

  - efficiently manage the available resources of the municipality through cost containment measures and proper budget management;

  - reduce water distribution losses; and

  - negotiate a reasonable payment arrangement with the DWS and properly budget for the amounts to be paid.

59. The first progress report was due on 29 April 2025 and received on 24 April 2025, and the second progress report was due on 30 June 2025 and received on 2 July 2025. I identified shortcomings during my assessments as some actions taken were not supported by substantiating documentation. I provided feedback to the accounting officer to address the shortcomings with the final response.

60. On 28 August 2025, the accounting officer's final response with substantiating documentation on the actions implemented to address the remedial actions were received. A supplementary response was received on 8 September 2025. I evaluated the accounting officer's responses and substantiating documentation received on the implementation of the remedial actions and noted shortcomings and outstanding substantiating documentation to support the actions taken, which was duly communicated to the accounting officer on 18 September 2025. Subsequently, the accounting officer provided additional responses with substantiating documentation on 29 September 2025 and 9 October 2025.

61. The accounting officer took, among others, the following actions to implement the remedial action:

- A revised financial recovery plan was prepared in consultation with Provincial Treasury and Cooperative Governance and Traditional Affairs which contains strategies with key focus areas, activities/actions and timelines to address the financial problems of the municipality. The municipality is monitoring the actions and provides regular feedback to council on the implementation of the plan, and it was noted that some actions have been completed while others are still in progress.

- A revenue enhancement strategy has been prepared for 2025-26, which includes the 2B-project, with the objective to raise revenue by R2 billion. The 2B-project supports the four pillars of revenue management as set out in the revenue enhancement strategy and is aligned to the cost containment policy that is being implemented. Key interventions such as smart water meter installations, water and electricity audits, GIS-based billing corrections, and strengthened credit control have already yielded measurable results, including increased billing accuracy, expanded revenue base and improved collections.

- A cost containment policy was approved, effective from 1 July 2025, with key areas where the municipality will be focusing their efforts to ensure the resources of the municipality are used effectively, efficiently and economically.

- The municipality also managed to secure funds from the DWS totalling R257 million for the eMalahleni Bulk Infrastructure Condition Assessment Project which will focus on repairs and upgrades to the bulk infrastructure of the municipality.

- Various initiatives are ongoing to reduce the water distribution losses such as replacing old waterpipes with improved quality pipes and implementation of the water meter replacement tracker to monitor installation of new water meters. In addition, the municipality continues to address water losses through meter audits, replacement of faulty meters, and community awareness campaigns. These efforts promote public participation in water conservation and help curb illegal connections.

- The municipality has been accepted to participate in the DWS municipal debt relief programme after complying with the stipulated pre-conditions as outlined in the framework for the programme. A contract between DWS and the municipality was signed on 30 July 2025. The DWS confirmed in a letter of 22 September 2025 that the municipality had met all conditions for water debt relief as approved on 11 February 2025 and that DWS is also evaluating the write-off of one-third of the historical debt owed by the municipality; however, this is still under internal due diligence and pending final approval.

62. The actions taken by the accounting officer to implement the remedial actions are deemed appropriate and have addressed the MI and therefore the MI has been resolved.

63. I will continue to monitor the compliance with the DWS municipal debt relief programme and the impact of the initiatives implemented in accordance with the financial recovery plan and revenue enhancement strategy during my subsequent audit.

Unfair disqualification of bidder – updating and maintaining of immovable asset register

64. A service provider was appointed on 13 January 2020 for a period of 36 months to update and maintain the municipality's fixed asset register, as the municipality did not have the capacity to fully perform this function. The total contract value was R14,88 million. The pre-qualification criteria for evaluating the contract were incorrectly applied, resulting in an unfair disqualification of a prospective bidder who bid an amount of R8,11 million, which was R6,76 million lower than the bidder that was awarded the contract. This resulted in non-compliance with the 2017 preferential procurement regulation 4(2).

65. The non-compliance was likely to result in a material financial loss due to the appointment of a bidder whose bid amount exceeded the amount of the unfairly disqualified bidder.

66. The accounting officer was notified of this MI on 8 December 2021 and was invited 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 MI

67. I referred the MI to the Public Protector of South Africa (PPSA) on 21 November 2022 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the PPSA on 28 November 2022 and the investigation is currently still in progress.

Pollution of water resource not prevented – Ferrobank Wastewater Treatment Works

68. The Ferrobank Wastewater Treatment Works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spillage and discharge of raw/untreated sewage into the adjacent environment, including the groundwater and the Brugspruit River. 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.

69. The accounting officer was notified of this MI on 28 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 did not take appropriate action to resolve the material irregularity.

70. I referred the MI to the DWS on 14 April 2025 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on the same day, and the investigation is currently in progress.

Pollution of water resource not prevented – Klipspruit Wastewater Treatment Works

71. The Klipspruit Wastewater Treatment Works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spillage and discharge of raw/untreated sewage into the adjacent environment, including the groundwater and the Brugspruit River. 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.

72. The accounting officer was notified of this MI on 30 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 did not take appropriate action to resolve the MI.

73. I referred the MI to the DWS on 14 April 2025 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on the same day, and the investigation is currently in progress.

Pollution of water resource not prevented – Thubelihle Wastewater Treatment Works

74. The Thubelihle Wastewater Treatment Works has not operated effectively due to mechanical and operational equipment either malfunctioning or not operational. This has resulted in continued spillage and discharge of raw/untreated sewage into the adjacent environment, including the groundwater, Steenskoolspruit and the Olifants River. 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.

75. The accounting officer was notified of this MI on 30 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 did not take appropriate action to resolve the MI.

76. I referred the MI to the DWS on 14 April 2025 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on the same day, and the investigation is currently in progress.

Auditor - General

Mbombela

30 November 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Consolidated firm level requirements
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2),11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)