# Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Sol Plaatje Local Municipality

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of Sol Plaatje 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 the 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 and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Sol Plaatje Local Municipality as at 30 June 2025, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (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 qualified opinion

#### Service charges

3. The municipality did not recognise some sales of electricity, as required by GRAP 9, Revenue from exchange transactions. The municipality did not charge basic and capacity charges as well as the tariffs linked to this category as approved by council for some domestic users for the current and prior year. Consequently, those domestic users were not billed tariffs that were approved by council for this category for the current and prior year. I was unable to determine the full extent of the misstatement of the sale of electricity included in service charges and service debtors for electricity included in trade receivables from exchange transactions and output VAT accrual, as it was impracticable to do so for the current and prior year. There was a resultant impact on the surplus for the period and on the accumulated surplus.

4. The municipality did not recognise all sales of water and electricity, as required by GRAP 9, *Revenue from exchange transactions*. Properties were identified for which the sale of water and electricity was not billed and recorded for the current and the prior year. I was unable to determine the full extent of the understatement of the sale of water and electricity included in service charges and service debtors for water and electricity included in trade receivables from exchange transactions and output VAT accrual, as it was impracticable to do so for the current and prior year. There was a resultant impact on the surplus for the period and on the accumulated surplus.

5. The municipality did not recognise all sales of water and electricity, as required by GRAP 9, *Revenue from exchange transactions.* As the municipality did not use recent consumption data when calculating interim billing for the current and the prior year, I was unable to determine the full extent of the misstatement of the sale of water and electricity included in service charges and service debtors for water and electricity included in trade receivables from exchange transactions and output VAT accrual, as it was impracticable to do so for the current and prior year. There was a resultant impact on the surplus for the period and on the accumulated surplus.

6. The municipality recognised items that did not meet the definition of revenue in accordance with GRAP 9, *Revenue from exchange transactions* as the municipality incorrectly billed consumers during periods when meters were broken or missing for the current and the prior year, I was unable to determine the full extent of the overstatement of the sale of water and electricity included in service charges and service debtors for water and electricity included in trade receivables from exchange transactions and output VAT accrual, as it was impracticable to do so for the current and prior year. There was a resultant impact on the surplus for the period and on the accumulated surplus.

7. I was unable to obtain sufficient appropriate audit evidence to support the sewerage and sanitation revenue charged to certain consumers. The municipality could not provide verifiable supporting documentation for the additional charges on certain properties for the current and the prior year. I was unable to confirm the revenue by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to sewerage and sanitation charges stated at R110 452 585 (2024: R93 749 034) in note 24 of the financial statements.

### Property, plant and equipment

8. The municipality did not account for infrastructure assets in accordance with GRAP 17, *Property, plant and equipment.* Completed infrastructure assets were incorrectly included as under construction. Infrastructure assets under construction were overstated by R261 935 064 (2024: R154 995 767) and completed assets included in infrastructure assets were understated by R261 935 064 (2024: R154 995 767). I was unable to quantify the misstatement of the depreciation amount as the municipality did not determine useful lives for these completed assets. There was a resultant impact on the surplus for the period and on the accumulated surplus.

### Loss/ write-down of inventory

9. The loss of water inventory was not recognised as required by GRAP12, *Inventories.* Debtors' accounts were identified for which water service charges were not billed and recorded, resulting in the total units sold per the municipality's calculation being misstated. In addition, consumption based on extended interim readings was included as units sold, but the accuracy of these interim readings could not be confirmed. I was unable to determine the full extent of the misstatement of the water losses recognised for the year in note 2, stated at R93 812 384, as it was impracticable to do so. There was a resultant impact on the water inventory consumed included in general expenses and material losses – water stated at R45 734 472 in note 37 and R93 812 384 in note 46.9 to the financial statements.

### Material losses – electricity

10. Material losses – electricity was not recognised as required by section 125(2)(d) of the MFMA. Debtors' accounts were identified for which electricity service charges were not billed and recorded, resulting in the total units sold per the municipality's calculation being misstated in the current and prior year. In addition, consumption based on extended interim readings was included as units sold, but the accuracy of these interim readings could not be confirmed. I was unable to determine the full extent of the misstatement of material losses – electricity, stated at R232 476 837 (2024: R192 263 663) in note 46.9 to the financial statements, as it was impracticable to do so.

## Context for opinion

11. 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.

12. 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.

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

## Emphasis of matters

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

15. As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2025.

16. As disclosed in note 4.3 to the financial statements, material losses of R60 355 345 (2024: R422 847 849) was incurred as a result of the write-off of irrecoverable trade debtors.

17. As disclosed in note 4.3 to the financial statements, the allowance for impairment of debtors amounted to R1 793 085 888 (2024: R1 365 185 029) as a result of poor collection practices.

18. I draw attention to note 57 in the financial statements, which deals with the possible effects of the future implications of the decline in operational results and deteriorating infrastructure on the municipality's prospects, performance, and cash flows. Management have also described how they plan to deal with these events and circumstances.

## Other matters

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

20. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed 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.

21. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

### Responsibilities of the accounting officer for the financial statements

22. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and the 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.

23. 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

24. 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.

25. 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

26. 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 strategic objective presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

27. I selected the following strategic objective presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected a strategic objective that measures the

municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

| Strategic objective | Page numbers | Purpose |
|---|---|---|
| Improved service delivery | XX | Access to basic services and infrastructure development |

28. I evaluated the reported performance information for the strategic objectives 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.

29. 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.

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

31. The material findings on the reported performance information for the strategic objective are as follows:

### Improved service delivery

#### Various indicators

32. Based on audit evidence, the actual achievements for two indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially more. Consequently, the targets were not achieved, the underachievement on the targets were more than reported.

| Indicator | Target | Reported achievement |
|---|---|---|
| Limit unaccounted for electricity to less than 25% by 30 June 2025 {(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) x 100} | 25% | 26% |
| Limit unaccounted for water (Non-Revenue Water) to less than 40% by 30 June 2025 {(Number of Kilolitres Water Purified - Number of kilolitres Water Sold) / Number of kilolitres Water Purified x 100} | 40% | 67% |

## Other matters

33. I draw attention to the matters below.

### Achievement of planned targets

34. 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.

35. 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.

### Improved service delivery

*Targets achieved: 34%*

*Budget spent: 95.70%*

| Key service delivery indicator not achieved | Planned target | Reported achievement |
|---|---|---|
| Percentage progress on the upgrading and building of ablution blocks at Ritchie Cemetery by 30 June 2025 | 100% | 85% |

| *Targets achieved: 34%*<br>*Budget spent: 95.70%* | | |
|---|---|---|
| **Key service delivery indicator not achieved** | **Planned target** | **Reported achievement** |
| Percentage construction for the embankment of the Frank Roro Cricket Pitch by 30 June 2025 | 100% | 95% |
| % Refurbishment of community halls Floors/Collville by 30 June 2025 | 100% | 68% |
| Percentage progress on the upgrading and building of ablution blocks at Kenilworth and Phutanang Cemeteries by 30 June 2025 | 100% | 85% |
| Limit unaccounted for electricity to less than 25% by 30 June 2025 {(Number of Electricity Units Purchased - Number of Electricity Units Sold) / Number of Electricity Units Purchased) x 100} | 25% | 26% |
| Limit unaccounted for water (Non-Revenue Water) to less than 40% by 30 June 2025 {(Number of Kilolitres Water Purified - Number of kilolitres Water Sold) / Number of kilolitres Water Purified x 100} | 40% | 67% |
| % progress on the repair of emergency leakages at the Newton reservoir by 30 June 2025 | 100% | 51% |
| % Progress on the completion of the emergency water meter installation and procurement of a water quality monitoring hardware by 30 June 2025 | 100% | 87% |
| % progress on the emergency repairs on six major leaks by 30 June 2025 | 100% | 0% |
| % progress on the upgrade of the power supply and refurbishment of the abstraction pump station (Old and New Plant - Riverton) Ph 2 by 30 June 2025 | 100% | 93% |
| % Completion on the design work for Phase 1 of the Kimberley network leak detection and repair by 30 June 2025 | 100% | 50% |
| 99% water quality level achieved as per SANS 241 by 30 June 2025 | 99% | 74% |
| 80% waste water effluent quality level achieved as per National Effluent Quality Standards by 30 June 2025 | 80% | 56% |
| Distance of kilometres of residential roads upgraded from gravel to a paved surface by 30 June 2025 | 5 | 4.6 |

| *Targets achieved: 34%*<br>*Budget spent: 95.70%* | | |
|---|---|---|
| **Key service delivery indicator not achieved** | **Planned target** | **Reported achievement** |
| 100% procurement of identified fleet as per the fleet replacement plan (number of vehicles delivered out of the number of vehicles identified for purchase x100) by 30 June 2025 | 100% | 44% |
| Upgrade water infrastructure (replace 2 000 water meters) by 30 June 2025 | 2 000 | 819 |
| % Progress on the upgrade of the security at the Riverton water treatment works by 30 June 2025 | 100% | 50% |
| % Completion on the repairs of Smart ball survey priority leaks by 30 June 2025 | 100% | 88% |
| % Development of a data system for the identification and repairs of leakages by 30 June 2025 | 100% | 50% |
| % Progress on the installation of bulk water meters and pressure regulating valves Ph 2) by 30 June 2025 | 100% | 99% |
| % Progress on the upgrade of the old Water Treatment Plant (WTP) chlorine and dosing works (Phase 2) by 30 June 2025 | 100% | 68% |
| % Progress on the upgrade of the new Water Treatment Plant (WTP) chlorine and dosing works (Phase 2) by 30 June 2025 | 100% | 91% |
| % Progress on the upgrade of the security at the Newton Reservoir Complex (Mechanical) by 30 June 2025 | 100% | 20% |
| % Progress on the upgrade of the security at the Newton Reservoir Complex (Electrical) by 30 June 2025 | 100% | 20% |
| % Progress on the procurement and delivery of the bulk 1 200 ND steel pipeline by 30 June 2025 | 100% | 71% |
| % Progress on the major refurbishment and building works for the Old Water Treatment Plant by 30 June 2025 | 100% | 0% |
| Percentage completion on the leak repairs and refurbishment of the west by-pass bulk water pipe line by 30 June 2025 | 100% | 0% |
| Percentage progress on the repair of the bulk pipeline from Riverton to Mid station (Section 2) by 30 June 2025 | 100% | 0% |

| *Targets achieved: 34%*<br>*Budget spent: 95.70%* | | |
|---|---|---|
| **Key service delivery indicator not achieved** | **Planned target** | **Reported achievement** |
| Percentage progress on the repair, coating and refurbishment of eastern by-pass bulk water pipe line (Section 2) by 30 June 2025 | 100% | 0% |
| Percentage progress on the replacement of the corroded 10 km east by-pass bulk water pipe line (Section 2) by 30 June 2025 | 100% | 0% |
| Percentage progress on the replacement of the corroded section of the west by-pass bulk water pipe line (Section 2) by 30 June 2025 | 100% | 0% |
| "% Progress on the construction phase for the Carters Ridge sewer pump station building with all electrical and mechanical equipment as per the Project Plan by 30 June 2025 | 100% | 56% |
| Number of households in Jacksonville to be connected to the electricity network by 30 June 2025 | 183 | 0 |
| Percentage progress for the upgrading of storm water channels in various areas of Sol Plaatje municipal area by 30 June 2025 | 100% | 72% |
| Number of old zinc toilets to be reconstructed by 30 June 2025 | 200 | 180 |
| % Progress on the refurbishment of the Kamfersdam sewer and water lines by 30 June 2025 | 100% | 0% |

### Material misstatements

36. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for improved service delivery. Management did not correct the misstatements, and I reported material findings in this regard.

## Report on compliance with legislation

37. 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.

38. 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.

39. 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.

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

### Annual financial statements, performance reports and annual reports

41. 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, disclosure items and the cash flow statement identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

42. The 2023-24 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

### Asset management

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

### Consequence management

44. Fruitless and wasteful expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

### Expenditure management

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

46. Reasonable steps were not taken to prevent irregular expenditure amounting to R171 812 988 as disclosed in note 45.3 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with supply chain management (SCM) regulations.

47. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R29 002 902 as disclosed in note 45.2 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 paid on overdue accounts.

### Procurement and contract management

48. 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. Similar non-compliance was also reported in the prior year.

49. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.

### Revenue management

50. Revenue due to the municipality was not calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

51. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

### Strategic planning and performance management

52. The performance management system and related controls were inadequate, as it did not set out how performance measurement, review, reporting and improvement processes should be conducted or managed. Accordingly, the system does not comply with Regulation 7(1) of the municipal planning and performance management regulations.

## Other information in the annual report

53. 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 development priorities presented in the annual performance report that have been specifically reported on in this auditor's report.

54. 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.

55. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

56. 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

57. 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.

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

59. Leadership did not succeed in preventing the material misstatements and instances of non-compliance identified during the current-year audit. The financial statements and supporting documentation were not subjected to a sufficiently rigorous review process prior to submission, which contributed to avoidable errors and inconsistencies.

60. The municipality's processes for monitoring meter installations and performing monthly readings require further improvement, as current weaknesses contribute to billing inaccuracies and reduce the reliability of consumption data. Challenges in performance information also stem from the unit's reliance on the accuracy and completeness of data provided by the revenue department.

61. Material non-compliance was influenced by leadership decisions and oversight practices, with instances recurring from previous periods. The municipality's action plans have not yet achieved the intended outcomes, as limited progress has been made in addressing compliance requirements. These factors have collectively affected the reliability of the financial reporting processes and continue to place pressure on the municipality's audit outcomes.

## Material irregularities

62. 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 in progress

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

### Status of previously reported material irregularities

#### Overpayment made to the second contractor on Upgrade / Augmentation of Legaeng and Eagle street pump Stations Project

64. In terms of MFMA, section 62(1) (a) and (d), "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this

purpose take all reasonable steps to ensure that (a) the resources of the municipality are used effectively, efficiently and economically and (d) unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.

65. Sol Plaatje Local Municipality appointed a contractor on 30 July 2021 for the Upgrade / Augmentation of Legaeng and Eagle Street Pump Station. The project commenced on 8 September 2021 with a planned completion of 3 August 2022. Due to lack of progress on site, an agreement between the contractor and the municipality was reached on 25 November 2022 to cede the remaining works to a replacement contractor to complete the project. There were instances identified where duplicate payments were made to the two contractors and where payments were made for work not received in contravention of MFMA, section 62(1) (a) and (d). This resulted in overpayments amounting to R1 090 000,00 which, if not recovered, is likely to result in a material financial loss.

66. The accounting officer was notified of the material irregularity on 20 March 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter.

67. On 24 April 2024, the accounting officer's response on the actions taken and that will be taken to address the matter was received. This response was incomplete and on 13 September 2024, the accounting officer submitted a supplementary response.

68. After an investigation conducted by the municipality it was concluded that an overpayment amounting to R1 408 888.61 was made to True Build Services CC. The municipality issued a letter of demand dated 26 August 2024, requesting the repayment of these monies.

69. Based on the assessment of the response from the accounting officer, I concluded that appropriate actions are not being taken by the accounting officer to address the material irregularity, as the overpayment has not been recovered and no consequence management has not been implemented.

70. I notified the accounting officer on 28 November 2025 of the following recommendations, which should be implemented by 28 June 2026 with a progress report by 28 March 2026:

    (a) The non-compliance should be investigated to determine the root causes and if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA for the purposes of recovering the loss.

    (b) All persons including juristic persons liable for the financial loss should be identified and appropriate action should commence to recover the financial loss suffered. The recovery process should not be unduly delayed.

    (c) Disciplinary proceedings should commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

### Pollution of water sources not prevented – Gogga pump station

71. In terms of the National Water Act (NWA) (Act No.36 of 1998), Section 19(1) "An owner of land, a person in control of land or a person who occupies or uses the land on which— (a) any

activity or process is or was performed or undertaken; or (b) 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."

72. In terms of the National Environmental Management Act (NEMA), 1998 (Act No. 107 of 1998), Section 28(1) "Every person who causes, has caused or may cause significant pollution or degradation of the environment, must take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring, or, in so far as such harm to the environment is authorised by law or cannot reasonably be avoided or stopped, to minimise and rectify such pollution or degradation of the environment".

73. It was confirmed that there were various concerns and challenges regarding the effective treatment of wastewater, the quality of effluent disposed into the immediate environment and compliance with general treatment and disposal legislative requirements at Gogga Pump Station.

74. Sewerage discharge continued into the environment (from the Pump Station and overflowing lines). It was also noted that a manhole (sewer release point) just outside the pump station (on the main line to the Homevale Wastewater Treatment Works) was seriously overflowing. Notwithstanding the overflows observed, critical mechanical and operational equipment within the pump station were not functioning properly.

75. The pump station was not properly maintained. This showed that the municipality did not take reasonable steps to prevent the pollution that was causing harm to the environment in contravention of NWA Section 19(1) and did not take reasonable steps to prevent pollution of water sources in contravention of NEMA Section 28(1). The regular raw sewer overflows into the veld caused major pollution within a vast area amongst the reticulation lines up to the R31 road. The fact that Communal housing surrounds the pump station is of particular concern with serious health, safety and related nuisances affecting the community. The non-compliance was likely to cause substantial harm to the general public.

76. I notified the accounting officer of the material irregularity on 27 October 2023 and invited the AO to make a written submission on the actions taken and that will be taken to address the matter.

77. On 12 February 2024, the accounting officer's response on the actions taken and that will be taken to address the matter was received. The municipality has addressed the critical finding made on the non–compliances identified regarding the contamination of raw sewerage on the outfall sewer line from Gogga pumping station to Homevale Wastewater Treatment Plant.

78. A follow up report was received from the municipality dated 18 August 2025. The report indicated that the pump station is not operating adequately due to screw pumps that is malfunctioning and the main line that has collapsed. During our follow up visits, we noted that sewage discharges continued into the environment (from the Pump Station and overflowing lines). Notwithstanding the overflows observed, was major mechanical- and operational equipment within the pump station also checked and confirmed as non- and or mal-functioning. To date this plant is still not fully operational, and an assessment of the environmental harm caused was not assessed.

79. I concluded that the accounting officer is not taking appropriate action to resolve the MI. I am in the process of deciding on further actions to be taken.

## Other reports

80. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

81. The Directorate for Priority Crime Investigation (Hawks) is investigating allegations of fraud, corruption and money laundering relating to the municipality. These proceedings were in progress at the date of this report.

Auditor-General

Kimberley

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 strategic objective and on the municipality's compliance with selected requirements in key legislation.

### Financial statements

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

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

## Communication with those charged with governance

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

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

## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

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

| Legislation | Sections or regulations |
|---|---|
| MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 | Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), 27(4)(a)(i) |
| MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 | Regulations: 17(2), 36(1)(a) |
| MSA: Municipal Staff Regulations | Regulations: 7(1), 19, 31, 35(1) |
| MSA: Municipal Systems Regulations, 2001 | Regulation: 43 |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 | Section: 34(1) |
| Preferential Procurement Policy Framework Act 5 of 2000 | Sections: 2(1)(a), 2(1)(f) |
| Preferential Procurement Regulations, 2022 | Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4) |