Auditing to build public confidence

AUDITOR-GENERAL SOUTH AFRICA

Report of the auditor-general to North West Provincial Legislature and the council on the Madibeng Local Municipality

Report on the audit of the financial statements

Qualified opinion

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

2. In my opinion, 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 Madibeng 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 Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (Dora).

Basis for qualified opinion

Service charges

3. The municipality did not measure revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions.* The billing was not based on actual consumption for a substantial period exceeding 12 months. The municipality did not have adequate internal controls in place to ensure that revenue billed was based on recent actual meter readings, in compliance with the municipal by-laws. I was unable to determine the value of the misstatement on services charges – electricity, services charges – water management and service charges - waste water management and the related receivables from exchange transactions for the current and previous year as it was impracticable to do so.

VAT receivable

4. I was unable to obtain sufficient appropriate audit evidence for the opening balance of VAT receivable due to the status of accounting records. I was unable to confirm these balances by alternative means. Consequently, I was unable to determine whether any further adjustments to VAT receivable stated at R 176 200 762 (2024: R 58 473 209) as disclosed in note 7 to the

financial statements was necessary. My opinion on the current year's financial statements is modified because of the effect of this matter on the comparability of the VAT receivable for the current year.

GRAP 3 adjustments

5. I was unable to obtain sufficient appropriate audit evidence for correction of error relating to service charges (waste management and waste water management), operational revenue, VAT receivable, trade and other payables from exchange transactions, as the municipality did not have adequate controls in place to ensure that the supporting information for these adjustments were available. In addition, the municipality did not accurately disclose the correction of errors relating to cash flow statements. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in the financial statements.

Net cash flows from operating activities

6. During 2024, net cash flows from operating activities were not accurately prepared and disclosed as required by GRAP 2, Cash flow statements. This was due to multiple errors in determining the cash flow from operating activities for the previous year. I was unable to quantify the extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments to cash flows from operating activities as stated at R 265 435 401 were necessary.

Trade and other payables from exchange transactions

7. During 2024, I was unable to obtain sufficient appropriate audit evidence regarding trade and other payables from exchange transactions which had a material cumulative effect on total trade and other payables from exchange transactions:
    - Contractors for which evidence could not be obtained of R 62 926 602 as included in the disclosed balance of R 1 665 346 248.
    - Other payables for which evidence could not be obtained of R 783 622 210 as included in the disclosed balance of R 1 665 346 248.
8. I was unable to confirm the trade and other payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments was necessary to trade and other payables from exchange transactions to payables from exchange transactions stated at R 1 665 346 248 as disclosed in note 16 to the financial statements.

Context for opinion

9. 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.
10. 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.

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

Material uncertainty related to going concern

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

13. I draw attention to note 56 to the financial statements, which indicates that a deficit of R260 563 052 was incurred during the year ended 30 June 2025 and as of that date the current liabilities exceed current assets by R1 536 924 904. As stated in note 56, these events or conditions, along with other matters as set forth in note 56, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to operate as a going concern.

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 51.1 to the financial statements, unauthorised expenditure of R309 227 764 was incurred in the current year and the unauthorised expenditure of R4 387 132 175 in respect of prior years has not yet been dealt with in accordance with section 32 of the MFMA.

16. As disclosed in note 51.2 to the financial statements, irregular expenditure of R228 884 837 was incurred in the current year and irregular expenditure of R2 706 129 901 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.

17. As disclosed in note 51.3 to the financial statements, fruitless and wasteful expenditure of R116 419 090 was incurred in the current year and fruitless and wasteful expenditure of R200 402 612 from prior years has not yet been dealt with in accordance with section 32 of the MFMA.

Other matter

18. 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. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

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

21. 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

22. 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.

23. 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

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 the selected key performance areas presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Key performance area	Page numbers	Strategic objective
Basic Service Delivery and Infrastructure Development	xx	Improve community wellbeing through accelerated service delivery.
Local Economic Development	xx	Promote local economic development, develop partnerships
Spatial Rationale and Transformation	xx	Promote integrated human settlement and agrarian reform

26. I evaluated the reported performance information for the selected key performance areas 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.

27. 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.

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

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

KPA 2 - Basic Service Delivery and Infrastructure Development

KPI 14 - Number of new Households with access to basic electricity supply by the municipality by 30 June 2025

30. Measures taken to improve performance against the underachieved target of 4 electricity quarterly reports were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and with assessing the effectiveness of strategies to improve future performance against the target.

KPI 17 - Number of initiatives to reduce Technical losses (Electricity and Water) by 30 June 2025

31. An achievement of 2 was reported against a target of 2 but the audit evidence showed the actual achievement to be 12. The achievement against the target was better than reported.

KPI 48 - Percentage of MIG Budget Spent by 30 June 2025

32. The indicator measures the Percentage of MIG Budget Spent by 30 June 2025, which does not relate to the achievement of MIG Projects implemented and completed timeously and of quality. Consequently, the indicator is not useful for measuring and monitoring progress against the municipality's planned objectives.

Various indicators

33. The targets below do not relate directly to their indicators. This makes it difficult to plan for the achievement of the indicator. Consequently, the reported achievements do not provide useful information on the achievement of the indicators, and the irrelevant targets hinder appropriate planning for the achievement of the indicators.

Indicator	Target
KPI 14 - Number of new Households with access to basic electricity supply by the municipality by 30 June 2025	4x electricity quarterly reports
KPI 42 - Number of new Applications for water and sewer received and attended to by 30 June 2025	100%
KPI 18 - Number of callouts responded to within 24 hours (Electricity, Water and Sanitation)	100%

Various indicators

34. 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
KPI 34 - Turnaround time on repair/ maintenance of vehicles by 30 June 2025	30 days	30 days
KPI 39 - Number of Roads conditional assessment reports for asset registry by 30 June 2025	1	1
KPI 45 - Percentage planned maintenance of water infrastructure by 30 June 2025	100%	100%
KPI 46 - Number of wastewater treatment works complying 90% against applicable water qualifying standards by 30 June 2025	4WWTW	2WWTW
KPI 47 - Number of Wastewater Treatment works maintained by 30 June 2025	4WWTW	4WWTW

Various Indicators

35. 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
KPI 16 - Percentage adherence to planned electricity maintenance program by 30 June 2025	100%	100%
KPI 36 - Kilometres of unsurfaced road graded by 30 June 2025	80km	687.96km
KPI 40 - m2 of pothole patched by 30 June 2025	6000m2	21944m2
KPI 42 – Number of new applications for water and sewer received and attended to by 30 June 2025	100%	100%

Various indicators

36. Adequate processes had not been established to consistently measure and reliably report on various indicators. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. In addition, 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	Detail
KPI 15 - Percentage of unplanned electricity outages that are restored to supply within 72 hours by 30 June 2025	100%	We could not verify reliability because the portfolio of evidence submitted did not include verifiable timestamps for the calls received or complaints logged, making it impossible to confirm compliance with response time requirements.
KPI 18- Number of callouts responded to within 24 hours (Electricity, Water and Sanitation)	100%	We could not verify reliability because the portfolio of evidence submitted did not include verifiable timestamps for the calls received or complaints logged, making it impossible to confirm compliance with response time requirements.

Indicator	Target	Detail
KPI 26 - Percentage of compliance with the required attendance time for structural firefighting incidents by 30 June 2025	40%	We could not verify reliability because the portfolio of evidence submitted did not include verifiable timestamps for the calls received or complaints logged, making it impossible to confirm compliance with response time requirements.
KPI 27 - Percentage of disaster incidents managed and responded to within 24 hours or less as a proportion of request received by 30 June 2025	100%	We could not verify reliability because the portfolio of evidence submitted did not include verifiable timestamps for the calls received or complaints logged, making it impossible to confirm compliance with response time requirements.
KPI 41 - Percentage of reported potholes complaints received and attended to within 24 hours	100%	We could not verify reliability because the portfolio of evidence submitted did not include verifiable timestamps for the calls received or complaints logged, making it impossible to confirm compliance with response time requirements.

Various indicators

37. Achievements were reported against various targets but these targets had not been clearly defined during the planning process. Consequently, the targets are not useful for measuring and reporting on progress against the municipality's planned objectives.

Indicator	Target	Detail
KPI 18 - Number of callouts responded to within 24 hours (Electricity, Water and Sanitation)	100%	The target is not measurable due to a misalignment between the indicator and the method of calculation. The indicator refers to the "number of callouts responded to within 24 hours (Electricity, Water and Sanitation)" which implies a simple count measurement. However, the method of calculation is described as "number of electricity, water and sanitation callouts received and responded to within 24 hours as a percentage of total call outs received" which reflects a percentage-based measurement rather than a simple count.
KPI 29 - Percentage of money collected from vehicle registration and licence transaction as per agency agreement by 30 June 2025	20%	The current indicator and calculation method are misaligned. The indicator states 'percentage of money collected from vehicle registration and licence transactions as per agency agreement by 30 June 2025', which implies a percentage-based measurement. However, the calculation method is described as "count the amount of money from vehicle registration and licence transactions as per agency agreement", which measures the Rand

Indicator	Target	Detail
		value rather than a percentage
KPI 34 - Turnaround time on repair/ maintenance of vehicles by 30 June 2025	30 days	The current KPI for vehicle repairs and maintenance turnaround time is expressed as "30 days by 30 June 2025. While this indicates a time frame, it functions more as a standard rather than a fully specific target. A target should clearly define the required level of performance, often as a measurable proportion (e.g. 90% compliance within the standard). In its current form, the target does not specify whether all repairs must be completed within 30 days or if a certain percentage should meet this timeframe.
KPI 41 - Percentage of reported potholes complaints received and attended to within 24 hours	100%	The indicator does not specify by when it has to be achieved, therefore the target is not time bound.
KPI 42 - Number of new Applications for water and sewer received and attended to by 30 June 2025	100%	The target is not measurable due to a misalignment between the indicator and the method of calculation. The indicator refers to the "number of new applications for water and sewer received and attended to by 30 June 2025" which implies a simple count measurement. However, the method of calculation is described as "total number of new applications sewer/water connections attended to as a percentage of total new applications received" which reflects a percentage- based measurement rather than a simple count. This inconsistency creates ambiguity and makes it difficult to accurately measure and report on performance in line with the stated indicator.

Various Indicators

38. Measures aimed at improving performance against targets were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

Indicator	Target	Reported achievement	Reported Measure	Measures taken based on audit evidence
KPI 43 - Number of households with access to basic level of water and sewer by 30 June 2025	160 724	0	Increase budget on rural water supply	No corroborative evidence to support reported measure

Indicator	Target	Reported achievement	Reported Measure	Measures taken based on audit evidence
KPI 46 - Number of wastewater treatment works complying 90% against applicable water qualifying standards by 30 June 2025	4 WWTW	2 WWTW	KPI to be reviewed	Measures aimed at improving performance against targets were reported. However, upon inspection of the supporting documents, the measure was not implemented

Various indicators

39. The targets in the annual performance report differed from those committed to in the approved revised planning documents. These changes were made without obtaining the required approval, which undermines transparency and accountability.

Approved Indicator	Approved Target	Reported Indicator	Reported target
KPI 14 - Number of new Households with access to basic electricity supply by the municipality by 30 June 2025	4 electricity quarterly reports	KPI 14 - Number of new Households with access to basic electricity supply by the municipality by 30 June 2025	No reported target
KPI 21 - Percentage compliance to landfill sites permit conditions by 30 June 2025	65%	KPI 21 - Percentage compliance to landfill sites permit conditions by 30 June 2025	70%

KPA 3 - Local Economic Development

KPI 53 – Number of Business Licence applications received and processed within 30 days

40. An achievement of 119 was reported against a target of 40. However, some supporting evidence was not provided for auditing; or where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

Various Indicators

41. 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
KPI 49 – Number of work opportunities created by the municipality through Public Employment Programmes (incl EPWP, CWP, Youth and other related employment programmes by 30 June 2025)	1500	2230
KPI 51 – Number of SMME's supported e.g training by 30 June 2025	200	656

Various Indicators

42. Based on the audit evidence, the actual achievement for five indicators did not agree to the achievements reported. Consequently, the targets were not achieved.

Indicator	Target	Reported achievement	Actual achievement
KPI 52 - Number of Tourism strategy reviewed by 30 June 2025	1	1	0
KPI 54 - Number of Marketing strategy reviewed by 30 June 2025	1	1	0
KPI 55 - Number of LED strategy reviewed by 30 June 2025	1	1	0
KPI 56 - Number of ICD strategy reviewed by 30 June 2025	1	1	0
KPI 57 - Number of the incentive and investment policy reviewed by 30 June 2025	1	1	0

KPA 6 - Spatial Rationale and Transformation

KPI 84 - Percentage compilation of municipal land audit report by 30 June 2025

43. Neither the indicator nor its target of 100% was clearly defined during the planning process. The indicator refers broadly to the "percentage compilation of the municipal land audit report," but does not define what constitutes "compilation", whether it includes data collection, analysis, validation, or final approval. Consequently, the indicator and its target are not useful for measuring and reporting on progress against the municipality's planned objectives.

Various Indicators

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

Indicator	Target	Reported achievement
KPI 83: Percentage monitoring of housing projects by 30 June 2025	100%	100%
KPI 84: Percentage compilation of municipal land audit report by 30 June 2025	100%	20%

Various Indicators

45. The targets in the annual performance report differed from those committed to in the approved revised planning documents. These changes were made without obtaining the required approval, which undermines transparency and accountability.

Approved Indicator	Approved target	Reported target
KPI 83: Percentage monitoring of housing projects by 30 June 2025	20% (List of the approved project and beneficiaries)	100%
KPI 84: Percentage compilation of municipal land audit report by 30 June 2025	50% (appointment of service provider and project inception report)	100%

Various Indicators

46. Achievements were reported against various targets but these targets had not been clearly defined during the planning process. Consequently, the targets are not useful for measuring and reporting on progress against the municipality's planned objectives.

Indicator	Target	Detail
KPI 83: Percentage monitoring of housing projects by 30 June 2025	20% (List of the approved project and beneficiaries)	Units of measure not specific and measurable.
KPI 81 - Percentage of land invasion reported and attended to by 30 June 2025	100%	Units of measure not specific and measurable.
KPI 85 - Percentage of land use application processed within 60 days	100%	Units of measure not specific and measurable.

KPI 86 - Percentage of land development application processed with 120 days by 30 June 2025	100%	Units of measure not specific and measurable.

Various Indicators

47. Adequate processes had not been established to consistently measures reliably report on various indicators. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. In addition, 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	Detail
KPI 79 - Percentage of building plans assessed within 60 days (above 500) by 30 June 2025	100%	100%	The municipality does not have standard operating procedures in place to verify the processes.
KPI 80 - Percentage of building plans assessed within 30 days (less than 500) by 30 June 2025)	100%	100%	The municipality does not have standard operating procedures in place to verify the processes.
KPI 81 - Percentage of land invasion reported and attended to by 30 June 2025	100%	100%	The municipality does not have standard operating procedures in place to verify the processes.
KPI 85 - Percentage of land use application processed within 60 days	100%	100%	The municipality does not have standard operating procedures in place to verify the processes.
KPI 86 - Percentage of land development application processed with 120 days by 30 June 2025	100%	100%	The municipality does not have standard operating procedures in place to verify the processes.

Other matters

48. I draw attention to the matters below.

Achievement of planned targets

49. 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.

50. The tables that follows provide information on the achievement of planned targets and list 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.

KPA 2 - Basic Service Delivery and Infrastructure Development

Targets achieved: 86%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
KPI 14: Number of new households with access to basic electricity supply by the municipality by 30 June 2025	1 193	0
KPI 43: Number of households with access to basic water and sewer by 30 June 2025	160 724	0
KPI 44: Percentage of drinking water complying to SANS 241 by 30 June 2025	93%	90%
KPI 46: Number of wastewater treatment works complying 90% against applicable water qualifying standards by 30 June 2025	4	2

KPA 6 - Spatial Rationale and Transformation

Targets achieved: 25%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
KPI 82: Number of informal settlements formalised by 30 June 2025	7	0
KPI 84: Percentage compilation of municipal land audit report by 30 June 2025	50%	20%

Material misstatements

51. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Basic Service Delivery and Infrastructure Development and Local Economic Development and Spatial Rational and Transformation. Management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

52. 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.

53. 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.

54. 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.

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

Annual financial statements and annual reports

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

57. The oversight report adopted by the council on the 2023/24 annual report was not made public, as required by section 129(3) of the MFMA.

Consequence management

58. Unauthorised, irregular and 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)(a) and (b) of the MFMA.

Expenditure management

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

60. Reasonable steps were not taken to prevent irregular expenditure amounting to R228 884 837 as disclosed in note 50.2 to the annual financial statements, as required by section 62(1)(d) of the MFMA.

61. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R116 419 090, as disclosed in note 50.3 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 payable on bulk purchases.

62. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R309 227 764, as disclosed in note 50.1 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the budget on the public safety, fleet & facilities management vote.

Human resource management

63. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.

64. The municipal manager did not develop the staff establishment and did not submit it to the municipal council for approval as required by section 66(1)(a) of the MSA.

Revenue management

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

Procurement and contract management

66. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM Regulations 17(1)(a) and 17(1)(b).

67. Sufficient appropriate audit evidence could not be obtained that quotations were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c).

68. 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.

69. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM Regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year.

70. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) Preferential Procurement Policy Framework Act and its regulations. Similar non-compliance was also reported in the prior year.

71. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2022 Preferential Procurement Regulation 4(4) and 5(4). Similar non-compliance was also reported in the prior year.

72. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM Regulation 5. Similar limitation was also reported in the prior year.

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

74. 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. Similar limitation was also reported in the prior year.

75. 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 SCM regulation 46(2)(e), the code 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.

Strategic planning and performance management

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

Other information in the annual report

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

78. 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.

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

80. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

81. 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

82. 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.

83. 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.

84. The accounting officer did not adequately exercise oversight responsibility regarding financial and performance reporting and compliance with legislation. The municipality did not have sufficient monitoring and reviewing controls to ensure that financial and performance reports submitted for audit were accurate and complete, and that action plans developed were adequately and timeously implemented.

85. Management did not implement sound monitoring controls over proper record keeping that support reported performance on predetermined objectives and compliance with laws and regulations.

Material irregularities

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

Status of previously reported material irregularities

Full and proper records not kept (2019-20) – significant distribution losses, revenue and accounts receivables, cash and cash equivalents, expenditure and accounts payable

87. Reasonable steps were not taken in the 2019-20 financial year to ensure that full and proper records were kept of significant distribution losses, revenue and accounts receivable, cash and

cash equivalents and expenditure and accounts payable, as required by section 62(1)(b) of the MFMA. The non-compliance contributed to a disclaimed audit opinion, as I could not obtain sufficient appropriate audit evidence to support the amounts and disclosures in the financial statements.

88. The lack of full and proper records is likely to result in substantial harm to the municipality, as the municipality may not be able to continue its operations, i.e. it may not be able to demonstrate that it can ensure access to basic services in a financially sustainable manner. This is likely to have a negative impact on the municipality's ability to discharge its service delivery mandate.

89. The accounting officer was notified of the material irregularity (MI) on 8 June 2021. The accounting officer has not taken the appropriate action committed to in his written submission in response to the notification. I had recommended that the accounting officer should take the following actions to address the MI by 4 May 2022.

90. The non-compliance with section 62(1)(b) of the MFMA should be investigated to determine the reasons and circumstances that led to the non-compliance for taking appropriate corrective actions and to address control weaknesses.

91. Based on the reasons and circumstances, appropriate action should be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. A plan should include anticipated timeframes and address the following key areas as a minimum:

    a. Complete records of distribution losses relating to water and electricity
    b. Billing information and reconciliations to support revenue from service charges
    c. Reconciliations of the bank accounts
    d. Clearing of suspense accounts
    e. Complete records of all procurement processes
    f. Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received.

92. I had further recommended that the accounting officer should take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the municipality, as required by section 135(1) and 135(3)(a) of the MFMA, by 4 August 2022. The accounting officer was supposed to describe the anticipated timeframe and milestones to be achieved and include, as a minimum, strategies to:

    a. Increase the collection of revenue
    b. Efficiently manage the available resources of the municipality
    c. Enter into payment agreements with major suppliers.

93. The above timeframes for the implementation of the recommendations were running concurrently.

94. The accounting officer submitted a written response to and supporting evidence for the implementation of the recommendations on 12 August 2021 and 3 August 2022. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.

95. On 10 August 2023, I notified the accounting officer of the following remedial actions to address the MI, which should be implemented by within six months from the date of the notification, with a progress report after three months:

- The non-compliance with section 62(1)(b) of the MFMA must be investigated to determine the reasons and circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses.

- Based on the reasons and circumstances, appropriate action must be taken to develop and commence with the implementation of an action plan to address poor record keeping so that full and proper records of the financial affairs of the auditee are kept in accordance with any prescribed norms and standards, as required by section 62(1)(b) of the MFMA. The plan must include anticipated timeframes and address the following key areas as a minimum:

    a) Complete records of distribution losses relating to water and electricity

    b) Billing information and reconciliations to support revenue from service charges

    c) Reconciliations of the bank accounts

    d) Clearing of suspense accounts

    e) Complete records of all procurement processes

    f) Payment vouchers, creditor statements and creditor reconciliations for purchases. The expenditure incurred should be supported by sufficient evidence that goods and services paid for were received.

- I further recommend that the accounting officer must take appropriate action to develop and commence with the implementation of an action plan to address the financial problems of the auditee, as required by section 135(1) and 135(3)(a) of the MFMA. The plan must describe the anticipated timeframe and milestones to be achieved and include as a minimum, strategies to:

    a) Increase the collection of revenue

    b) Efficiently manage the available resources of the municipality

    c) Enter into payment arrangements with major suppliers.

96. A progress report on the implementation of the remedial actions was received on 7 November 2023. Whilst the audit outcome moved from a disclaimer opinion to an adverse opinion in the 2022/23 financial year, satisfactory progress was not made with the implementation of the remedial actions.

97. In terms of regulation 11(2) of the MI regulations, I have decided to request intervention from the following role-players and oversight structures in the accountability ecosystem to assist and

support, as far as is necessary, the accounting officer with the implementation of the remedial action and to address the material irregularity appropriately:

- Member of the Executive Council: Finance;
- Member of the Executive Council: Cooperative Governance, Human Settlements and Traditional Affairs;
- Executive Mayor;
- Speaker of Council; and

- Member of the Mayoral Committee: Finance.

98. In addition to requesting intervention from the above role players, I have requested the following role players in the accountability ecosystem to exercise oversight by supporting and assisting, as far as is necessary, the accounting officer with the implementation of the remedial action and addressing the material irregularity appropriately:

- Premier of the province;
- Chairperson of the Municipal Public Accounts Committee; and
- Chairperson of the Audit Committee.

96. On 12 June 2024, I invoked section 11(2) of the Material Irregularity Regulations (the MI regulations), requesting intervention from relevant role players in the Accountability Ecosystem (AES). This action was taken to address the ongoing issues and ensure corrective measures were implemented to resolve the material irregularity. The role players were requested to submit a progress report on the interventions implemented to the Office of the Premier by 30 September 2024 and the Office of the Premier had to submit a report to me on all the interventions implemented by relevant role players by 31 October 2024.

97. Delays were noted in the progress report being provide and I engaged the Office of the Premier in April 2025 on the outstanding progress report.

98. A progress report on the actions being taken by the relevant role players was submitted by the Office of the Premier on 14 May 2025. Shortcomings were noted in the actions being taken as part of the intervention, which were duly communicated to the Office of the Premier on 23 June 2025, whereafter an extension was requested until 26 September 2025 to submit a revised progress report.

99. On 6 October 2025, the Office of the Premier submitted a revised progress report. The progress report was assessed, and further shortcomings were noted and duly communicated with the Office of the Premier on 20 October 2025.

100. The progress with the actions taken by the accounting officer and the interventions implemented by the relevant role players to address the material irregularity is under assessment, which will inform my determination on the further appropriate action to take.

Pollution of water resources not prevented – Mothotlung wastewater treatment plant

101. The municipality did not take reasonable measures at the Mothotlung Wastewater Treatment Works 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 and section 19(1) of the National Water Act. The wastewater treatment works was demolished, vandalised and some of the infrastructure stolen, rendering it not operational for years, while infrastructure lines to and from the plant were also depleted, vandalised and stolen, causing regular sewerage overflows. This resulted in untreated effluent being discharged into the adjacent environment, including the groundwater, the Kgowa spring and its extended watercourse. The community is also directly impacted with raw sewerage overflows accumulating directly in gardens, houses and streets of the adjacent Mothotlung and Thetele settlements. The contaminated water sources are used by a number of settlements and communities in the Mothotlung area and along the extended watercourse. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.

102. The accounting officer was notified of the MI on 25 May 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer, however, did not respond to provide any planned actions to address the MI. Based on a follow-up visit in July 2022, it was confirmed that no action has been taken at the wastewater treatment works, with it still being flooded, and no treatment of wastewater taking place before it is discharged into the environment and water sources adjacent to the plant.

103. The accounting officer has not taken sufficient action to minimise and rectify the pollution or degradation of the environment. Therefore, I concluded that the accounting officer was not taking appropriate action to address the MI.

104. I referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023, as at the date of this auditor's report, the investigation is still in progress.

Pollution of water resources not prevented – Letlhabile wastewater treatment plant

105. The municipality did not take reasonable measures at the Letlhabile Wastewater Treatment Works 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 and section 19(1) of the National Water Act. The wastewater treatment works has not been operational with full ponds overflowing for a number of years already. This resulted in untreated effluent being discharged into the adjacent environment, including the groundwater and the Rakwasi Ramokgatla spring, which is used by the communities in the areas like the Letlabile and Maboloka settlements. This contaminates a network of streams and rivers in the surrounding area that ultimately flows into the Tolwane River, which is used for consumption, farming and agricultural purposes by the communities of the towns and the farmers along the extended water network. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.

106. The accounting officer was notified of the MI on 25 May 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer however did not respond to provide any planned actions to address the MI. Based on a follow-up visit in July 2022, it was confirmed that no action has been taken at the wastewater treatment works, with it being flooded and no treatment of wastewater taking place before it is discharged into the environment and water sources adjacent to the plant.

107. The accounting officer has not taken sufficient action to minimise and rectify the pollution or degradation of the environment. Therefore, I concluded that the accounting officer was not taking appropriate action to address the MI.

108. I referred the material irregularity to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023, as at the date of this auditor's report, the investigation is still in progress.

Unauthorised debit orders from the municipal bank accounts

109. The municipality incurred unauthorised debit orders of R19 724 323 and the amount was reported as part of other receivables disclosed in note 5 to the annual financial statements of 2022/23. The payments relate to fraudulent debit orders that have continuously been debited against the municipality's bank account from 2015. It is further alleged that the municipality has got no business on contracts with the said debit orders that are taking place and as a result the municipality suffered a loss.

110. The suspected fraud is likely to result in a material financial loss for the municipality if the unauthorised debit orders are not recovered from responsible parties.

111. The accounting officer was notified of the suspected fraud material irregularity (MI) on 14 December 2023 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded to the notification of suspected fraud MI on the 09 February 2024.

112. Based on the assessment of substantiating documents submitted by the accounting officer on 09 February 2024, I determined that the accounting officer is not taking appropriate action to resolve the suspected fraud MI.

113. I referred the material irregularity to the DPCI on 9th April 2025 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DPCI on 9th April 2025, as at the date of this auditor's report the investigation is still in progress.

Auditor General

Rustenburg

15 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 financial statements and the procedures performed on reported performance information for selected key performance areas and on the municipality's compliance with selected requirements in key legislation.

Financial statements

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

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	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)(
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: Sections: 93B(a), 93B(b) **Parent municipality with shared control of ME:** 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
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)