



MANAGEMENT REPORT

Dr Beyers Naude Local Municipality
2024-25

Date: 30 November 2025

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INTRODUCTION

1. The purpose of this management report is to communicate the outcomes of the audit for the financial year ended 30 June 2025, as well as the insights and significant matters that require the attention of the accounting officer. The report should be read with the engagement letter, which sets out our responsibilities as well as the standards and processes we apply in performing our audits.
2. The auditor's report is finalised only after the management report has been communicated. All matters included in this report that relate to the auditor's report remain in draft form until the final auditor's report has been signed.
3. We communicated our audit findings and recommendations for improvement to management and obtained their responses throughout the audit. This report is a comprehensive summary of what we shared with management. In **annexure D**, we provide a summary of detailed findings communicated to management.
4. The management report is structured as follows:
 - In **section 1** we share the overall audit outcomes and the status of material irregularities. We also summarise the material irregularities in **annexure F**.
 - In **section 2** we provide the most significant matters from the audit and their impact, which we detail further in the annexures. Where appropriate, we also include the following:
 - Significant deficiencies in internal control that caused the findings we report. Significant deficiencies occur when internal controls do not exist; are not appropriately designed or implemented; or are not operating as intended to prevent – or to promptly detect and correct – material misstatements, non-compliance or non-performance. In **annexure C** we expand on the state of internal control.
 - Key recommendations and the responses received from management on implementing the recommendations.
 - In **section 3** we include observations on the overall internal control environment and the role of the accountability ecosystem. Key recommendations and responses from management are also included.
 - In **section 4** we provide our view of the root causes of deficiencies in the overall internal control environment and provide recommendations for the [party responsible] to address the root causes.
 - We end the report with a **conclusion**.
5. We trust the insights and recommendations in this report will be of value in your pursuit towards building and leading the municipality that is accountable and transparent, has institutional integrity and performs at a level that has a positive impact on the lives of South Africans.

SECTION 1: AUDIT OUTCOMES AND MATERIAL IRREGULARITIES

OVERALL AUDIT OUTCOMES

6. The overall audit outcome of the municipality is qualified with findings. This is a regression from the previous year's audit outcome.

Audit results per outcome area

Outcome area	Movement	2024-25	2023-24	2022-23
Financial statements	▼			
Annual performance report				
• No material findings	▶			
Compliance with legislation				
• Procurement and contract management	▶			
• Revenue management	▼			
• Expenditure management	▶			
• Human resources management	▼			
• Strategic planning and performance	▶			
• Asset management	▼			
• Annual Financial Statements, Annual Performance Report and Annual Report	▶			
• Consequence management	▲			
• Utilization of conditional grants	▶			
• Governance and oversight				

Unqualified/No material findings	Qualified	Adverse/Pervasive material findings	Disclaimed/Pervasive material limitation	Material findings	Not audited
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▲	Improvement	▼	Regression	▶	Unchanged
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7. The audit had remained unchanged as unqualified with findings for the past two financial years until the regression in the current year which is due to the material misstatements identified and not corrected in the financial statements.

8. We provide further insight into the audit outcomes, the root causes of weaknesses and our recommendations in the rest of this report.

9. **Annexure E** lists matters that will affect future financial statements, annual performance reports and compliance with legislation.

MATERIAL IRREGULARITIES

10. Since the implementation of the material irregularity process, we have identified three material irregularities at the municipality.

11. Two of the three material irregularities were resolved in the prior year. Refer to the prior year management report for more information.

12. One was identified in the prior year but at the time of the 2023-24 audit report, the response from the accounting officer was not yet received, therefore that material irregularity will be reported in the current year audit report.

Status of material irregularities

Year of notification	Total	Resolved	Appropriate actions	Following up actions taken	AGSA further actions	Notification response not yet due	Assessing response	Not pursued further
2024	1	0	1	0	0	0	0	0
2022	2	2	0	0	0	0	0	0

13. As of 30 June 2025, the municipality has complied with the payments of the pension funds for majority of the months after the notification date of the 2024 material irregularity. However, there are months where the municipality has not complied resulting in late payments and these monthly non-compliances will delay resolution of material irregularity.

14. The auditor's report will detail all material irregularities. **Annexure F** lists the material irregularities that will be included in the auditor's report.

SECTION 2: SIGNIFICANT MATTERS

FINANCIAL STATEMENTS

Audit results

15. The financial statements were submitted to us for auditing on 31 August 2025.

16. We identified material misstatements in the financial statements submitted for auditing. The material misstatements could have been prevented or detected by effective internal controls. It constitutes non-compliance with Municipal Finance Management Act and will be reported as a material finding in the auditor's report.

Material misstatements not corrected

Accounting standard/legislation	Nature	Value	Description	Prior-year misstatements	
				2023-24	2022-23
Property rates					
Grap 23, Revenue from non-exchange transactions.	Limitation	R55 272 750	Incompleteness of the valuation roll		

Uncorrected	Corrected	No prior-year misstatement
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17. The material misstatement that was not corrected formed the basis for the modified opinion on the financial statements and will be reported in the auditor's report.

Material misstatements corrected

Accounting standard/legislation	Nature	Value	Description	Prior-year misstatements	
				2023-24	2022-23
Debt impairment					
Grap 104, Financial instruments	Understatement	R8 520 981	Inaccuracy of debt impairment		
Principal-agent principle					
GRAP 109	Qualitative	Qualitative	Non-disclosure of principal-agent principle		
Contingent liabilities					

Accounting standard/ legislation	Nature	Value	Description	Prior-year misstatements	
				2023-24	2022-23
GRAP 1	Understatement	R8 012 692	Inaccuracy of contingent liabilities		
Property, Plant and Equipment					
GRAP 17	Overstatement	R16 172 751	Assets incorrectly classified as landfill sites		
Changes in accounting estimates					
GRAP 3	Qualitative	Qualitative	Changes in accounting estimates not disclosed		
Statement of cash flows (Current year)					
GRAP 2	Overstatement	R24 896 793	Interest received inaccurate		
GRAP 2	Overstatement	R79 191 099	Payment to suppliers inaccurate		
GRAP 2	Overstatement	R57 092 041	Interest paid inaccurate		
Statement of cash flows (Prior year)					
GRAP 2	Overstatement	R17 818 078	Interest received inaccurate		
GRAP 2	Overstatement	R37 420 538	Payment to suppliers inaccurate		
GRAP 2	Overstatement	R22 320 643	Interest paid inaccurate		
Reportable segments					
GRAP 18	Understatement	R10 176 353	Water waste management segment inaccurate		
GRAP 18	Overstatement	R15 353 415	Water management segment inaccurate		

	Uncorrected		Corrected		No prior-year misstatement
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18. Misstatements identified and corrected by management do not impact the municipality's financial management as their nature is that of factual errors that needed to be corrected. The material misstatement on property rates could have been prevented if the data used for valuation roll was assessed for accuracy and complete.

19. **Impact:** The material misstatement that was uncorrected resulted in a material non-compliance with the MFMA that will be reported in the audit report.

20. The process and methodology followed for the correction of the misstatements was adequate as all the material misstatement were adjusted for except the issue affecting property rates.

Internal control and recommendations

21. We identified significant internal control deficiencies in financial recordkeeping and the financial statement preparation and related business processes, which caused the misstatements or could cause misstatements in future.

Significant internal control deficiencies – financial records and financial statements

Deficiency	Prior years reported	
	2023-24	2022-23
Inadequate review processes for the preparation of annual financial statements	√	
Lack of review of data used for completeness and accuracy.		

22. We made recommendations to improve the financial records and the financial statement preparation process to senior management. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – financial records and financial statements

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Implement controls around the financial statement preparation and review processes to ensure compliance with GRAP standards. Management should prepare the Annual Financial Statements on time to allow all review processes to take place.</p> <p>Response: Management accepted the recommendation.</p>	2023-24	Not started
<p>Recommendation: Management should analyse the data obtained for the purpose of compiling the valuation roll for completeness and accuracy before submission to the expert.</p> <p>Response: Management accepted the recommendation.</p>	2024-25	Not started

23. In the prior year we recommended that management should develop and monitor implementation of action plans to address the root causes of the internal control deficiencies identified and strengthen review process, however; those recommendations have not been fully implemented as evidenced by number of material misstatements identified in the current year annual financial statements submitted for audit.

Information to be included in auditor's report

24. We may communicate matters relating to the audit, the auditor's responsibilities and the auditor's report in the auditor's report that are important for users of the financial statements to know about. The following matter will be included as 'other matters' in the auditor's report:

- Unaudited disclosure notes

25. We will include an 'emphasis of matter' paragraph in the auditor's report to draw the attention of users of the financial statements to the following matter[s] which we deem to be fundamental to their understanding of the financial statements:

- **Restatement of corresponding figures**

As disclosed in note 44 to the annual financial statements, the corresponding figures for the year ended 30 June 2024 were restated as a result of error in the financial statements of the municipality at, and for the year ended, 30 June 2025.

- **Allowances for impairment – Receivables**

10. As disclosed in note 6 to the financial statements, material allowance for impairment of statutory receivables from non-exchange transactions of R47,9 million (2023-24: R37,8 million) and R15,4 million (2023-24: R1,1 million) was incurred due to non-payment by consumer debtors and fines debtors, respectively.

As disclosed in note 7 to the financial statements, material impairments for receivables from exchange transactions of R365,4 million (2023-24: R278,6 million) were incurred due to non-payment by trade debtors.

- **Distribution losses-water**

As disclosed in note 55 to the financial statements, material water losses of R60 million (2023-24: R53,3million) were incurred, which represent 51,5% (2023-24: 45,2%) of total water production.

- **Distribution losses-electricity**

As disclosed in note 54 to the financial statements, material electricity losses of R13,9 million (2023-24: R7,8 million) were incurred, which represents 12,2% (2023-24: 7,7%) of total electricity purchased.

- **Underspending of conditional grants**

As disclosed in note 18, the municipality materially underspent its conditional grants by R15,9 million on the Municipal Disaster Recovery Grant (MDRG).

FINANCIAL MANAGEMENT AND PERFORMANCE

Going concern

26. Our audit included an evaluation of the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements of the municipality and whether any material uncertainties exist about its ability to continue as a going concern.

27. We agreed with the disclosures made in the financial statements of the municipality on the material uncertainties and the events and conditions identified by management.

Going concern – events or conditions

Event or condition	Prior years reported	
	2023-24	2022-23
The municipality incurred a deficit during the 2024/25 financial year.	√	√
The municipality failed to make payments to creditors as and when due.		
The municipality is defaulting on its financial obligations.		

The current assets of the municipality are exceeded by the current liabilities.	√	√
The municipality is facing revenue generation and collection, and funding constraints.		
The municipality has cashflow constraints and uncontrolled budget spend.		
In the municipality there is deterioration in the assets used to generate revenue and cash flow.		

28. The municipality has realised a net deficit of R242.4m (2024: R24.1m). Further, the municipality failed to realise the Eskom debt relief due to its inability to honour its monthly electricity billing. Moreover, the municipality has a net current liability of R774.5m (2024: R360.5m). Furthermore, the municipality takes 395 days (2024: 231 days) to pay its creditors. Lastly, the municipality has an unfunded budget for the 2025/26 financial year. These are indications that the municipality is in dire financial difficulties.

29. Management is implementing a voluntary financial recovery plan with Provincial Treasury, focusing on realistic budgets, strict cash-flow control, debt recovery, and payment arrangements. Additional measures include reducing debtors, curbing water and electricity losses, improving asset maintenance, and reallocating funds to essential services to restore financial stability. However, this plan was not implemented and/or monitored for implementation.

30. **Impact:** Material uncertainty exists that casts a significant doubt on the municipality's ability to continue as a going concern.

Information to be included in auditor's report

31. We will include a 'material uncertainty related to going concern' paragraph in the auditor's report to draw the attention of users of the financial statements to the note included in the financial statements on the going concern material uncertainties.

Budget management

32. We performed tests to identify budget overspending or budgets not spent for their intended purpose and tested compliance with the legislative requirements for budget management. We identified findings to highlight in this area of financial management.

Budget spending

Nature	Description	Rand value		
		2024-25	2023-24	2022-23
Budget overspent	The municipality incurred unauthorised expenditure	R193 465 939	R98 023 159	R105 776 596

Findings on budget management

Finding	Prior years reported	
	2023-24	2022-23
Overspending on the municipality's budget which resulted in unauthorised expenditure	√	√

Finding	Prior years reported	
	2023-24	2022-23
The municipality adopted an unfunded budget	√	√

33. The findings are recurring from prior years.
34. National Treasury requested that the municipality prepares a Budget Funding Plan to address the approval of the unfunded budget for 2024/25. The municipality did prepare the Budget Funding Plan. However, despite the municipality having prepared the budget funding plan the municipality realised a net deficit as shown in its annual financial statement.
35. **Impact:** The overspending by the municipality as indicated by unauthorised expenditure might be one of the causes of its difficult financial constraints. The approval of unfunded budget exacerbates the difficult financial situation where expenditure commitments are being authorised even though the municipality do not have funds to cover them.
36. The municipality continues to face significant financial difficulties (**Refer to going concern assessment for more details**).
37. The unauthorised expenditure incurred constitutes non-compliance with section 32 of the MFMA. The non-compliance will be reported as a material finding in the auditor's report.
38. The unauthorised expenditure incurred was disclosed in the financial statements as required. As detailed in the section on financial statements, the material misstatement will be reported in the auditor's report.
39. We also tested compliance with the legislative requirements for the preparation and approval of the budget for the next (new) financial year. We did not identify findings on these budget processes.
40. Management should ensure that reasonable estimates for expenditure (considering the cost containment policy) that are commensurate to the expected revenue are made to avoid overspending. This will assist the municipality to avoid approving unfunded budget and incurring unauthorised expenditure.

Financial assessment and compliance

41. Our audit included a high-level assessment of the financial position and key financial indicators of the municipality based on its financial results to assess its ability to continue as a going concern (as detailed earlier), and to highlight those issues that may require corrective action to maintain financial stability. The financial indicators used for the assessment include those that the National Treasury applies when assessing whether a municipality is in financial distress. The assessment is intended to complement, rather than substitute, the municipality's own financial assessment.
42. The detailed assessment is included in **annexure A**. We used the amounts and information in the financial statements to perform the assessment.
43. We changed the way our financial assessment of municipalities performed to improve the relevance and consistency thereof. Our assessment is now based on the indicators that the National Treasury uses in identifying municipalities in financial distress. The indicators were also calculated for the previous year to enable comparability.
44. We concluded that the financial health of the municipality is concerning based on the assessment, which is similar from the previous year.

45. The key matters identified through the assessment that require attention to improve the financial health of the municipality are summarised next.

Financial assessment – key matters

Revenue management
Management is unable to collect revenue timeously as the debt collection period is above the norm of 30 days. The municipalities average collection period is 36.37 days This indicates that the municipality is exposed to significant cash flow and liquidity risk.
Expenditure Management
The creditor's payment period has increased to 395 days. The payment period is still beyond the norm of 30 days and this indicates that the municipality is unable to settle its creditors timeously which could result to interest and penalties being incurred. The municipality also incurred a deficit for the year of R242.4 million and is not profitable.
Asset maintenance and renewal
The municipality is underspending on repairs, maintenance, and asset renewal, with expenditure on these areas representing only a small fraction of total assets and capital expenditure. This increases the risk of asset breakdowns and threatens the sustainability of municipal operations.
Asset and liability management
The current ratio is 0.18 and debt versus total operating revenue is 173%. Whereas current liabilities is 172% of budgeted resources. This indicates that the municipality does not have enough current assets to cover its current liability resulting in mismatch in the funding of current liabilities. Further, the operating activities is not generating sufficient revenue to cover its current liabilities. Furthermore, the municipality's budget is not enough to cover its current liabilities. Overall, this indicates that the municipality would struggle to pay its current liabilities as and when they fall due.

46. We identified non-compliance with legislation and other requirements applicable to financial management at the municipality.

Financial management – non-compliance

Finding	Material non-compliance	Prior years reported	
		2024-25	2023-24
Management failed to take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, as required by section 65(2)(e) of the MFMA.	Yes	√	√

47. It is recommended that management performs detailed assessment of its financial performance, financial position, and cash flow position to identify the root causes of its financial difficulties. This will assist the municipality to develop or formulate tailor made strategies to effectively address/mitigate these root causes (including but not limited to ineffective debt collection; ineffective preparation, implementation and monitoring of budget; ineffective liability management). The management should ensure that separate progress reports are prepared that speak to these mitigating strategies to allow effective monitoring of their effectiveness and amended where necessary.



Operational financial management

Cash management
The municipality has a cash coverage (excluding unspent conditional grants) over fixed monthly cash expenditure of one moth. This indicates that should unexpectedly cash expenditure be incurred, the municipality would immediately struggle to cover its normal monthly expenditure due to lack of buffer cash reserves to cover such events.
Own revenue
The municipality has incurred 12% and 51% of electricity and water distribution losses respectively. Therefore, the municipality is forgoing significant potential internal revenue. This increases the risk of the municipality's reliance on government funding which are not in the control of the municipality and could be cut anytime and drastically disrupt its operations.

Indigents

48. The management of municipal indigents is key to appropriate service delivery and financial management within local government. Services to indigent households is encompassed within the Constitution of South Africa, as such it is important to ensure that funds budgeted for indigent households reach the intended beneficiaries through appropriate service delivery. Mismanagement of indigents can financially cripple municipalities and service delivery, while proper management of indigents will assist municipalities with financial health.

Findings on services to indigent households

Finding	Number of instances identified (2024-25)	R-Value of instances identified (2024-25)	Prior years reported	
			2023-24	2022-23
Indigents services provided to individuals with Old ID numbers that were converted	2	R5 097		
Instances where the incorrect ID number was captured Indigents services provided to indigents with the incorrect ID number captured on the indigent register	5	R28 412		
Indigents services provided to indigents that have an interest in suppliers of government or municipalities	1	R2 912		
Indigents services provided to spouses of indigents employed in government or municipalities	1	R728		
No evidence of budget included for service delivery for indigent households from equitable share allocated to municipality for basic services	n/a	n/a		

49. There is a weakness in internal controls as the preparers (data capturers) of the application information do not capture the correct information of the applicants on the system and the reviews if any are done do not pick up the incorrect information captured.

50. **Impact:** This result in misallocation of resources and failure to reach intended beneficiaries.

Losses

51. It is crucial for the municipality to implement the necessary disciplines to ensure that value is derived from money spent and that assets and resources are safeguarded. We identified findings to highlight in this area of financial management. The findings on material non-compliance with legislation will be reported in the auditor's report.

Disclosures on losses

Nature	Description	Rand value		
		2024-25	2023-24	2022-23
Fruitless and wasteful expenditure	Interest on outstanding debt	R40 831 600	R53 492 236	R50 405 766
Distribution losses - water	Water losses for the financial period amounted to 51,52% (2024 - 45,15%) of water produced.	R59 998 664	R53 334 903	R43 178 048
Distribution losses - Electricity	Electricity losses for the financial year is 12,2% (2024 - 7,7%) of purchased electricity.	R13 901 931	R7 754 985	R7 738 984

Findings on losses

Finding	Material non-compliance	Prior years reported	
		2023-24	2023-22
Water loss has been incorrectly calculated and exceed the industry norm	No	√	√
Electricity loss has been incorrectly calculated and exceed the industry norm	No	√	√

52. The fruitless and wasteful expenditure incurred constitutes non-compliance with the s32 of MFMA Act. The findings on material non-compliance with legislation will be reported in the auditor's report.

Grant management

53. The municipality received grants totalling R195,111,587 to fund its programmes and projects in the current year. We audited compliance with the Division of Revenue Act and the use of the Municipal Infrastructure grant, Municipal Disaster Relief grant, Water conservation and demand grant, Regional Bulk Infrastructure grant.

54. We did not identify findings to highlight in this area of financial management.

Utilisation of grants

Grant received	Grant spending		
	Funding received (Rands)	Amount spent (Rands)	Unspent is cash backed (Yes / No)
Municipal Infrastructure Grant	3,105,000	3,105,000	N/A, no unspent
Municipal Disaster Relief Grant	22,826,000	6,951,165	Yes
Water conservation and demand grant	25,200,000	25,199,130	Yes
Regional Bulk Infrastructure grant	No funding received	No funding received	N/A, no unspent

55. Overall, the municipality showed mixed performance in grant management. While MIG and the Water Conservation Grant were substantially or fully spent, the disaster grant displayed significant underspending, resulting in delays in restoring essential infrastructure. In addition, for grants where performance targets were applicable, spending did not always translate into the achievement of intended service delivery outcomes, as evidenced by continuing high water losses.

Underspending on Municipal Disaster Relief Grant

	Prior years reported	
	2023-24	2022-23
Grant underspending		
Budget: R22,826,000		
Underspending: R15,874,835 which by 69.5%		

56. Improved project planning, contractor management, technical oversight, and monitoring of grant-funded infrastructure will be necessary to ensure that future allocations achieve their intended impact and comply fully with grant conditions.

Internal control and recommendations

57. We identified significant internal control deficiencies, which caused the weaknesses in financial management and performance as reported.

Significant internal control deficiencies – financial management

Deficiency	Prior years reported	
	2023-24	2022-23
Financial and performance management: Prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable	No	No

Deficiency	Prior years reported	
	2023-24	2022-23
information.		

58. We made recommendations to improve financial management processes to the accounting officer of the municipality. Some of these recommendations were also made in prior years. A summary of the key recommendations follows.

Key recommendations and responses – financial management

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management should aim to prepare regular and accurate financial statement in line with the applicable GRAP requirements and ensuring that they are backed by reliable information.</p> <p>Response: Management agreed.</p>	2023-24	In process – behind schedule

PERFORMANCE PLANNING, MANAGEMENT AND REPORTING

Overall performance planning and management

59. We tested whether the municipality’s performance planning and management processes, integrated development plan (IDP) and service delivery and budget implementation plan (SDBIP) complied with the key requirements from legislation.

60. We did not identify findings

Audit of annual performance report

61. The SDBIP and annual performance report were submitted to us for auditing on 26 March 2025 and 31 August 2025, respectively.

62. As detailed in the engagement letter, we undertook a findings engagement on the development priority selected for auditing. We will report only the material findings in the auditor’s report.

63. We selected the following development priority for auditing:

- Basic Service Delivery and Infrastructure Development

64. The subject matter is critical as it directly impacts the municipality’s ability to deliver reliable, efficient and sustainable basic services to communities. Basic Service Delivery and Infrastructure Development is a key strategic objective for local government, and weaknesses in this area have an immediate and tangible effect on the quality of life of residents. Sound management of infrastructure assets, effective planning and monitoring, and compliance with legislative requirements are essential to ensure that services such as water, sanitation, roads, electricity and waste management are delivered at the required standards.

65. We evaluated the reported performance information for the selected development priority against the criteria developed from the performance management and reporting framework. When an annual

performance report is prepared using these criteria, it provides useful and reliable information and insights to users of the report on the municipality's planning and delivery on its mandate and objectives.

66. We 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 and are verifiable, so that we 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 what were committed to in the approved initial or revised planning documents.
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets, measures taken to improve performance.

Audit results

67. We did not identify findings on the completeness of the indicators used for planning and reporting on performance.

68. We did not identify material findings on the overall presentation of performance information in the annual performance report.

69. We did not identify material misstatements in the reported performance information in the annual performance report submitted for auditing.

Information to be included in auditor's report

70. We may communicate matters about the audit, the auditor's responsibilities and the auditor's report in the auditor's report that are important for users of the annual performance report to know about.

Internal control and recommendations

71. We did not identify significant internal control deficiencies in the performance planning, management and reporting processes.

PLANNED TARGETS NOT ACHIEVED

72. As disclosed in the annual performance report, not all the planned targets were achieved for the development priority we selected for auditing.

73. We will draw the attention of oversight to the non-achievement of key indicators by including the table that follows in the 'other matters' section in the auditor's report, with reference to the pages in the annual performance report where explanations for measures taken to improve performance are included.

Targets for key indicators not achieved

Targets achieved: 67%		
Budget spent: 90%		
Key indicators not achieved	Planned target	Reported achievement
Reduce electricity losses to at least 10% by 30th June 2025.	10%	11.94%
Reduce water losses to at least 40% by 30th June 2025.	40%	51.52%
Number of Sports Grounds ablution facilities repaired and maintained by 30th June 2025	4	2
Upgrade 400m of gravel road to interlocking paving by 30th June 2025	400m	0

74. The underperformance against these targets demonstrates the municipality's inability to fully meet service delivery obligations and reflects weaknesses in planning, execution, and monitoring of operational and capital projects. Management should prioritize corrective action, including strengthening infrastructure maintenance programs, improving project oversight, and monitoring progress against performance indicators, to ensure that service delivery objectives are achieved in future periods.

OTHER INFORMATION IN ANNUAL REPORT

75. We did not audit the information in the annual report except for the financial statements and the development priority in the annual performance report selected for auditing.

76. However, the auditing standards require us to read the unaudited information and consider whether it is materially inconsistent with the information we audited or the knowledge we obtained during the audit or otherwise appears to be materially misstated.

77. The annual report was not received in time for us to perform this procedure. We will report this in the auditor's report and indicate that any material misstatements identified when we receive it that are not corrected might result in us retracting the auditor's report and reissuing an amended report.

DELIVERY OF KEY MUNICIPAL SERVICES

Landfill Site

78. The focus area relates to the municipality's management of its landfill site, including the recognition and measurement of the landfill site rehabilitation provision in accordance with the applicable accounting standards. Proper management of landfill sites is essential to ensure environmental compliance, sustainable waste management, and protection of community health and the surrounding ecosystem. In addition, accurate accounting for the rehabilitation provision is important to ensure that the municipality adequately plans and budgets for the future costs of restoring the site once it reaches the end of its useful life.

Findings on Landfill Site

Finding	Material non-compliance	Prior years reported	
		2023/24	2022/23
When testing of compliance relating to the landfill sites , it was noted that the municipality does not have or hold licenses/permits from the Department of Water Affairs to operate its landfill sites, which results in the contravention of section 20(1) of the Environment Conservation Act and section 20(b) of the National Environmental Management Waste Act 59 of 2008.	No		

79. **Impact:** Operating without the required authorisations increases the risk of regulatory sanctions, fines, or directives, and may result in the suspension or closure of landfill operations. This could lead to disruptions in waste management services, environmental harm, and reputational damage. Furthermore, non-compliance undermines the municipality's ability to demonstrate responsible environmental stewardship and may result in significant future financial liabilities associated with remediation or enforcement actions.

80. The absence of licences suggests that the municipality may not be conducting the necessary environmental impact assessments, operational monitoring, or reporting required by the Department of Water and Sanitation and the Department of Forestry, Fisheries and the Environment. This raises concerns about potential pollution risks, including groundwater contamination, uncontrolled waste disposal practices, and inadequate management of hazardous waste.

Water and Sanitation

81. Water and sanitation services are critical for safeguarding public health, promoting socio-economic development, and ensuring sustainable service delivery in municipalities. Reliable water supply, effective wastewater treatment, and proper maintenance of related infrastructure are essential to meeting constitutional obligations and improving the quality of life for communities. This service area also represents a significant portion of municipal expenditure, grant funding, and infrastructure investment. Given its importance, weaknesses in the water and sanitation value chain — including water losses, ageing or poorly maintained infrastructure, inadequate treatment capacity, or ineffective project implementation have direct implications for public health, environmental compliance, and the municipality's ability to provide uninterrupted basic services.

Findings on Water and Sanitation

Finding	Material non-compliance	Prior years reported	
		2023-24	2022-23
The municipality did not prepare the Water Services Development Plan (WSDP) that covers the 2024/25 financial year.	No	√	√
The backlog in the provision of water services was not determined in the SDBIP	No	√	√
No detailed action plan was drafted and approved by the accounting officer to address and correct the issue of material water losses	No	√	√
No report on the implementation of the WSDP for the two financial years before the financial year under review	No	√	√
The Blue Drop Corrective action plan prepared was not approved by the municipal manager	No	√	√

Blue Drop Corrective action plans are not monitored by management and/or governance committees e.g. audit committee	No	√	√
Blue Drop Corrective action plans were not submitted to the department of Water and Sanitation as required by the Blue Drop Report	No	√	√

82. **Impact:** It is likely that provision of water services would not cover the minimum requirements provided for in the Water Services Act because there is no plan in place to ensure these are covered and incorporated into the municipality's operations. Further, there may be insufficient budget to fund the water services and monitoring of the provision of water service is likely to be ineffective because of the lack of planned targets against which actual performance would be assessed.
83. This is caused by the lack of management understanding that the Water Services Development plan should cover the IDP period if it is not prepared annually.

Waste water management

84. Wastewater management is a critical component of municipal service delivery, as it ensures the safe collection, treatment, and discharge of wastewater in a manner that protects public health and the environment. Effective wastewater systems help prevent contamination of surface and groundwater sources, minimize public health risks, and ensure compliance with environmental legislation and license conditions. Given the increasing environmental pressures, urbanization, and ageing infrastructure, wastewater management remains a high-risk service area that requires strong operational controls and sustained investment.

Findings on Waste Water Management

Finding	Material non-compliance	Prior years reported	
		2023/24	2022/23
<p>For Aberdeen WWTW the following findings were noted:</p> <p>Primary Aerobic Ponds - C.1 to C.3 - Water leakage of pond C1 observed water seepage on the outside. Leakage seems to be east of Pond C.1 and C.4 Similar seepage observed to the west of pond C.2 and C.3. Ponds C1 to C4 are not currently lined. DWS requires the ponds that contains sewage or partially treated sewage to be lined. The ponds are in a poor state, and significant vegetation overgrowth noted including trees. The presence of algae was noted especially ponds C.1 to C.3. Further it was observed that pond C.1 requires some desludging.</p> <p>Pump station 1 - Town Pump Station was Currently not working - sewage overflowing to river. It was noted that it has not been working for years.</p> <p>Pump Station 2 - Small Pump station which handles new extension (closest to Sewage Works) - the manual, level control does not work. It requires upgrade for it to run automatically.</p> <p>Pump Station 3 - Lotusville & Maq Kwin: Close to river, on the way to the plant (Big pump station, and pump station 2 pumps to pump station 3) - Screenings basket trap and Grinder was originally fitted but is currently not functional.</p> <p>Adjacent submersible pump station, however, manhole - One pump set is working - Adjacent emergency overflow pond is unlined - Manual, level control does not work. It requires upgrade for it to run automatically</p>	No		

<p>Electrical - Electrical components missing from panel, flow meters not working</p> <p>Emergency storage dam - Unlined - outside of the fence. In order to use, this will need to be lined</p> <p>Primary Anaerobic Ponds B.1 and B.2 (Ponds 1 and 2) - Ponds 1 and 2 are filled up to the top and requires desludging - urgently. No reduction currently taking place in pond 1 and 2, placing the rest of the system under strain and impacting the effluent quality</p> <p>Access bridges - Wooden access bridges for pond 2 to 4 has collapsed and requires replacement for pond 2 to 4. The reason for access is not clear.</p> <p>Overflow C1 to C2 - Overflow not taking place at an adequate flow rate (B1 to B4 flow), . Short-circuiting taking place from B1 to B4, short-circuiting B2 and B3.</p> <p>Secondary Ponds D1 to D4 lining - Ponds D1 to D4 are lined, but the lining has been damaged and requires repair.</p> <p>State of embankments of C1 to C4 - Embankments are overgrown, vegetation damaging lining.</p>			
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<p>For Graaf-Reiniet WWTW the following findings were noted:</p> <p>Per the 2023/24 Process Audit Report Graaff Reiniet WWTW GWS Cycle 2023/24 prepared by QPoint Group, compiled by Meg Cunningham (PrNatSci) on 31/032025 as signed. The following are the issues identified per the report:</p> <p>Both mechanical screens out of operation. No manifests showing disposal at landfill sites. No log of honeysucker discharge is maintained at the WWTW.</p> <p>Neither anoxic mixer was operational. One removed for repair, and the other is impaired by rags accumulation. One of the aerators was non-operational – electrical problem.</p> <p>The LHS a-recycle was not operating. MLSS levels were visually low. No MLSS analysis is carried out. Only one of the three SST bridges in operational condition. SSTs were in poor condition with floating solids and bubbling. HTH dosage not empirically controlled.</p> <p>Sludge is rarely wasted and has not been classified. cover not in place - One set has been removed for repairs</p> <p>Water pooling in the vicinity of the service water line may indicate a leak. Provision is made for measurement of DO and MLSS settlement.</p> <p>Inflow meter readings are recorded daily but not captured electronically.</p> <p>The fence has been vandalised. Some corrosion and pitting was observed.</p> <p>No outflow meter is provided.</p> <p>No provision for back-up during power outages.</p> <p>Preventative maintenance has been ignored which has allowed infrastructure to deteriorate.</p> <p>Analysis dataset was incomplete.</p> <p>The effluent from the Graaf-Reiniet WWTW is unauthorised Compliance with GA limits is extremely poor.</p> <p>Monitoring of the surface water resource had not yet commenced during the audit period.</p> <p>MCC for electricity meter in dirty condition</p>	No		
<p>For Rietbron WWTW the following findings were noted:</p> <p>Environmental - Significant amount of stockpile material outside the site.</p> <p>Maturation Pond (Pond 6) Pink algae seen in last dam, algae bloom Toxic - algae requiring oxygen, and by becoming anaerobic, and low to no flow, the effluent due to algae content becomes toxic. Not suitable for irrigation. Draw off to the package Plant is from the maturation Pond. Last tank is final effluent.</p> <p>Disinfection - Seemed like there was a disinfection system allowed for, but not currently functional.</p> <p>Infrastructure Power supply - There is power supply to site, some cables has been stolen, resulting in some of the equipment on site not being functional.</p>	No		
<p>For Willowmore WWTW the following findings were noted:</p> <p>Tanker dump - Very poor condition - Brick structure instead of being constructed from concrete Area is not bunded to contain any spillage Platform</p>	No		

<p>was created for side discharge but makes it difficult for inline discharge. Tankers are currently not using discharge structure and directly discharges to the Primary Ponds resulting in damage to the liner.</p> <p>Inlet Works - Inlet works as part of tanker dump are in a poor condition, constructed with brick instead of Reinforced concrete.</p> <p>Screening - Single manual screen, overloaded, drying rack overloaded. No bin for depositing dried screenage. Screenings deposited adjacent to inlet works - contamination and health risks.</p> <p>Anaerobic Pond (Pond 1) Pond condition - Feed pipe to Primary Pond (B1) has blocked and the pond is currently not in use. The Primary Pond is lined instead of concrete lined.</p> <p>Pond 1 inside - Pond empty due to blocked pipe. Vegetation growth inside of pond due to long standing time.</p> <p>General site condition - Manholes - Manhole covers - steel rim has rusted shut, and the lid cannot be removed. Housekeeping - overgrowth around manholes.</p>			
<p>For Steytlerville WWTW the following findings were noted:</p> <p>No discharge, effluent is pumped from irrigation pond (currently pumps are vandalised).</p> <p>Pump operational - T3, 4kW motor - Flow meter not working Control to be confirmed if it is manual or automatic. If manual it needs to be automated Signs of flooding. Working pump does not have fan belt cover, posing a health and safety risk.</p> <p>Disinfection system - Disinfection system has been vandalised. Disinfection building to be secured and maintenance to be undertaken. The current chlorine building does not comply to the SANS safety requirements including having two separate rooms with a glass window in between.</p> <p>Tanker dump - Not bunded, not concrete floor. Environmental spillage risk. Design and construct tanker dump facility that is slightly elevated. Currently does not allow for side discharge.</p> <p>Irrigation Pump Station - Draw off point is currently from Oxidation Pond 4 or Maturation. Pond (pond 7). Drawing from pond 4 results in a portion of the process being bypassed as well as the effluent not being irrigated. From the site visit, it would seem the irrigation is being used for a sportsfield, which makes disinfection crucial to take place Pump station is non-functional and requires significant replacement and refurbishment Civil: the pump slab was poorly cast and seems to have been done after the initial slab was completed.</p> <p>Fencing - Fencing missing on southern side. Repairing the fencing is critical, as animals enters the site and damages the linings. Lockable gates properly secured is required. Currently not in place. Site lighting - Site lightning was not connected.</p>	No		

85. **Impact:** The condition of the wastewater treatment works poses a significant risk to environmental compliance, public health, and service delivery due to non-functional infrastructure, sewage overflows, inadequate treatment processes, and poor maintenance. These deficiencies may result in continued regulatory non-compliance, potential contamination of water sources, and increased future repair costs for the municipality.

86. Overall, the condition of the WWTWs indicates that key treatment processes are compromised, increasing the likelihood of untreated or poorly treated effluent being discharged into the environment. The recurring issues — such as non-functional pumps, unlined or damaged ponds, inadequate screening, vandalized infrastructure, and weak monitoring — point to prolonged maintenance failures and limited operational oversight. These deficiencies heighten the risk of non-compliance with license conditions, pollution of

nearby water resources, health hazards to surrounding communities, and further deterioration of already strained infrastructure. If not addressed, the municipality may face escalating repair costs, regulatory enforcement actions, and reputational damage.

Recommendations

87. We made recommendations to improve the delivery processes to the accounting policy. Some of these recommendations were also made in prior years.

Key recommendations and responses

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management should ensure that the process initiated to obtain the licences/permits from the Department of Water Affairs (Minister) is completed speedily in order for the municipality to be compliant to section 20(1) of the Environment Conservation Act and section 20(b) of the National Environmental Management Waste Act 59 of 2008.</p>	2024-25	Not started
<p>Recommendation: The municipality should develop, approve, and implement a comprehensive WSDP that is aligned with the Integrated Development Plan (IDP) and annual budget. The municipality should develop and implement a formal environmental policy and risk management framework specific to water services.</p>	2023-24	Not started
<p>Recommendation: The municipality should establish and implement a structured water quality management and corrective action process, which includes investigating root causes of non-compliance and documenting findings and implementing corrective measures promptly to restore water quality to prescribed standards.</p>	2023-24	Not started
<p>Recommendation: The municipality should prioritise restoring the functionality of critical WWTW infrastructure by urgently repairing non-operational pumps, aerators, screens and electrical components, and by desludging and lining the affected ponds. A structured preventative maintenance programme should be implemented to address recurring equipment failures, vandalism and vegetation overgrowth, together with improved security measures such as fencing and access control. The municipality should also strengthen monitoring controls by ensuring accurate flow measurement, proper record-keeping, regular effluent testing and compliance reporting. In addition, adequate resourcing and budgeting should be allocated to sustain ongoing operations, safeguard environmental compliance and prevent further deterioration of the facilities.</p>	2024-25	Not started

88. Water quality management processes are still in progress, with no structured corrective action system in place, contributing to recurring non-compliance issues. These gaps highlight the urgent need for improved governance and capacity building.

HUMAN RESOURCE MANAGEMENT

89. We audited compliance with legislation on human resource management and assessed the processes in place to ensure adequate and sufficiently skilled resources are in place.

90. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on human resource management

Finding	Material non-compliance	Prior years reported	
		2023-24	2022-23
The acting staff member's performance agreement was not amended to include the key performance areas (KPAs) and key performance indicators (KPIs) of the acting position, as required by regulation 43 of the Municipal Systems Regulations.	No		
Appropriate systems and procedures to monitor, measure and evaluate staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations	Yes		
The municipal manager and senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the MSA.	Yes		

Vacancies

91. The following observations were made on vacancies within the deferent departments and the reasons for these vacancies.

92. The following vacancy percentages were observed:

Vacancies in key departments

	Overall	Finance	Water	Energy and Electricity	Waste Water/ Sanitation	Solid waste / refuse removal	Combined technical unit
Vacancy %	38.29%	15%	12.5%	30.56%	34.78%	11.25%	37.82%
Has performance targets relating to this unit been included in the APP	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Has 80% of the targets been achieved	No	No	No	No	No	No	No
Can the reason for non-achievement be linked to vacancies	No	No	No	No	No	No	No



93. **Impact:** High vacancy rates of more than 10% across key municipal units—such as water, finance, energy and electricity, wastewater and sanitation, and technical services—can significantly weaken the municipality's ability to deliver essential services. Critical tasks may be delayed, service quality can decline, and existing staff may become overburdened, increasing the risk of burnout and further turnover. Operational backlogs, slower response times to community needs, and reduced maintenance of infrastructure are likely. Financial management and planning may also suffer due to understaffing in finance units. Overall, these vacancies can lead to service delivery disruptions, decreased community satisfaction, and potential non-compliance with regulatory standards.
94. High vacancy rates across critical municipal units often stem from several root causes. Limited funding or budget constraints can delay recruitment or prevent the municipality from offering competitive salaries. In some cases, rural or remote locations make it difficult to attract qualified professionals, especially in highly technical fields like engineering, electricity, and wastewater management. Internal factors—such as slow recruitment processes, poor organisational culture, lack of career growth, or high workloads—may further discourage both new applicants and existing staff. Skills shortages in the broader labour market, particularly in scarce-skills sectors, also contribute.
95. These vacancies have a direct and compounding impact on service delivery. With fewer qualified staff, essential services such as water supply, sanitation, electricity, and financial management become harder to maintain at required standards. Backlogs increase, infrastructure deteriorates more quickly, and the municipality may struggle to respond to faults and emergencies. The remaining staff face increased pressure, leading to burnout, absenteeism, and potentially more resignations—deepening the cycle. Ultimately, communities experience slower response times, service interruptions, and declining trust in the municipality's ability to meet its obligations

Funding for training

Our audit included an assessment of whether the municipality's budget included funds for training initiatives and how these funds were spent.

96. The municipality included the following budget for training and skills development:

	Amount budgeted for training and skills development	Source of budget (e.g. Equitable share, SITA)	Total Expenditure occurred for training and skills development	Cost of actual training (course fees)	Other training expenses included in budget (refreshments /catering / transportation / accommodation)
Municipality - overall	R1 528 400.00	Internal training budget, Grant funding LGSETA-Local government cert and Grant funding LGSETA-Environmental	R1 375 948.31	R1 022 670.82	R353 277.49
Departments per organigram					
Infrastructure and community services	R308 000.00	Local government Sector educational and Training Authority (LGSETA)	R212 486.97	R212 486.97	R0
Community services	R220 400.00	Local government Sector educational and Training Authority (LGSETA)	R193 895.00	R193 895.00	R0
Bursaries (Bcom Accounting, National diploma ICT, Bachelor Project	R309 238.72	Internal Municipal Budget	R309 238.72	R309 238.72	R0

management, Higher Certificate information Technology					
Front End Loader Operators Training	R40 000	Internal Municipal Budget	R39 675	R39 675	R0
TLB Operators Training	R40 000	Internal Municipal Budget	R39 675	R39 675	R0
Grader Operators Training	R40 000	Internal Municipal Budget	R39 675	R39 675	R0
AET Training	R90 000	Internal Municipal Budget	R86 947	R86 947	R0
Bricklaying ARPL	R30 000	Internal Municipal Budget	R29 000	R29 000	R0

97. **Impact:** Municipality's investment in training and skills development has several positive impacts. It strengthens the capacity of municipal staff, leading to more efficient service delivery and improved decision-making. Enhanced skills reduce errors, improve compliance with regulations, and promote innovation in solving local challenges. Such training also boosts staff morale and retention because employees feel valued and better equipped for their roles. Ultimately, the municipality benefits through higher productivity, better community engagement, and improved public trust as services become more responsive and professional.

FISCAL PRESSURE THEME

98. The fiscal pressure theme focuses on providing audit insights that support a shift towards a more sustainable, accountable and resilient public sector financial culture. In the current constrained economic environment, municipalities continue to face significant financial pressures that affect their ability to deliver services and maintain critical infrastructure. Through this theme, the audit evaluates the institution's responsiveness to these pressures and its progress in implementing measures that strengthen long-term financial sustainability.

99. We identified a finding.

Findings on Fiscal Pressure Theme

Finding	Material non-compliance	Prior years reported	
		2023-24	2022-23
The financial recovery plan was not implemented and not monitored.	No		

100. **Impact:** The non-implementation and lack of monitoring of the financial recovery plan weakens the municipality's ability to address its fiscal challenges and improve long-term financial sustainability. Without an active and monitored recovery plan, key interventions to stabilise cash flow, strengthen revenue, manage expenditure and meet debt-relief obligations are not executed, increasing the risk of continued financial deterioration and reduced capacity to deliver services.

101. We made recommendations to improve the fiscal pressure theme to the accounting officer.

Key recommendations and responses – Fiscal Pressure Theme

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The municipality should fully implement the approved financial recovery plan and establish a robust monitoring framework to track progress, address challenges, and ensure accountability. This includes assigning clear responsibilities, setting timelines, and regularly reporting on milestones to management and the council to strengthen financial sustainability and service delivery.</p> <p>Response: Not yet responded</p>	2024-25	Not started

102. The audit identified that the municipality's financial recovery plan was not implemented and is not monitored, which has a direct impact on its ability to address fiscal pressures and achieve long-term financial sustainability. Although there were no prior-year findings in this area, the absence of an active and monitored recovery plan increases the risk of continued financial deterioration, limits management's ability to stabilise cash flows, and undermines the effectiveness of revenue strategies and debt-relief measures.

INFORMATION SECURITY MANAGEMENT

103. Our audit included an assessment of the effectiveness of information technology (IT) security controls that should prevent unauthorised access to key information systems and safeguard the municipality against business interruptions.

104. We identified significant control deficiencies in the IT security controls.

Significant internal deficiencies – IT security controls

Deficiency	Prior years reported	
	2023-24	2022-23
Users' access privileges are not periodically reviewed by the users' line manager to confirm that the access assigned to the users still provide for adequate segregation of duties and to ensure that mitigating controls are implemented where segregation of duties are not possible in both ProMun and MunAdmin	[N]	[N]
Access for terminated or transferred users is not removed or modified in a timely manner in both ProMun and MunAdmin.	[N]	[N]
There is no testing that was performed to confirm restorability of the backup	[N]	
For New users, there is no user access authorisation form completed for Mondamin.	[N]	
There is no off-site storage for backup	[N]	

105. **Impact:** these control weaknesses expose the municipality to operational, financial, and compliance risks, which could undermine service delivery, data integrity, and the reliability of financial reporting.

106. These weaknesses have persisted over multiple audit cycles, suggesting that root causes are structural, including limited accountability for ICT compliance, insufficient training, and competing operational priorities. Addressing these weaknesses will require strengthening IT governance, enforcing policies consistently, and introducing periodic monitoring and independent review mechanisms to ensure controls are effective and sustainable.

107. Next, we summarise our key recommendations to senior management and their responses. Some of these recommendations were also made in prior years.

Key recommendations and responses – information security management

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management should ensure that there are internal controls and processes in place relating to user access to IT systems and back up of IT data.</p> <p>Response: Management agreed with the recommendation</p>	2023-24	Not started

108. The continued non-implementation of prior-year recommendations increases the risk of financial loss, unauthorised transactions, and service delivery disruptions. It also indicates that management's monitoring and follow-up mechanisms are not consistently effective, and that accountability for corrective actions is not sufficiently enforced.

PROCUREMENT AND CONTRACT MANAGEMENT

109. Section 217(1) of the Constitution envisages supply chain management systems that are fair, equitable, transparent, competitive and cost effective to achieve optimal value for public money spent and ensure equitable opportunities for suppliers to participate in government business. Meticulous contract management and rigorous payment control mechanisms should be in place to ensure that payments are made only upon the supplier's timely delivery, agreed-upon pricing is adhered to and specified quality standards are complied with.

110. We continued to focus on procurement and contract management processes, recognising that public procurement is the area at greatest risk of fraud, financial loss and irregular practices. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

111. Next, we summarise the areas in procurement and contract management processes where we identified findings – these are the areas at greatest risk of fraud and financial loss. Details on the findings, significant internal control deficiencies and our recommendations are included in **annexure B**.

Findings on procurement and contract management

Area	Findings		
	2024-25	2023-24	2022-23
Audit limitations			
Deviations			
Conflict of interest			

Area	Findings		
	2024-25	2023-24	2022-23
Non-compliance: competitive bidding process			
Non-compliance: quotation process			
Contract management			

	Material non-compliance with legislation	Findings	No findings
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112. **Impact:** The above findings result to non-compliance with applicable laws and regulations and may result to increased irregular expenditure and potential losses for the municipality.
113. Management has not implemented proper controls to ensure proper record keeping and effective project monitoring and contract management. This issue was also raised in the prior year.
114. The contract performance and monitoring measures were not in place to ensure effective contract management. This issue was also raised in the prior year.
115. Some of the contracts were awarded to bidders based on points given for legislative requirements that differed from those stipulated in the original invitation for bidding.

IRREGULAR EXPENDITURE

116. Non-compliance with legislation resulted in irregular expenditure of R47 073 636. The irregular expenditure incurred constitutes non-compliance with the Municipal Finance Management Act (MFMA) and the Supply Chain management regulations. The non-compliance will be reported as a material finding in the auditor's report, as the previous year's transgression re-occurred despite being preventable, resulting in significant amount of irregular expenditure in the current year.
117. The irregular expenditure incurred was disclosed in the financial statements.
118. Most of the irregular expenditure incurred in the current year was as a result from prior years irregular awards where expenditure occurred in the current year.

CONSEQUENCE MANAGEMENT

119. Legislation stipulates that matters such as incurring unauthorised, irregular, and fruitless and wasteful expenditure; the possible abuse of the supply chain management system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of these investigations. Our audit included an assessment of the municipality's management of consequences.
120. We identified findings.

Findings on consequence management

Finding	Material non-compliance	Value/instances	Prior years reported	
			2023-24	2022-23
Measures to manage consequences / Investigations / Unauthorised, irregular, and fruitless and wasteful expenditure				
Unauthorised, irregular, and fruitless and wasteful expenditure investigation was not properly conducted, as the person accountable for the expenditure was not identified in order to implement consequence management.	No	R501,254,119		

FRAUD RISK

121. Our auditing standards define fraud as an intentional act by one or more individuals who are employees, management, those charged with governance or third parties, and that involves the use of deception to obtain an unjust or illegal advantage.

122. We are required to evaluate whether the information obtained during our audit indicates whether there are any fraud risk factors present at the municipality and consider its impact on the audit. Fraud risk factors are events or conditions that indicate an incentive or pressure to commit fraud or that provide an opportunity to commit fraud (e.g. inadequate controls to prevent or detect fraud). We identified fraud risk factors.

Fraud risk factors

Event or condition	Prior years reported	
	2024-23	2023-22
The municipality has paid council salary to person that is not council of DBNLM.		

Key recommendations and responses – fraud risk

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Management must ensure that when the banking details are changed, they are changed by the end user and valid supporting documentation with changed form signed by both the employee and director corporate service</p> <p>Response: Management agrees.</p>	2024-25	In process

SECTION 3: CONTROL ENVIRONMENT

OVERALL CONTROL ENVIRONMENT

123. The significant internal control deficiencies as reported in section 2 were caused by weaknesses in the overall control environment, for which the accounting officer and senior management are responsible.

124. The following are the main weaknesses that need urgent attention to improve the overall control environment:

Significant internal control deficiencies – overall control environment

Deficiency	Prior years reported	
	2023-24	2022-23
Inadequate review and monitoring of compliance with laws and regulations applicable to the municipality	√	√
Inadequate controls over preparation and review of the financial statements to ensure GRAP compliant AFS resulting to significant material misstatements in the financial statements	√	
Ineffective and inadequate audit action plan to address internal control deficiencies.	√	√

125. The audit action plan was developed to address external audit findings, and the adherence to the plan was not effectively monitored by the appropriate level of management, which resulted in the root causes of the findings not being addressed to prevent same audit findings on non-compliance with laws and regulations.

126. In **annexure C** we provide a more detailed view of the overall state of internal control.

ACCOUNTABILITY ECOSYSTEM

127. The accountability ecosystem is the collection of role players that have a part to play in enabling and institutionalising a culture of performance, transparency, accountability and institutional integrity at the Municipality. These role players include the officials, senior management and accounting officer, supported by the internal audit unit and the audit committee.

128. We observed strengths and weaknesses in the contributions to the ecosystem by leadership, management and the governance structures of the Municipality. We share our assessments and compliance findings with the intention to contribute to strengthening the overall control environment, performance and accountability.

Accounting officer and senior management

129. During the audit, material misstatements were identified on the annual financial statements, compliance with laws and regulations. Adjustments have been made to correct these. This suggests that oversight provided by the accounting officer is not adequate. Senior management needs to strengthen the process around the financial statement preparation process in order to prevent material misstatements in the financial statements submitted for audit.

Audit committee

130. We assessed the operations and impact of the audit committee and the responsiveness by leadership to its reports and recommendations.

131. We identified finding.

Findings on audit committee

Finding	Material non-compliance	Prior years reported	
		2024-23	2023-22
The audit committee approved a risk-based internal audit plan after the financial year starts.	No		

132. The audit committee is expected to review the annual financial statements and annual performance report to provide an authoritative and credible view of the Municipality, its efficiency and effectiveness and its overall level of compliance with applicable laws and regulation. Audit committee also must advise the accounting officer and management on matters relating to internal controls and internal audits, risk management, accounting policies, adequacy, reliability and accuracy of financial reporting information, performance management, effective governance, compliance with applicable legislations and any other issues.

133. The financial statements and annual performance report was reviewed by audit committee, the annual financial statements still contained material misstatements and material non-compliances. This suggests that the oversight provided by the audit committee was not effective as the control in place were not adequately monitored to ensure that material misstatements are detected and uncorrected.

Internal audit unit

134. We assessed the operations and impact of the internal audit unit and the responsiveness by leadership to its reports and recommendations.

135. We identified findings. The findings on material non-compliance with legislation will be reported in the auditor's report.

Findings on internal audit

Finding	Material non-compliance	Prior years reported	
		2023-24	2023-22
Internal audit unit is not adequately resourced	No		
Not all planned audits were performed.	No		
External quality assurance review/assessment not performed	No		

136. Based on the assessment done on internal audit it is adequately and sufficiently capacitated due to the fact that there is an internal audit function that is in place, that is adequately and appropriately resourced relative to size of the municipality and the nature of the operation as well as the fact that they have adequate right mix of skilled staff. Therefore, the internal audit had a positive impact as the audit

recommendations were implemented. Although the internal audit reports were submitted to the audit committee and management as planned, these did not influence the outcome of the audit areas where work was performed. Internal audit should also extend the work performed as part of review process of annual financial statements to minimize material misstatements identified during the audit.

137. The auditing standards allow us to use the work of internal audit units for external audit purposes and for direct assistance. We have used internal audit work for [risk identification.

Overall accountability ecosystem

138. The Municipality has foundational governance structures, including functional internal audit unit and established audit committee. However, the effectiveness of the control environment remains compromised by weak oversight, insufficient integration of assurance activities and re occurring material misstatements.

139. Strengthening the combined assurance approach – through improved coordination, deeper oversight and expanded internal audit coverage will significantly enhance governance maturity, reduce audit risk and position the Municipality for improved future audit outcomes.

RECOMMENDATIONS AND RESPONSES

140. We made recommendations to improve the overall control environment and the accountability ecosystem to the accounting officer. Some of these recommendations were also made in prior years. A summary of the key recommendations and the responses received follows.

Key recommendations and responses – control environment

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: Implemented controls around the financial statement preparation review process to ensure compliance with GRAP standards</p> <p>Response: Accepted by Management</p>	2023-24	Limited progress
<p>Recommendation: Attached the implementation of AIP to manager's performance agreements, the accounting officer must hold all managers who are not meeting performing in this accountable. A period review of internal controls is also encouraged to assess effectiveness of controls.</p> <p>Response: Accepted by management.</p>	2022-23	In progress
<p>Recommendation: Proper planning should be done to reduce deviations from procurement process, and these should be a proper review and monitoring of compliance with supply chain management.</p> <p>Response: Accepted by Management.</p>	2022-23	In progress
<p>Recommendation: Management ensure that MPAC is functioning effectively by ensuring that cases of unauthorised irregular fritless and wasteful expenditure is investigated. Should there be capacity issues the committee should be capacitated by attending training them.</p> <p>Response: Accepted by management.</p>	2021-22	Implemented

Recommendation and management response	Year originally recommended	Status of implementation
<p>Recommendation: The Municipality must manage its budget and consequence management must be applied to all officials who have been found to have negatively delayed the processing of payments.</p> <p>Response: N/A</p>	2021-22	Limited progress
<p>Recommendation: Management should ensure that reconciliations were performed timeously for creditors and all instances of irregular expenditure is recorded in irregular expenditure register.</p> <p>Response: Recommendation was accepted.</p>	2022-23	Implemented

141. Some of the prior-year recommendations and management responses not yet implemented,

SECTION 4: OVERALL RECOMMENDATIONS

142. We provided audit recommendations to senior management in the current and previous year to rectify weaknesses identified during the audit.

143. Our recommendation for the accounting officer is to focus on addressing the underlying root causes of these weaknesses, which stem from deficiencies in the overall control environment and failures in the accountability ecosystem.

144. The root causes and recommendations we provide next are based on our preliminary views. It will be further discussed and agreed after the audit.

145. In our view, the main root causes that need attention are as follows:

- Lack of review of the deeds data to ensure that accurate and complete information is used in the compilation of valuation roll.
- There is a no implementation of consequence management against the officials that caused irregular and fruitless and wasteful expenditure.
- There is lack of adequate record keeping management system.

146. The following are our recommendations to address the identified root causes. We have agreed on some of these before and ask for urgent action to ensure their implementation.

Overall recommendations

	Recommendation	Year originally recommended	Status of implementation
1.	<p>To address the root cause relating to the lack of review of deeds data and the resulting incomplete valuation roll:</p> <p>The CFO, together with the Revenue Manager and the appointed municipal valuer, undertakes a comprehensive update and verification of the valuation roll within the next three months to ensure that all properties are included in the valuation roll.</p> <p>Following this, the Revenue Manager, under the CFO's oversight, should implement monthly reconciliations between the valuation roll, deeds data and the billing system to confirm that all rateable properties are billed.</p> <p>Progress on these actions should be reported quarterly by the CFO to the Municipal Manager and Council to reinforce accountability, support timely implementation, and improve the completeness and reliability of property rates revenue. This will ensure that accurate and complete data informs billing, thereby safeguarding revenue and enhancing financial sustainability.</p>	2024-25	Not started
2	<p>To address the recurring irregular, unauthorised, and fruitless and wasteful expenditure arising from procurement non-compliance, late payments, poor budget monitoring, and the absence of consequence management:</p> <p>The municipality should ensure that the Municipal Manager, supported by the CFO and SCM Manager, implements</p>	2024-25	Not started

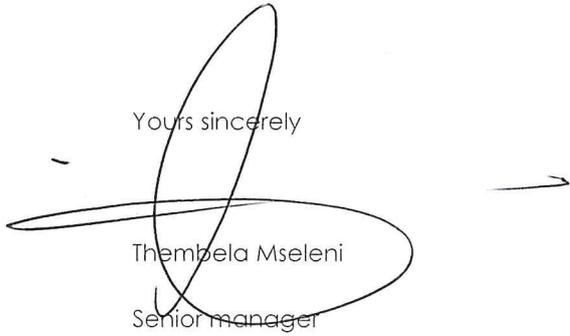
	Recommendation	Year originally recommended	Status of implementation
	<p>strengthened procurement controls immediately, including mandatory compliance reviews and bid evaluation checklists, to ensure that all procurement processes align with legislative requirements and prevent further irregular expenditure.</p> <p>In addition, by 28 February 2026 the CFO should establish and enforce a payment management system that tracks invoice due dates and prioritises timely payments to suppliers to eliminate avoidable interest and penalties that result in fruitless and wasteful expenditure. The expenditure manager should ensure that the payment arrangements are in place.</p> <p>Furthermore, the Budget and Treasury Manager should implement monthly budget monitoring and variance reporting, with deviations investigated and corrective actions taken before commitments are made to prevent unauthorised expenditure.</p> <p>Importantly, the municipality must implement consequence management seriously and without delay, ensuring that officials responsible for incurring UIFW expenditure are held accountable, and appropriate disciplinary measures are enforced. The CFO should report progress monthly to the Municipal Manager and Council, including actions taken, investigations concluded, and disciplinary steps implemented, to strengthen oversight, drive accountability, and support long-term financial sustainability.</p>		
3	<p>To address the limitation of scope on procurement and contract management:</p> <p>The CFO in collaboration with the SCM Manager should implement effective and adequate record-keeping and documentation practices immediately. In addition, the CFO should ensure alignment of the SCM policy with the requirements of the Preferential Procurement Regulations, thereby ensuring that all quotations above the prescribed thresholds are formally requested and evaluated by appropriately delegated officials or committees.</p> <p>Proper record-keeping should be taken seriously and enforced consistently, with clear accountability for officials who fail to adhere to these requirements. The CFO should report monthly to the Municipal Manager and Council on the implementation of these measures, including the completeness of documentation, compliance with evaluation procedures, and corrective actions taken, to strengthen accountability, transparency, and compliance with procurement legislation.</p>	2024-25	Not started

147. Addressing the root causes and implementing the overall recommendations as well as audit recommendations require a focused and systematic approach. We have found that an action plan that is focused on addressing root causes, with SMART targets and disciplined monitoring and implementation, is fundamental to success.

CONCLUSION

148. Our staff remain committed to assist in identifying and communicating good practices to improve governance and accountability and to build public confidence in government's ability to use public resources in a transparent manner. The support by the leadership and officials of the municipality during the audit process have been instrumental in driving progress. We appreciate their dedication and recognise the importance of their continued support in fostering a culture of performance, accountability, transparency and integrity.

Yours sincerely



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30 November 2025

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