# Report of the auditor-general to the Eastern Cape Provincial Legislature and the council on Nelson Mandela Bay Metropolitan Municipality and its subsidiary

## Report on the audit of the consolidated and separate financial statements

### Qualified opinion

1. I have audited the consolidated and separate financial statements of the Nelson Mandela Bay Metropolitan Municipality and its subsidiary (the group) set out on pages xx to xx, which comprise the consolidated and separate statements of financial position as at 30 June 2025, consolidated and separate statements of financial performance, consolidated and separate statements of changes in net assets, consolidated and separate statements of cash flows for the year then ended, and the comparison of budget and actual amounts as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2025, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the Standard of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 and the Division of Revenue Act 24 of 2024 (Dora).

### Basis for qualified opinion

#### Non-current provisions

3. I was unable to obtain sufficient appropriate audit evidence for the provision for the rehabilitation of landfill sites due to the status of the accounting records. I was unable to confirm the provision by alternative means. I was unable to determine whether any adjustments were necessary to the provision for the rehabilitation of landfill sites stated at R600,69 million in note 18.1.2 to the consolidated and separate financial statements. Consequently, I could not determine the misstatement in land stated at R1,36 billion included in property, plant and equipment disclosed in note 11.1 to the consolidated and separate financial statements.

#### Service charges: water

4. Service charges for water were not recognised as required by *GRAP 9, Revenue from exchange transactions*. Service charges relating to the prior year were recognised in the current year. As a result, revenue from service charges – water in the consolidated and separate statement of financial performance was overstated by R387,51 million and receivables from exchange transactions in the consolidated and separate statement of financial position were overstated by the same amount. Consequently, the corresponding figures for

revenue from service charges – water in the consolidated and separate statement of financial performance and receivables from exchange transactions in the consolidated and separate statement of financial position were understated by the same amount. Additionally, there was an impact on the deficit for the period and on the accumulated surplus as well as on the corresponding figures in relation to these in the consolidated and separate financial statements.

### Services charges

5. I was unable to obtain sufficient appropriate audit evidence that indigent subsidies in relation to service charges had been properly accounted for, due to the status of the accounting records. I was unable to confirm whether these subsidies were properly recorded by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to service charges stated at R9,06 billion in note 20 to the consolidated and separate financial statements.

### Non-current provisions and current provisions

6. The provision for rehabilitation costs of the Swartkops River were not accurately determined by the municipality in accordance with the requirements of GRAP 19, *Provisions, contingent liabilities and contingent assets*. The municipality did not accurately determine the provision using a reliable estimate of the costs required to rehabilitate a river that was polluted. I could not determine the full extent of the misstatement of the provision for the rehabilitation of Swartkops River stated at R133,88 million (2023-24: R137,87 million) in notes 18.1 and 18.2 to the consolidated and separate financial statements. Consequently, I could not determine the misstatement in land stated at R1,36 billion (2023-24: R1,35 billion) included in property, plant and equipment disclosed in note 11.1. to the consolidated and separate financial statements.

### Contracted services

7. Expenditure was not recognised when accrued as required by *GRAP 1, Presentation of financial statements.* Expenditure incurred in prior years was incorrectly recognised in the current year. As a result, contracted services in the consolidated and separate statement of financial performance were overstated by R466,50 million and trade payables from exchange transactions in the consolidated and separate statement of financial position were overstated by the same amount. Consequently, the corresponding figures from contracted services in the consolidated and separate statement of financial performance and trade payables from exchange transactions in the consolidated and separate statement of financial position were understated by the same amount. Additionally, there was an impact on the deficit for the period and on the accumulated surplus as well as on the corresponding figures in relation to these in the consolidated and separate financial statements.

### Capital commitments

8. Capital commitments were not recognised as required by *GRAP 17, Property, plant and equipment.* Some capital commitments were not disclosed in the consolidated and separate financial statements. I was unable to determine the full extent of the understatement of capital commitments, stated at R1,25 billion in note 11.2 to the consolidated and separate financial statements, as it was impracticable to do so.

### Property, plant and equipment

9. During 2023-24, I reported that adequate internal controls were not in place to appropriately record property, plant and equipment, specifically infrastructure assets - assets under construction as complete in the year when they were completed in accordance with the *GRAP 17, Property, plant and equipment.* Assets completed prior to 2023-24 were incorrectly disclosed as completed in 2023-24. Consequently, I could not determine the full extent of the misstatement in the 2023-24 additions stated at R1,3 billion in note 11.1.2 and the carrying value of the 2023-24 construction work-in-progress stated at R686,82 million in note 11.1.3 as it was impractical to do so. My audit opinion on the consolidated and separate financial statements for the 2023-24 year was modified accordingly. My opinion on the current year consolidated and separate financial statements was also modified because of the possible effect of this matter on the comparability of the property, plant and equipment as well as the deficit and accumulated surplus for the period in the consolidated and separate financial statements.

## Context for opinion

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

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

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

## Emphasis of matters

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

14. As disclosed in note 56 to the consolidated and separate financial statements, the corresponding figures for 30 June 2024 have been restated as a result of errors identified in the consolidated and separate financial statements at, and for the year ended, 30 June 2025.

15. As disclosed in note 46 to the consolidated and separate financial statements, irrecoverable debt was written off totalling R430,68 million (2023-24: R2,84 billion).

16. As disclosed in note 37.1 to the consolidated and separate financial statements, the municipality incurred material electricity losses of R1,48 billion (2023-24: R1,20 billion), which represents 26,81% (2023-24: 26,34%) of the total electricity purchased.

17. As disclosed in note 6.1.1 to the consolidated and separate financial statements, the municipality incurred material water losses of R392,56 million (2023-24: R324,03 million), which represents 52,74% (2023-24: 48.66%) of the total water cost.

18. As disclosed in note 17 to the consolidated and separate financial statements, the municipality underspent conditional grants by R452,28 million (2023-24: R327,27 million).

### Other matter

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

19. 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 consolidated and separate financial statements and, accordingly, I do not express an opinion on it.

### Responsibilities of the accounting officer for the consolidated and separate financial statements

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

21. In preparing the consolidated and separate financial statements, the accounting officer is responsible for assessing the group's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

### Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

22. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

23. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located on pages xx to xx forms part of my auditor's report.

## Report on the audit of the annual performance report

24. 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 selected development priorities presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

25. I selected the following development priority presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected a development priority that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

| Development priority | Page numbers | Purpose |
|---|---|---|
| Basic service delivery | XX | To provide key basic services |

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

27. The material findings on the reported performance information for the selected development priority are as follows:

### Basic service delivery

#### Various indicators

28. Some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievements might be more or less than reported and were not reliable for determining if the targets had been achieved.

| Indicator | Target | Reported achievement |
|---|---|---|
| Percentage unplanned outages that are restored to supply within industry standard timeframes | 98% | 98% |

| | | |
|---|---|---|
| Number of new water connections meeting minimum standards | 2 000 | 1 471 |

**Various indicators**

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

| Indicator | Target | Reported achievement |
|---|---|---|
| Number of new sewer connections meeting minimum standards | 2 000 | 1 471 |
| Percentage of water treatment capacity unused | 15% | 38% |
| Percentage of industries with trade effluent inspected for compliance | 50% | 68% |
| Percentage of wastewater treatment capacity unused | 15% | 40,98% |

## Other matters

30. I draw attention to the matters below.

### Achievement of planned targets

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

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

### Basic service delivery

| Targets achieved: 59% | | |
|---|---|---|
| **Key service delivery indicator not achieved** | **Planned target** | **Reported achievement** |
| Percentage of planned maintenance performed | 95% | 77% |
| Number of new sewer connections meeting minimum standards | 2 000 | 1 471 |
| Number of new water connections meeting minimum standards | 2 000 | 1 471 |

### Material misstatements

33. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for the basic service delivery development priority. Management did not correct all the misstatements, and I reported material findings in this regard.

## Report on compliance with legislation

34. 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.

35. 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.

36. 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.

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

### Expenditure management

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

39. An adequate management, accounting and information system was not in place to account for creditors, as required by section 65(2)(b) of the MFMA.

40. Reasonable steps were not taken to prevent irregular expenditure amounting to R2,08 billion, as disclosed in note 58.2 to the financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management (SCM) regulation 36(1).

41. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R4,72 million, as disclosed in note 58.3 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by salaries paid to suspended employees.

42. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R 1,65 billion, as disclosed in note 58.1 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the votes for impairment allowances.

### Procurement and contract management

43. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the project for emergency repairs to the Matanzima access bridge.

44. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders that scored the highest points in the evaluation process, as required by section 2(1)(f) of the Preferential Procurement Policy Framework Act 5 of 2000 and preferential procurement regulations 4(4) and 5(4) of 2022.

45. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. A similar limitation was also reported in the prior year.

46. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. A similar limitation was also reported in the prior year.

47. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, in contravention of the codes of conduct for councillors issued in terms of the Municipal Systems Act and the code of conduct for staff members issued in terms of the Municipal Systems Act 32 of 2000.

### Consequence management

48. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

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

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

51. Allegations of financial misconduct laid against officials of the municipality were not investigated, as required by section 171(4)(a) of the MFMA.

### Revenue management

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

### Annual financial statements

53. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

### Asset management

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

### Strategic and performance management

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

### Environmental management

56. The Rocklands and Fish water Flats wastewater treatment works did not have valid operating licences as required by section 22(1)(b) of the National Water Act 36 of 1998 (NWA).

## Other information in the annual report

57. The accounting officer is responsible for the other information included in the annual report which includes the audit committee's report. The other information does not include the financial statements, the auditor's report and the selected development priority presented in the annual performance report that has been specifically reported on in this auditor's report.

58. 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.

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

60. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

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

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

63. The accounting officer did not adequately monitor compliance with legislation, and the monitoring of action plans was ineffective, resulting in numerous material misstatements and instances of non-compliance.

64. Senior management did not address significant weaknesses identified in performance management, including inadequate standard operating procedures that were not aligned to technical indicator descriptors. This misalignment hampered the consistent collection of information to substantiate target achievement. Furthermore, coordination between the project management unit and service delivery directorates remained fragmented, limiting effective oversight and integration.

65. The accounting officer did not ensure that the municipality's record management processes were adequate, and reliance was placed on manual financial reporting systems that were not suitable for the municipality's size and complexity. Financial reporting capabilities remained a significant risk to sustainability due to over-dependence on key officials within the finance unit. Additionally, there was misalignment between the reporting standards and the Municipal Standard Chart of Accounts Framework. These internal control deficiencies resulted in a number of material misstatements.

## Material irregularities

66. 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

67. I identified another material irregularity during the audit and notified the accounting officer, as required by material irregularity regulation 3(2). By the date of this auditor's report, I had not yet completed the process of evaluating the response from the accounting officer. This material irregularity will be included in next year's auditor's report.

### Status of previously reported material irregularities

#### Revenue for water and sanitation services not calculated on a monthly basis

68. The municipality did not bill for service charges for the year ended 30 June 2020. It was found that 7 255 properties were not billed for the sale of water, sanitation and sewerage services provided by the municipality. This resulted in non-compliance with section 64(2)(b) of the MFMA which requires revenue due to the municipality to be calculated monthly.

69. The non-compliance is likely to result in a material financial loss if the service is not being billed.

70. The accounting officer was notified of the material irregularity on 1 September 2021 and invited to make a written submission on the actions taken or to be taken to address the matter.

71. The accounting officer responded to the notification on 27 September 2021 and indicated that the following actions have been taken to resolve the material irregularity:

    - The service level agreement (SLA) between the budget and treasury, infrastructure and engineering and human settlements directorates was signed on 7 July 2021. The SLA outlines the value chain process between the human settlements, infrastructure and engineering directorate and the budget and treasury directorate in respect of the installation of new water meters, as well as linking them to the billing system.

72. The accounting officer further planned to implement the following actions to resolve the material irregularity:

    - Monthly reporting to identify properties without water-related services on the billing system.
    - The monthly report will be sent to the infrastructure and engineering directorate for investigation.
    - The infrastructure and engineering directorate is in the process of reviewing their internal business processes relating to the transfer of meter installation information to the billing system.
    - The internal audit and risk assurance to include as part of their audit readiness assessment for 2021-22, the review of the internal controls that have been implemented through the

SLA and subsequent standard operating procedures between budget and treasury, infrastructure and engineering and the human settlements directorates.

- The infrastructure and engineering directorate is in the process of procuring additional resources to enable the physical verification of water meters on properties and to enable an improved turnaround time.
- The billing will be rectified in subsequent accounts based on the actual tariffs applicable during the period.

73. The accounting officer thus submitted a commitment and a detailed project plan to fully address the MI by 30 June 2025.

74. The implementation of the planned actions was followed up in the current year audit.

75. I 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.

### Revenue for water and sanitation services not calculated on a monthly basis

76. The municipality did not charge for service charges for the year ended 30 June 2022. It was found that 3 512 properties were not billed for the sale of water, sanitation and sewerage services provided by the municipality. This resulted in non-compliance with section 64(2)(b) of the MFMA which requires revenue due to the municipality to be calculated on a monthly basis.

77. The non-compliance is likely to result in a material financial loss if the service is not being billed.

78. The accounting officer was notified of the material irregularity on 25 November 2022 and invited to make a written submission on the actions taken or to be taken to address the matter.

79. The accounting officer responded to the notification on 30 January 2023 and indicated that the following actions have been taken to respond to the material irregularity:

    - An SLA between the budget and treasury, infrastructure and engineering and human settlements directorates was signed on 7 July 2021.
    - The budget and treasury directorate prepares a monthly report that gives the status of all properties on the consolidated billing system and whether water meters are linked to the properties or not. This report also indicates if this is a sectional title property or a multipurpose property. This report is made available to the infrastructure and engineering directorate for their review and further action.
    - The infrastructure and engineering directorate is reviewing their internal business processes relating to the transfer of meter installation information to the consolidated billing system.
    - The infrastructure and engineering directorate is busy procuring additional resources to enable the physical verification of water meters on properties to enable an improved turnaround time.

80. The accounting officer further planned to implement the following actions to resolve the material irregularity:

- Regular correspondence between the waterworks division and the revenue management and customer care sub-directorate is in place regarding the anomalies identified on route numbers that need to be created on the consolidated billing system.

- Monthly meetings between the infrastructure and engineering and the budget and treasury directorate are in place, where actions are implemented and monitored for progress. The human settlements directorate will also be integrated in these monthly meetings to ensure alignment of processes envisaged in line with the SLA.

81. The billing will be rectified in subsequent accounts based on the actual tariffs applicable during the period.

82. A commitment was obtained from the accounting officer, and it was indicated that the date committed to have fully addressed the material irregularity is 30 June 2024. Management did not fulfil the commitment made to fully resolve the material irregularity.

83. The implementation of the planned actions was followed up in the current year audit.

84. I determined that the accounting officer is not taking appropriation to resolve the MI. I am in the process of making a decision on further actions to be taken.

### Pollution of water resource not prevented – Kelvin Jones waste water treatment works

85. The Kelvin Jones Waste Water Treatment Works (WWTW) is not functioning as intended and has not been refurbished to restore basic treatment functions to the facility. This has resulted in the discharge of sewerage into the Swartkops River and Estuary. The WWTW is not fully operational due to repairs and maintenance issues resulting in poor quality effluent being discharged into the Swartkops River.

86. The pollution caused by the discharge of inadequately treated wastewater and sewerage to the surrounding environment negatively impacts the environment and health of the users that are dependent on the contaminated water resources, whether it is used for consumption by humans or for recreational purposes. It can result in multiple water borne diseases that can have a detrimental effect on the health of the community in the surrounding areas.

87. The municipality did not take reasonable measures at the WWTW to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring, as required by section 28(1) of the National Environmental Management Act 107 of 1998 and section 19(1) of the NWA. The WWTW is in a critical condition with various operational and mechanical equipment either not available or malfunctioning due to a lack of proper management and maintenance.

88. This irregularity has resulted in substantial harm to the general public and is expected to result in further harm until the WWTW are adequately refurbished and repaired.

89. The accounting officer was notified of the material irregularity on 26 February 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter.

90. The accounting officer responded to the notification on 25 March 2024 and indicated that the following actions had been taken to respond to the material irregularity:

- The appointment of contractors for the repairs and refurbishment of the WWTW.
- The continued purchase of chlorine gas.
- Securing of an equipment and machinery maintenance emergency contract.
- Installing a sodium dichloroisocyanurate (SDIC) dosing unit.
- Procuring SDIC tablets, HTH granules and chlorine gas by using three quotes and an informal tender procurement process.
- The consideration by the bid specifications committee for new chemical purchases after the cooling off period of the cancelled contract.
- Deployment of private security personnel in March 2023 to control access and protect the municipal infrastructure and manpower resources.

91. The accounting officer further planned to implement the following actions to resolve the material irregularity:

- The appointment of mechanical and electrical services triennial contracts to commence on 01 July 2024.
- The appointment of service providers for supplying water and wastewater treatment chemicals and gases.
- Continuous request to the department of water and sanitation and department of forestry, fisheries and the environment to approve the sludge handling and management and provide the necessary support regarding sanitation services.
- Continuous monitoring of the industrial effluent contributors to reduce foreign toxic substances being discharged into the sewerage system.

92. Limited repairs and maintenance were carried out at the waste water treatment works and the levels of pollution in the river remained significantly higher than the allowable levels.

93. I 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.

### Payment for services not received: stormwater drain cleaning: supplier 1

94. The municipality paid R10, 1 million on 19 December 2018 for the provision of stormwater drain cleaning services which were not rendered to the municipality. This resulted in non-compliance with section 65(2) (a) of the MFMA which requires that the municipality to maintain an effective system of expenditure control relating to the approval, authorisation, and payment of funds. The non-compliance with legislation is likely to result in a material financial loss if the municipality does not recover the money paid to the service provider.

95. The accounting officer was notified of the material irregularity on 13 December 2019 and invited to make a written submission on the actions taken or to be taken to address the matter.

96. The accounting officer responded to the notification on 18 September 2020, indicating the following planned action to be taken:

- Appointing an external investigator.
- Opening a case with the South African Police Service (SAPS).
- Identifying the responsible person.
- Recovering the loss.

97. The municipality appointed a forensic investigator in September 2021 to assist in quantifying the value of the financial loss and to compile further evidence for submission to the Directorate for Priority Crime Investigation (Hawks). The forensic investigation report was finalised on 28 February 2022 and handed over to the Hawks for further investigation. The Hawks along with the National Prosecuting Authority (NPA) finished their investigation on 29 August 2023 and concluded that they would not prosecute the matter further, due to insufficient evidence that the drains were not cleaned.

98. The accounting officer prepared a report detailing the reasons for closing the matter. The report was presented to the municipal public accounts committee (MPAC) on 8 April 2025. The MPAC requested the acting accounting officer to obtain an A1 statement from the SAPS to provide details on the matter. The statement has not been received to date.

99. Based on the factors above, I have concluded that appropriate actions have been taken to address the MI and therefore the MI has been resolved.

### Payment for services not received: Stormwater drain cleaning: Supplier 2

100. The municipality paid R10,1 million on 19 December 2018 for the provision of stormwater drain cleaning services, which were not rendered to the municipality. This resulted in non-compliance with section 65(2)(a) of the MFMA, which requires the municipality to maintain an effective system of expenditure control relating to the approval, authorisation and payment of funds. The non-compliance with legislation is likely to result in a material financial loss if the municipality does not recover the money paid to the service provider.

101. The accounting officer was notified of the MI on 13 December 2019 and invited to make a written submission on the actions taken or to be taken to address the matter.

102. The accounting officer responded to the notification on 18 September 2020, indicating the following planned action to be taken:

- Appointing an external investigator.
- Opening a case with the SAPS.
- Identifying the responsible person.

- Recovering the loss.

103. The municipality appointed a forensic investigator in September 2021 to assist in quantifying the value of the financial loss and to compile further evidence for submission to the Hawks. The forensic investigation report was finalised on 28 February 2022 and handed over to the Hawks for further investigation. The Hawks along with the NPA finished their investigation on 29 August 2023 and concluded that they would not prosecute the matter further, due to insufficient evidence that the drains were not cleaned.

104. The accounting officer prepared a report detailing the reasons for closing the matter. The report was presented to the MPAC on 8 April 2025. The MPAC requested the acting accounting officer to obtain an A1 statement from the SAPS to provide details on the matter. The statement has not been received to date.

105. Based on the factors above, I have concluded that appropriate actions have been taken to address the MI and therefore the MI has been resolved.

## Other reports

106. In addition to the investigations relating to material irregularities, I draw attention to the following investigations conducted. 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.

107. The President of South Africa promulgated investigations by the Special Investigating Unit into possible procurement irregularities. These investigations were still in progress at the date of this report.

Auditor-General

East London

11 December 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 consolidated and separate financial statements and the procedures performed on reported performance information for the selected development priority and on the group's compliance with selected requirements in key legislation.

#### Consolidated and separate financial statements

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

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

and separate 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 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 | 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), 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(1)(a), 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) |

| Legislation | Sections or regulations |
|---|---|
| | **Parent municipality with ME:**<br>Sections: 93B(a), 93B(b)<br><br>**Parent municipality with shared control of ME:**<br>Section: 93C(a)(iv), 93C(a)(v) |
| 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 |
| National Environmental Management: Waste Act 59 of 2008 | Section: 20(b) |
| National Water Act 36 of 1998 | Section: 22(1)(b) |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 | Section: 34(1) |
| Preferential Procurement Policy Framework Act 5 of 2000 | Sections: 2(1)(a), 2(1)(f) |
| Preferential Procurement Regulations, 2017 | Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 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) |