

# **Report of the auditor-general to the Gauteng Provincial Legislature and council on the consolidated and separate financial statements of the City of Johannesburg Metropolitan Municipality and its subsidiaries**

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

### **Opinion**

1. I have audited the consolidated and separate financial statements of the City of Johannesburg Metropolitan Municipality (CoJ) and its subsidiaries (group) set out on pages xx to xx, which comprise the appropriation statement, consolidated and separate statement of financial position as at 30 June 2025, consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information per the annual financial statement (AFS) for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2025 and its consolidated financial performance and cashflow statement 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).
3. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this report, the separate financial statements present fairly, in all material respects, the separate financial position of the CoJ as at 30 June 2025 and its separate financial performance and separate cashflow statement for the year then ended in accordance with the GRAP and the requirements of the MFMA and Dora.

### **Basis for qualified opinion on the separate financial statements**

#### **Receivables from exchange transactions**

4. I was unable to obtain sufficient appropriate audit evidence to enable me to confirm the existence, accuracy, valuation and allocation of sundry debtors due to inadequate supporting documentation. I was also unable to confirm these sundry debtors by alternative means, as the underlying records required to verify the balances were not available. Consequently, I was unable to determine whether any adjustments were necessary to the sundry debtor's balance of R948 446 000, as disclosed in note 7 to the separate financial statements. The possible effect of this matter was not considered material to the consolidated financial statements.

## General expenses

5. General expense transactions relating to the 2023-24 financial year were incorrectly recognised in the 2024-25 financial year, which is not in accordance with *GRAP 1, Presentation of Financial Statements*, which requires transactions to be recognised in the correct reporting period. As a result, based on a projected misstatement, general expenses and payables from exchange transactions are overstated by R398 017 694, and the accumulated surplus/deficit for the year is understated by the same amount. The effect of this matter was not considered material to the consolidated financial statements.

## Context for the opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.
7. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on the consolidated financial statements and the qualified opinion on the separate financial statements.
9. In terms of the Independent Regulatory Board for Auditors Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), I report:

## Final materiality

10. The scope of our audit was influenced by my application of materiality. An audit is designed to obtain reasonable assurance that the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error and they 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 the consolidated and separate financial statements.
11. My determination of materiality is a matter of professional judgement and is affected by my perception and understanding of the financial information needs of intended users, which are the quantitative and qualitative factors that determine the level at which relevant decisions taken by users would be affected by a misstatement. These factors helped to determine the scope of the audit and the nature, timing and extent of our audit procedures as well as to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated and separate financial statements as a whole.

12. Based on my professional judgement, I determined final materiality for the consolidated and separate financial statements as follows:

<b>Materiality considerations</b>	<b>Consolidated financial statements</b>	<b>Separate financial statements</b>
<b>Final materiality amount</b>	R799 million	R350 million
<b>Basis for determining materiality</b>	One per cent of total expenditure as presented in the consolidated statement of financial performance	One per cent of total expenditure, as presented in the separate statement of financial performance
<b>Rationale for benchmark applied</b>	Total expenditure is an appropriate quantitative indicator of materiality, as the primary focus of the users of the consolidated financial statements is on the use of funds to deliver services.	Total expenditure is an appropriate quantitative indicator of materiality, as the primary focus of the users of the separate financial statements is on the use of funds to deliver services.

13. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative and quantitative factors when considering materiality in a particular engagement is a matter for the auditor's professional judgement.

#### **Group audit scope**

14. I tailored the scope of the audit in order to perform sufficient work to enable me to provide an opinion on the consolidated financial statements as a whole, considering the structure of the group and the accounting processes and controls. I performed a full audit of the consolidated financial statements.

15. The group audit focused on testing the consolidation process, including the elimination entries, consolidation adjustments, and the overall accuracy and completeness of the consolidated financial statements.

#### **Key audit matters**

16. Key audit matters are those matters that, in professional judgement, were of most significance in my audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters.

17. I have determined the matter described below to be the key audit matter to be communicated in my report.

18. In terms of the Enhanced Auditor Reporting Rule, I am required to also report the outcome of audit procedures or key observations with respect to the key audit matter, and these are included below:

Key audit matter	How the matter was addressed in the audit
<p><b>Going concern disclosure</b></p> <p>Refer to the following disclosures in the consolidated and separate financial statements as they relate to this key audit matter:</p> <ul style="list-style-type: none"> <li>Accounting policies note 1 to the consolidated and separate financial statements (going concern)</li> <li>Note 71 to the financial statements (going concern)</li> </ul> <p>The consolidated and separate financial statements for the year ended 30 June 2025 were prepared on a going concern basis. During the audit, we noted that the group has adverse key financial ratios that are outside the MFMA Circular No. 71 norm. To mention a few, debt (total borrowing) over total operating revenue exceeds 45% (separate financial statements), the debtors' collection days and creditors' payment days exceed 30 days. This indicates that the group is facing significant liquidity challenges, which raises substantial doubt about its ability to continue as a going concern.</p> <p>Management performed an assessment to identify the adverse key financial ratios and mitigating actions, including cashflow forecasts showing consistent budgeted surpluses, continued government support through funding from national and provincial government and the continued access to debt funding from major financial institutions to fund capital projects. The assessment of going concern involves significant judgement regarding future cash flows and access to funding, making this a matter of most significance to the audit.</p> <p>The consolidated and separate financial statements were subsequently adjusted to reflect this concern and resulted in a material adjustment.</p> <p>The assessment of management's going concern disclosure required extensive audit effort to evaluate the cashflow forecasts, funding plans and key assumptions on liquidity and conclude that management's plans and mitigating factors are sufficient to address the risk.</p>	<p>The audit addressed this key audit matter as follows:</p> <ul style="list-style-type: none"> <li>Evaluated management's cashflow forecasts and tested the underlying assumptions for reasonableness and noted no material exceptions</li> <li>Assessed the feasibility of management's plans to secure additional financing and reviewed the supporting credit rating and noted no material exceptions</li> <li>Performed a sensitivity analysis on key assumptions such as revenue growth and expenditure increase and noted no material exceptions</li> <li>Considered the adequacy of the disclosure in note 71 relating to going concern for the material adjustment made. I accepted the adjustment made by management.</li> </ul>

### Emphasis of matters

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

20. With reference to note 72 to the consolidated and separate financial statements, the group is a defendant in various claims and lawsuits. The ultimate outcome of these matters could not be determined, and no provision for any liability that may result has been made in the consolidated and separate financial statements.
21. As disclosed in note 39 to the consolidated and separate financial statements financial statements, irrecoverable trade and other receivables were written off during the year, resulting in material loss of R9 480 429 000.
22. As disclosed in note 40 to the consolidated and separate financial statements, the group incurred material electricity distribution losses amounting to R5 669 877 000 for the year ended 30 June 2025 (2024: R4 932 026 000). Technical losses amounted to R1 709 670 000 (2024: R1 485 824 000) and arose mainly from energy lost during the transmission and distribution of electricity from the point of supply to the point of distribution through dissipation as heat. Non-technical losses amounted to R3 960 207 000 (2024: R3 446 202 000) and were primarily attributable to theft and bypassing of meters, illegal recalibration of meters, damaged meters, faulty voltage and current transformers, billing errors and customers without meters.
23. As disclosed in note 40 to the consolidated and separate financial statements, the group incurred material water distribution losses amounting to R2 821 100 000 for the year ended 30 June 2025 (2024: R2 900 100 000). Physical losses amounted to R2 031 000 000 (2024: R2 088 000 000) and were mainly attributable to leaks on the water network infrastructure. Commercial losses amounted to R790 100 000 (2024: R812 100 000) and were primarily due to illegal connections, metering inaccuracies and associated data transfer and billing errors.

#### **Other matter**

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

#### **Unaudited disclosure note**

25. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the consolidated and separate financial statements. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and, accordingly, I do not express an opinion on it.

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

26. The accounting officer is responsible for the preparation and fair presentation of consolidated and separate financial statements in accordance with the GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

**Report on the audit of the annual performance report**

30. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected strategic priorities presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

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

Strategic priority	Page numbers	Purpose
Sustainable service delivery	XX	Joburg 2040 prioritises sustainable service delivery to ensure that it can deliver on its developmental mandate. With Johannesburg having the highest population growth compared to the national population growth, there needs to be a focus on infrastructure development to accommodate the growing numbers. This development will stimulate the economy and improve accessibility to basic services for citizens. The initiatives and programmes are guided by the 'sustainable service delivery' priority, which aims to

Strategic priority	Page numbers	Purpose
		accelerate visible service delivery and re-introduce co-production in delivering basic services.
Infrastructure development and refurbishment	XX	Through infrastructure development and refurbishment, the CoJ is committed to providing essential services, promoting ecomobility and creating sustainable human settlements that promote spatial balance and integration to pave the way for a brighter and more prosperous future for all citizens.

32. I evaluated the reported performance information for the selected strategic priorities 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 group's planning and delivery on its mandate and objectives.
33. In performing the audit, my procedures focused on the material indicators relating to water, sanitation, human settlements and related infrastructure.
34. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the group's mandate and the achievement of its planned objectives
  - all the indicators relevant for measuring the group'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.
35. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
36. The material findings on the reported performance information for the selected strategic priorities are as follows:

**Strategic priority: Sustainable service delivery**

**Various indicators**

37. I could not determine whether 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
Average number of Rea Vaya passenger trips per working day	42 500	19 972
Average number of Metrobus passenger trips per working day	26 000	22 188

**Other matters**

38. I draw attention to the matters below.

**Achievement of planned targets**

39. 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.

40. The tables that follow 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.

**Sustainable service delivery**

<i>Targets achieved: 40%</i>		
<i>Budget spent: The budget amount is not available at priority level.</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of additional households provided access to basic water at minimum LoS 1 in informal settlements	1 250	174
Number of indigent households accessing free basic services	100 000	83 325
Total water losses	190 338 500 kl	207 136 836 kl
Percentage of total electricity losses (EE4.4)	28,8%	29,8%
Average number of Rea Vaya passenger trips per working day	42 500	19 972

<i>Targets achieved: 40%</i>		
<i>Budget spent: The budget amount is not available at priority level.</i>		
<b>Key service delivery indicator not achieved</b>	<b>Planned target</b>	<b>Reported achievement</b>
Average number of Metrobus passenger trips per working day	26 000	22 188

### **Infrastructure development and refurbishment**

<i>Targets achieved: 36%</i>		
<i>Budget spent: The budget amount is not available at priority level.</i>		
<b>Key service delivery indicator not achieved</b>	<b>Planned target</b>	<b>Reported achievement</b>
Number of new households in informal settlements provided with electricity	2 000	1 059
Number of kilometres of gravel roads upgraded and surfaced	12,5 km	7,98 km
Number of kilometres of open storm water drains converted to underground systems	1,5 km	0,75 km
Number of mixed housing units constructed	2 010	431
Number of serviced sites developed	600	0
Number of hostels rehabilitated	4	0
Number of flats rehabilitated	10	0

### **Material misstatements**

41. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for sustainable service delivery and infrastructure development and refurbishment strategic priorities. Management did not correct some of the misstatements, and I reported material findings in this regard.

### **Report on compliance with legislation**

42. 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 group's compliance with legislation.

43. 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.
44. 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 group, 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.
45. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

#### **Annual financial statements**

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

#### **Expenditure management**

47. Reasonable steps were not taken to prevent irregular expenditure of R2 369 430 000 disclosed in note 52 to the separate annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with regulation 36.
48. Reasonable steps were not taken to prevent unauthorised expenditure of R2 376 050 000, as disclosed in note 49 to the separate annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on key votes.
49. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R42 148 000, as disclosed in note 48 to the separate 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 and penalties.
50. Reasonable steps were not taken to ensure that money owed by the group was always paid within 30 days, as required by section 65(2)(e) of the MFMA.

#### **Asset management**

51. An adequate management, accounting and information system that accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.

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

#### **Procurement and contract management**

53. Some goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by supply chain management (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.

#### **Consequence management**

54. Some irregular expenditure incurred by the group was not investigated to determine if any person is liable for it, as required by section 32(2)(b) of the MFMA.

55. Some fruitless and wasteful expenditure incurred by the group was not investigated to determine if any person is liable for it, as required by section 32(2)(b) of the MFMA.

#### **Utilisation of conditional grants**

56. Performance in respect of programmes funded by the Public Transport Network Grant, Programme and Project Preparation Support Grant, Infrastructure Skills Development Grant, Local Government Financial Management Grant and Informal Settlements Upgrading Partnership was not evaluated within two months after the end of the financial year, as required by section 12(5) of Dora.

#### **Other information in the annual report**

57. The accounting officer is responsible for the other information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected strategic priorities presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

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

### **Internal control deficiencies**

61. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
62. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion in the separate financial statements, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
63. The accounting officer did not exercise adequate oversight responsibility over financial reporting and compliance with legislation, as well as the related internal controls. Effective and appropriate measures were not implemented timeously to prevent and detect material errors in the submitted consolidated and separate financial statements and annual performance report, and to prevent and detect non-compliance with legislation.
64. Senior management did not adequately ensure that the consolidated and separate financial statements and performance report prepared were accurate and complete and agreed to supporting schedules, as numerous misstatements were identified on the consolidated and separate financial statements and performance report submitted for audit. Daily and monthly control activities that support accurate and reliable reporting, such as reconciliations, were generally lacking.
65. Senior management did not implement proper record-keeping timeously to ensure that complete, relevant and accurate information is accessible and available to support the consolidated and separate financial statements and performance report. The audit team experienced delays in obtaining information and supporting evidence for recorded balances and transactions due to poor record-keeping in certain areas.

### **Material irregularities**

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

### **Material irregularities identified during the audit**

67. The material irregularities identified are as follows:

### **Park Chambers building not refurbished**

68. I identified a material irregularity during the audit and notified the accounting officer thereof, as required by material irregularity regulation 3(2). By the date of this auditor's report, the evaluation of the accounting officer's response had not yet been concluded. Accordingly, this material irregularity will be reported in detail in the next year's auditor's report.

### **Metro Centre building not utilised**

69. I identified a material irregularity during the audit and notified the accounting officer thereof, as required by material irregularity regulation 3(2). By the date of this auditor's report, the evaluation of the accounting officer's response had not yet been concluded. Accordingly, this material irregularity will be reported in detail in the next year's auditor's report.

### **Bus rapid transit stations not utilised**

70. A service provider was appointed in June 2015 as the main contractor for the bus rapid transit stations (BRT) sections 8 and 15, which consist of 17 stations, of which 12 reached practical completion (99%) between March 2019 and May 2022, three are still in progress and one, being the Johannesburg Art Gallery, was completed in October 2017. The accounting officer has not taken appropriate steps to ensure that the Johannesburg Art Gallery station is in use.

71. The misuse of the material public resource could have been avoided with proper management of assets, as required by section 63(1)(a) of the MFMA.

72. The accounting officer was notified of the material irregularity on 12 December 2024 and, due to a change in accounting officers, the notification was re-issued on 10 February 2025.

73. The accounting officer has taken the following actions to address the material irregularity:

- Engaged the taxi industry, with agreements concluded on 27 June 2023, to facilitate the commencement of bus operations and mitigate route conflicts.
- Secured an alternative bus supply arrangement and completed preparatory work for the bus reconfiguration programme, resulting in 48 buses being reconfigured and delivered in February 2026 to the phase 1C(a) bus-operating company.
- Appointed a bus-operating company on 26 May 2025 to support the operationalisation of phase 1C(a).
- Procured and implemented the automated fare collection system, which has been operational for phases 1A and 1B since July 2025. The infrastructure for phase 1C(a) was fully tested and became operational in October 2025.
- Assessed accountability for the material irregularity and concluded that no officials could be held responsible. Accordingly, no investigation was instituted, as it was determined that it would not have altered this conclusion.

74. The following actions are in the process of being implemented by the accounting officer.

- Construction of the Sandton and Gandhi Square BRT stations, which remains in progress at approximately 77% and 69% completion, respectively, with completion expected in May 2026.
- Reconfiguration of the remaining 20 buses, which is pending due to outstanding supplier payments, with completion anticipated during 2026, conditional upon settlement of these obligations.
- Completion of the Selby Depot (phase 2C), which is ongoing, with approximately 80% construction progress and a revised practical completion date of May 2026.
- Continued engagement with the Gauteng Provincial Regulatory Entity (PRE) regarding the operating licence applications for phase 1C(a), with the PRE determining the appropriate process for licence issuance.

75. I will follow up on the implementation of these actions during my next audit.

### **Status of previously reported material irregularities**

#### **Payments made for airtime and data loaded on SIM cards but not utilised**

76. Resources of the municipality were not utilised economically, as airtime and data loaded on SIM cards were not utilised between April 2019 and August 2019, as required by section 62(1)(a) of the MFMA.
77. The municipality is likely to suffer a material financial loss if the amount paid for airtime and data loaded on SIM cards is not recovered. The financial loss is disclosed in note 43 of the separate financial statements for the period ended 30 June 2021.
78. The accounting officer was notified of the material irregularity on 5 August 2022.
79. The accounting officer has taken the following actions to address the material irregularity:
- Instituted an investigation in September 2022 to determine officials responsible, which was expected to be finalised in December 2022. However, due to the discovery of new information, the investigation was finalised in July 2023. The investigation concluded that the municipality suffered financial loss amounting to R3 467 163 and further recommended that any acts of financial misconduct be reported to the council, where applicable.
  - In April 2024, the municipal public accounts committee recommended to the council that the financial loss amounting to R3 467 163 be recovered from the service provider.
  - In assessing the possibility of the recovery of the financial loss, the accounting officer obtained a legal opinion in June 2024, which confirmed that the municipality enjoys reasonable prospects of success in pursuing a contractual claim against the service provider.

- In July 2024, council approved the resolution to recover the financial loss suffered from the service provider.
- An independent service provider was appointed in August 2024 to perform an investigation to determine if there were any elements of financial misconduct.
- The outcome of the preliminary investigation finalised in November 2024 indicated that there were elements of financial misconduct and recommended that a full investigation be conducted in order to determine the appropriate consequence management to be taken.
- A letter of demand was issued to the service provider in October 2024 and the service provider responded in November 2024, indicating that it does not accept responsibility for the financial loss suffered.
- Summons were issued to the service provider in November 2024; however, in considering the most cost-effective route to recover the financial loss suffered, the accounting officer decided against pursuing the legal process but opted not to pay invoices due to the service provider. The accounting officer stopped the processing of invoices submitted by the service provider from February 2025 to offset the R3,4 million and instructed the attorney to formally notify the service provider that the city would not process its invoices, including the reasons for this decision.
- The service provider was notified that the municipality would not process its invoices due to the dispute with it. As at 21 March 2025, invoices amounting to R4,3 million submitted by the services provider have not been paid.
- In accordance with the regulations on financial misconduct, the outcome and recommendation of the preliminary investigation will be reported to council for a resolution authorising the disciplinary board to conduct a full investigation into the conduct of other responsible members of senior management.
- To prevent a re-occurrence, in January 2022, the accounting officer established a contract management committee to monitor all contracts within the municipality to ensure that all goods and services received by the municipality are utilised. In addition, a monthly checklist for contract management was implemented, effective August 2022.

80. The material irregularity has been resolved.

#### Other reports

81. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

82. A total of 678 cases of alleged irregularities relating to financial misconduct, fraudulent acts, theft and non-compliance were investigated during the financial year. Most of the cases were investigated internally by the municipality's forensic department and 18 by the disciplinary board. Two hundred and eighty-three of these cases were finalised during the 2024-25 financial year, 395 were still in progress at year-end.

AUDITOR - GENERAL

Johannesburg

30 April 2026



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure to the auditor's report**

The annexure includes the following:

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

### **Auditor-general's responsibility for the audit**

#### **Professional judgement and professional scepticism**

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

#### **Consolidated and separate financial statements**

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

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

separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- plan and perform the group and the municipality audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group and the municipality as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group and the municipality audit. I remain solely responsible for my audit opinion.

#### **Communication with those charged with governance**

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

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

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

## Compliance with legislation – selected legislative requirement

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	<p>Section 1 – Paragraph (a), (b) and (d) of the definition: irregular expenditure</p> <p>Section 1 – Definition: service delivery and budget implementation plan</p> <p>Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)</p>
Supply Chain Management Regulations	<p>Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 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), 28(1)(a)(ii), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 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)</p>
Municipal Budget and Reporting Regulations	<p>Regulations 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)</p>
Municipal Investment Regulation	<p>Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)</p>
Division of Revenue Act 24 of 2024	<p>Sections 11(6)(b), 12(5), 16(1), 16(3)</p>
National Environmental Management Waste Act 59 of 2008	<p>Section 20(b)</p>
Environmental Conservation Act 36 of 2005	<p>Section 20(1)</p>
National Water Act 36 of 1998	<p>Section 22(1)(b)</p>
Municipal Systems Act 32 of 2000	<p>Sections 3(3), 3(4)(b), 3(5)(a), 3(6)(a), 15(1)(a)(ii), 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), 56(a), 57(2)(a), 57(6)(a), 66(1)(a), 67(1)(d), 74(1), 93B(a), 93B(b), 96(b)</p>

Legislation	Sections or regulations
	<p>MSA schedule 1: Code of conduct for councillors sections 5(2), 7(1) and (2)</p> <p>MSA schedule 2: Code of conduct for municipal staff members sections 5(1) and 5A(1) and (2)</p>
Municipal performance regulations for municipal managers and managers directly accountable to municipal managers	Regulations 2(3)(a), 4(4)(b), 8(3)
Regulations on appointment and conditions of employment of senior managers	Regulations 2(1)(e), 2(3)(a), 17(2), 36(1)(a)