

Report of the auditor-general to Limpopo Provincial Legislature and council on Thabazimbi Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Thabazimbi Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, the cash flow statement and statement of comparison of budget and actual amount for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this report, the financial statements present fairly, in all material respects, the financial position of the Thabazimbi Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 24 of 2024 (DoRA).

Basis for qualified opinion

Property, plant and equipment

3. The municipality did not assess at each reporting date, impairment on infrastructure projects which is taking a significantly longer period to complete than expected, and on infrastructure assets which were damaged during a flood disaster in accordance with GRAP 21, *Impairment on non-cash generating assets*. As a result, the recoverable amount of assets was not estimated, I was unable to determine the impact on the net carrying amount of property, plant and equipment as it was impractical to do so. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R820 904 484 (2024: R831 527 755) in note 4 to the financial statements.

Revenue from non-exchange transactions

4. Property rates were not correctly calculated and recognised in accordance with GRAP 23, *Revenue from non-exchange transactions*. Incorrect property values were used to calculate property rates. Consequently, property rates revenue is understated by R88 351 408 and related receivables from non-exchange transactions were understated by the same amount. Additionally, there was an impact on the deficit for the period and on the accumulated surplus.
5. During 2024, I reported that property rates was not correctly calculated and recognised in accordance with GRAP 23, *Revenue from non-exchange transactions*. Incorrect property values were used to calculate property rates. Consequently, property rates revenue is

overstated by R9 151 445 and related receivables from non-exchange transactions were overstated by the same amount. My opinion on the current year financial statements is also modified because of the effect of this matter on the comparability of property rates for the current period.

6. The municipality did not recognize all revenue in accordance with GRAP 23, *Revenue from non-exchange transactions*. Not all properties within the municipal jurisdiction were billed for property rates. Consequently, property rates revenue was understated by R10 701 594 (2024: 77 782 712) and property rates debtors was understated by the same amount. Additionally, there was an impact on the deficit for the period and on the accumulated deficit.

Expenditure

7. I was unable to obtain sufficient appropriate audit evidence that bulk purchases were correctly accounted for as the municipality did not have adequate systems of internal control for reconciliation of its readings to those on the supplier invoices for the expenditure charged. I was unable to confirm the bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to bulk purchases stated at R116 749 481 (2024: R109 415 197) in note 30 to the financial statements.

Cash flow statement

8. Net cash flow from operating activities

Net cash flow from operating activities was not correctly prepared and disclosed as required GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flow from operating activities, as it was impractical to do so. Consequently, I was unable to determine whether any adjustments to cash flow from operating activities as stated at R65 476 677 (2024: R69 676 098) in the financial statements were necessary.

9. Net cash flow from investing activities

During 2024, I reported that net cash flow from investing activities was not correctly prepared and disclosed as required of Standard GRAP 2, *cash flow statements*. This was due to multiple errors in determining cash flow from investing activities. I was not able to determine the full extent of errors in the net cash flows from investing activities, as it was impractical to do so. Consequently, I was unable to determine whether any adjustments to cash flows from investing activities as stated at R63 162 850 in the financial statements were necessary.

My audit opinion on the financial statements for the period ended 30 June 2025 was modified accordingly. My opinion on the current year financial statements is also modified because of the possible effect of this matter on the comparability of the net cash from flow from investing activities for the current period.

Contingencies

10. I was unable to obtain sufficient appropriate audit evidence for contingencies as the financial statements were presented for audit purposes without accurate and complete underlying accounting records, I was unable to confirm contingencies by alternative means. Consequently,

I was unable to determine whether any adjustments were necessary to contingencies stated at R31 633 324 (2024: R31 633 324) in note 37 to the financial statements.

Material losses - electricity

11. The municipality did not disclose material losses – electricity as required by GRAP 1, *Presentation of financial statements*. The municipality did not disclose the nature and impact of material item of expenditure to the financial statements, to enable the users to evaluate the nature and financial effect of material activities of the municipality.

Context for opinion

12. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
13. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
14. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material uncertainty relating to going concern

15. I draw attention to the matter below. My opinion is not modified in respect of this matter.
16. I draw attention to note 43 to the financial statements, which indicates that the municipality is experiencing cashflow challenges. As stated in note 43, these events or conditions, along with the other matters as set forth in the note, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

17. I draw attention to the matters below. My opinion is not modified in respect of these matters.
18. As disclosed in note 7, 8 and 9 to the financial statements, material impairment of R959 868 387(2024: R763 922 469), was provided for as a result of irrecoverable debtors.
19. As disclosed in note 32 to the financial statements, material water losses of R31 115 731 (2024: R35 929 234) was incurred, which represents 63% (2024: 78%) of total water purchased.
20. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2025.

Other matter

21. I draw attention to the matter below. My opinion is not modified in respect of this matter.
22. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

23. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the MFMA and DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
24. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

25. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
26. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 19, forms part of my auditor's report.

Report on the annual performance report
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27. 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 information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
28. I selected the following material development priority KPA 2: Basic Service Delivery and Infrastructure presented in the annual performance report for the year ended 30 June 2025. I selected those key development priority that measure the Local Municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

Development priority	Page numbers	Objective
KPA 02: Basic Service Delivery and Infrastructure	XX	To ensure quality services to community by improving current infrastructure to sustainable levels and promote environmental management systems.

29. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

30. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported measures taken to improve performance.

31. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

32. The material findings on the reported performance information for the selected material indicators are as follows:

Km of bulk water pipeline between Thabazimbi and Y pierce to be upgraded by set date

33. An achievement of 0.915km pipelines installed by 30 June 2025 was reported against a target of 3km of bulk water pipeline between Thabazimbi and Y pierce to be upgraded by 30 June 2025. However, the audit evidence showed the actual achievement relates to both the 2023-

24 and 2024-25 reporting period. Consequently, the achievement against the target was lower than reported.

Various indicators

34. Various indicators were not clearly defined during the planning process. Consequently, the indicators are not useful for measuring and reporting on progress against planned objectives.

Indicator	Target	Detail
1 package plant to be upgraded	Appointment of the contractor by 30 June 2025	The performance indicator and its related targets are not well defined and verifiable.
Km of Bulk Water Pipeline at Rooiberg by set date	Completion of designs by June 2025	The performance indicator and its related targets are not well defined and verifiable.
Km of bulk water pipeline upgraded at Raphuthi by set date	Completion of designs by June technical 2025	The performance indicator and its related targets are not well defined and verifiable.
Number of sewer package plant upgraded at Raphuthi by set date	Completion of designs by June 2025	The performance indicator and its related targets are not well defined and verifiable.

Various indicators

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

Indicator	Target
1 package plant to be upgraded	Appointment of the contractor by 30 June 2025
Km of Bulk Water Pipeline at Rooiberg by set date	Completion of designs by June 2025
Km of bulk water pipeline upgraded at Raphuthi by set date	Completion of designs by June technical 2025
Number of sewer package plant upgraded at Raphuthi by set date	Completion of designs by June 2025
Number of domestic water meters installed by set date	Submission of Business Plan to DWS by June 2025
Number of WWTW to upgrade	Appointment of the contractor

Other matter

36. I draw attention to the matter below.

Achievement of planned targets

37. 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.

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

KPA 2: Basic Service Delivery and Infrastructure

<i>Targets achieved: 15%</i>		
Key service delivery indicator not achieved	Planned target	Reported achievement
Km of bulk water pipeline between Thabazimbi and Y pierce to be upgraded by set date	3km of bulk water pipeline between Thabazimbi and Y pierce to be upgraded by 30 June 2025	0.92 km pipelines installed by 30 June 2025
1 package plant to be upgraded	Appointment of the contractor by 30 June 2025	0
Km of Bulk Water Pipeline at Rooiberg by set date	Completion of designs by June 2025	0
Km of bulk water pipeline upgraded at Raphuthi by set date	Completion of designs by June technical 2025	0
Number of sewer package plant upgraded at Raphuthi by set date	Completion of designs by June 2025	0
Number of domestic water meters installed by set date	Submission of Business Plan to DWS by June 2025	0
Number of WWTW to upgrade	Appointment of the contractor	0
Km of internal street paved in Rooiberg by set date	1km of internal street paved in Rooiberg by 30 June 2025	0
Km of internal street in Regorogile ext 8 upgraded by set date	2km sub-base layer completed by June 2025	0

Km of internal streets to be upgraded at skierlik by set date	1.78km internal streets to be upgraded at skierlik by 30 June 2025	1,78km road surfaced by 30 June 2025 but the Paving was not completed.
Number of illegal waste dumps removed by set date	20 Number of illegal waste dumps removed by 30 June 2025	17 Illegal waste dumps removed by 30 June 2025

Material misstatements

39. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for KPA 2: Basic Service Delivery and Infrastructure. Management did not correct all of these misstatements and I reported material findings in this regard.

Report on compliance with legislation

40. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
41. 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.
42. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
43. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements, performance and annual report

44. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA.

Material misstatements of non-current assets, current assets, non-current liabilities, current liabilities, expenditure, revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

Procurement and contract management

45. Some of the 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.
46. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days, as required by SCM regulation 22(1) and 22(2). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Upgrading of bulk water pipeline between Thabazimbi Pump Station Y-Piece.
47. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders based on points given for legislative requirement that were stipulated in the original invitation for bidding, as required by SCM regulations 21(b) and 28(1)(a)(i) and preferential procurement regulations. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the upgrading of bulk water pipeline between Thabazimbi Pump Station Y-Piece.
48. Sufficient appropriate audit evidence could not be obtained that contracts were awarded through a competitive bidding process that were adjudicated by the bid adjudication committee as required by SCM regulations 29(1) (a) and (b) and preferential procurement regulations. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Upgrading of bulk water pipeline between Thabazimbi pump station Y-Piece.
49. Sufficient appropriate audit evidence could not be obtained that the accounting officer ratified the decision of bid adjudication committee of awarding contracts to bidders other than those recommended by the bid evaluation committee as required by SCM regulation 29(5)(b). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Upgrading of bulk water pipeline between Thabazimbi pump station Y-Piece.
50. Sufficient appropriate audit evidence could not be obtained that no councillor was a member of a municipal bid committee or any other committee evaluating or approving tenders, contracts or other bids, nor attended any such meeting as an observer., as required by SCM Regulation 13(c). This non-compliance was identified in the procurement processes for the upgrading of bulk water pipeline between Thabazimbi Pump Station Y-Piece.
51. Sufficient appropriate audit evidence could not be obtained that the contract was awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the upgrading of bulk water pipeline between Thabazimbi Pump Station Y-Piece.
52. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM Regulation 43.

This non-compliance was identified in the procurement processes for the Construction of the Regorogile Ext 8 paving of internal streets phase 1.

53. Sufficient appropriate audit evidence could not be obtained that contract was only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43. Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the upgrading of bulk water pipeline between Thabazimbi Pump Station Y-Piece.
54. Sufficient appropriate audit evidence could not be obtained that the contract was awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM Regulation 13(c). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the upgrading of bulk water pipeline between Thabazimbi Pump Station Y-Piece.
55. Sufficient appropriate audit evidence could not be obtained that construction contracts were awarded to contractors that were registered with the Construction Industry Development Board (CIDB) and qualified for the contract in accordance with section 18(1) of the Construction Industry Development Board Act 38 of 2000 and CIDB regulations 17 and 25(7A). This non-compliance was identified in the procurement processes for the upgrading of bulk water pipeline between Thabazimbi Pump Station Y-Piece.
56. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM regulation 5.
57. The performance of some of the contractors or providers was not monitored on a monthly basis, as required by section 116(2)(b) of the MFMA. Similar non-compliance was also reported in the prior year.
58. The contract performance and monitoring measures were not in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar non-compliance was also reported in the prior year.
59. Awards were made to providers whose directors / principal shareholders were in the service of other state institutions, in contravention of MFMA 112(1)(j) and SCM regulation 44. Similar awards were identified in the previous year, and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).

Expenditure management

60. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA.
61. Reasonable steps were not taken to prevent irregular expenditure amounting to R92 810 170 as disclosed in note 46 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-adherence to the procurement processes. Irregular expenditure amounting to R2 873 723 was incurred on upgrading of bulk water pipeline between Thabazimbi Pump Station Y-Piece.
62. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R13 518 388, as disclosed in note 45 to the annual financial statements, in contravention of

section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties charged by suppliers for late payments.

63. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R90 201 533, as disclosed in note 44 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by lack of proper budgeting which resulted in the municipality exceeding the budgeted amounts.

Revenue management

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

Human resource management

65. Financial interest was not disclosed by the municipal manager within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
66. Financial interest was not disclosed by the senior managers within 60 days from date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.
67. The auditee did not conduct reference checks and personal credential verification for newly appointed staff members, as required by regulation 19 of the municipal staff regulations.
68. The municipal manager developed the staff establishment, however, there was no approval by the municipal council as required by section 66(1)(a) of the Municipal Systems Act 32 2000 (MSA).
69. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not adopted, as required by section 67(1)(d) of the MSA and regulation 31 of municipal staff regulations.
70. The acting staff member's performance agreement was not amended to include the key performance areas and key performance indicators of the acting position, as required by regulation 43 of the municipal staff regulations.

Strategic planning and performance management

71. The performance management system and related controls were not maintained and were inadequate as it did not describe how the performance planning, monitoring, measurement, review, reporting and improvement processes should be conducted, organised and managed, as required by regulation 7(1) of the municipal planning and performance management.
72. The Service Delivery Budget Implementation Plan (SDBIP) for the year under review did not include monthly revenue projections by source of collection and the monthly operational and capital expenditure by vote and/or as required by section 1 of the MFMA.
73. Performance targets were not set for each of the KPIs for the financial year, as required by section 41(1)(b) of the MSA and municipal planning and performance management regulation 12(1).

Consequence management

- 74. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
- 75. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 76. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 77. Allegations of financial misconduct against senior managers were not always tabled before council, as required by disciplinary regulations for senior managers 5(2).
- 78. Disciplinary proceedings were not instituted by the council where the report of independent investigators confirmed the financial misconduct by a senior manager, as required by disciplinary regulations for senior managers 5(6) and municipal regulations on financial misconduct procedures and criminal proceedings 6(8).

Other information in the annual report

- 79. The accounting officer is responsible for the other information included in the annual report which includes the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in objective presented in the annual performance report that have been specifically reported on in this auditor's report.
- 80. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
- 81. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in objective presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 82. 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

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

84. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.
85. The accounting officer and management did not perform adequate reviews on the financial, performance reporting and compliance with laws and regulations.
86. Internal controls for monitoring compliance with laws and regulations were ineffective as they do not detect and prevent instances of non-compliance with applicable laws and regulations.
87. The internal control monitoring mechanisms of the municipality were not functioning optimally, as control weaknesses are only discovered during the audit of the financial statements and performance information.
88. The accounting officer did not exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.
89. The accounting officer did not implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
90. The accounting officer did not develop and monitor the implementation of action plans to address deficiencies in internal control Internal controls.

Material irregularities

91. 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

92. The material irregularities identified are as follows:

Financial loss caused by revenue collected by the vending entity not paid into municipal bank account

93. In terms of section 96(a) of MSA: A municipality – (a) must collect all money that is due and payable to it, subject to this act and any other applicable legislation.
94. The municipality appointed a service provider with effect from 25 July 2023 (contract signed date) for the Multi- utility online vending system including third party vending, TID and revenue enhancement for the period of 3 years. The service provider provides these services on behalf of the municipality and earns commission in exchange for its services. The money collected by the service provider should be paid to the municipality after deducting the commission fee accrued for services rendered and additional expenditures as indicated in the service level agreement (SLA). As per the agreement (SLA + Addendum), these payments should be made to the municipality monthly. The service provider also ought to furnish the municipality with an invoice outlining the fees charged for services performed.

95. The municipality has not been receiving the monies due to it as agreed in the SLA. The municipality has further not been recognising receivables for the amount due from the agent. Furthermore, invoices from the service provider surfaced only after the matter was brought to the attention of management by the audit team as evidenced by all invoices dated 28 August 2024. It is likely that the municipality did not make the necessary follow ups with the service provider to ensure that invoices are received/provided monthly as outlined in the SLA.
96. The electricity vending started on 01 November 2023. For the period 01 November 2023 to 31 January 2025 the vending entity sold prepaid electricity amounting to R60 270 699.34 and only R32 950 080.74 was received by the municipality through direct deposits and deduction of the commission amount by the vending entity, resulting in an amount of R27 320 618.61 not paid over to the municipality. The accounting officer failed to take reasonable steps to ensure that revenue collected on its behalf by the electricity vending entity is collected and paid over into the municipal bank account. This resulted in non-compliance with section 96(a) of MSA.
97. The non-compliance is likely to result in a material financial loss of R27 320 618.61 for Thabazimbi Local Municipality due to the prepaid electricity sold by the vending entity not paid over to the municipal bank account.
98. I notified the accounting officer of the material irregularity, and the resultant non-compliance on 14 April 2025. The accounting officer provided a written response on 21 May 2025 indicating that to prevent any further losses, the municipality and the service provider signed a new addendum which requires that all vending funds shall reflect in the municipality's bank account daily, and the service provider shall submit daily vending sales reports and reconciliations to the accounting officer on a monthly basis. I concluded the accounting officer is not taking appropriate actions to resolve the material irregularity.
99. I notified the accounting officer on 28 November 2025 of the following recommendations that should be implemented by 28 March 2025:
- a) The non-compliance should be investigated to determine the root causes and if any official might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
 - b) The financial loss should be quantified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
 - c) Appropriate action should be taken to develop and commence with the implementation of an action plan to address poor revenue collection, so that revenue from the vending entities is collected as required by section 96(a) of the MSA. The plan should include anticipated timeframes and address the following key areas as a minimum:
 - Enhancing the Cash Management and Investment Policy to include effective collection processes to ensure that money collected by the vending entity is deposited into the municipal bank account.
 - Development of a Contract Management Policy to ensure that the deliverables of the parties to the contracts are monitored.

- Internal controls to manage contracts and perform regular reconciliations to agree the amount collected by the vending entity to the amount deposited into the municipal bank accounts.
- d) Disciplinary proceedings, should commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- e) If a senior manager of the municipality has allegedly committed an act of financial misconduct, the AO must report the allegation to the Municipal Council, the Provincial Treasury and the National Treasury as required by Regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
100. I will follow-up on the recommendations during my next audit. I am also in the process of determining additional actions available to be taken by the AGSA based the accounting officer's response.

Status of previously reported material irregularities

Environmental harm caused by the Donkerpoort Landfill site

101. The material irregularity relates to the environmental harm caused by the Donkerpoort landfill site. On the 26 October 2023, I conducted a site visit and observed that the landfill site is in a critical state due to the visible impact on and harm to the environment. I further noted that there is no licence for operation of the landfill site.
102. This is in contravention with section 28(1) of National Environmental Management Act 107 of 1998 (NEMA) and section 16(1) of the National Environmental Management Waste Act 59 of 2008. Additionally, I performed a site visit on 22 October 2024, to the Donkerpoort landfill site to confirm the current conditions of the site. According to my observations the landfill site has gotten worse from the previous year's visit. I visited the site again in the current year on 21 October 2025, to the Donkerpoort landfill site to confirm the current conditions of the site. According to my observations the landfill site has remained the same as the condition performed in the previous year's visit.
103. I notified the accounting officer of the material irregularity, and resultant non-compliances on 5 March 2024 and re-issued the notification on 27 June 2024 due to the changes in the accounting officer's position. The accounting officer provided a written response on 19 July 2024, indicating some of the challenges faced by the municipality in addressing the identified irregularity. The response did not appropriately indicate all the required actions that will be taken to address the matters raised. I requested additional information to enable me to conclude on the appropriateness of the actions being taken and at the date of this report, no progress has been made to address the material irregularity
104. The accounting officer indicated in their response that the construction phase of the project is scheduled to begin in August 2024 to address the material irregularity and at the date of this report, no actions were taken at the site to refurbish or restore the landfill site to its normal conditions in line with the applicable legislations.

105. The lack of monitoring and ensuring compliance with the applicable legislations has a negative impact on the environment, and this will potentially cause a likely substantial harm to the environment and the public which include health risks of the individuals living around the landfill site.
106. My recent site visit indicated that the Donkerpoort landfill site is still in a critical state and in need of proper maintenance/rehabilitation and repair. The site and its surroundings are severely polluted and impacted with waste not properly disposed of, treated, and rehabilitated. The pollution has adverse consequences on the health, safety, and livelihoods of various affected communities.
107. I concluded that the accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the Department of Forestry, Fisheries, and the Environment (DFFE) on 14 April 2025, as provided for in section 5(1A) of the Public Audit Act 25 of 2004 (PAA). The DFFE sub-referred the material irregularity after assessment to the Limpopo Department of Economic Development, Environment and Tourism on 21 May 2025. As at the date of this audit report, investigation was in progress.

Environmental harm caused by the Rooiberg Landfill site.

108. The material irregularity relates to the environmental harm caused by the Rooiberg landfill site. I conducted a site visit on 26 October 2023 and observed that the landfill site is in a critical state due to the visible impact on and harm to the environment. I further noted that an operating license referenced 12/4/10/8-B/8/W3 for the landfill was issued by the Limpopo Department of Economic Development, Environment and Tourism on 15 April 2016. The operating license is valid for a period of 15 years.
109. My observations on site have shown that the municipality's landfill operations are not complying with license conditions and legislative requirements which resulted in harm to the environment. I performed another site visit on 22 October 2024; to confirm the current conditions of the landfill site and from my observations, the landfill site has gotten worse since the previous year's visit. This is in contravention with section 28(1) of NEMA and section 16(1) of the National Environmental Management: Waste Act.59 of 2008. I visited the site again in the current year on 21 October 2025, to the Rooiberg landfill site to confirm the current conditions of the site. According to my observations the landfill site has remained the same as the condition performed in the previous year's visit.
110. I notified the accounting officer of the material irregularity, and resultant non-compliances on 5 March 2024 and re-issued the notification on 27 June 2024 due to the changes in the accounting officer's position. The accounting officer provided a written response on 19 July 2024, indicating some of the challenges faced by the municipality in addressing the identified irregularity. The response did not appropriately indicate all the required actions that will be taken to address the matters raised. I requested additional information to enable me to conclude on the appropriateness of the actions being taken and at the date of this report, no progress has been made to address the material irregularity.
111. The accounting officer's response indicated the challenges being faced with regard to lack of funding to restore the landfill site to its normal operating conditions, however the municipality is in the process of sourcing funds.

112. The lack of monitoring and ensuring compliance with the applicable legislations has a negative impact on the environment, and this will potentially cause a likely substantial harm to the environment and the public which include health risks of the individuals living around the landfill site.
113. My recent site visit indicated that the Rooiberg landfill site is still in a critical state and in need of proper maintenance/rehabilitation and repair. The site and its surroundings are severely polluted and impacted with waste not properly disposed of, treated, and rehabilitated. The pollution has adverse consequences on the health, safety, and livelihoods of various affected communities.
114. I concluded that the accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the Department of Forestry, Fisheries, and the Environment (DFFE) on 14 April 2025, as provided for in section 5(1A) of the Public Audit Act 25 of 2004 (PAA). The DFFE sub-referred the material irregularity after assessment to the Limpopo Department of Economic Development, Environment and Tourism on 21 May 2025. As at the date of this audit report, investigation was in progress.

Environmental harm caused by the Thabazimbi wastewater treatment works (WWTW)

115. The Thabazimbi wastewater treatment works has totally collapsed and has not been operating effectively. This resulted in continued spilling and discharge of raw/untreated sewage into the adjacent environment, including the groundwater, Rooikuispruit, and its extended watercourse. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resource from occurring, continuing or recurring, as required by section 28(1) of the NEMA and section 19(1) of the NWA. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.
116. The non-compliance with section 28(1) of NEMA and section 19(1) of NWA by the municipality at Thabazimbi wastewater treatment works is likely to result in substantial harm to the public.
117. I notified the accounting officer of the material irregularity, and resultant non-compliances on 5 March 2024 and re-issued the notification on 27 June 2024 due to the changes in the accounting officer's position. The accounting officer provided a written response on 19 July 2024, indicating some of the challenges faced by the municipality in addressing the identified irregularity. The response did not appropriately indicate all the required actions that will be taken to address the matters raised. I requested additional information to enable me to conclude on the appropriateness of the actions being taken and at the date of this report, no progress has been made to address the material irregularity
118. The accounting officer's response indicated that the circumstances of the plant still exist, however the municipality has appointed the engineer to develop the technical report and the business plan for application of funding to DWS under WSIG grant and the process of approval is in its final stage.
119. I conducted a site visit on 13 October 2023 and my observations showed that the environment around the WWTW experienced a significant increase in air and water pollution. The sewerage waste passing through Rooikuispruit which overflows into the Crocodile River, supplies amongst others, farmers with water for irrigation. The water in the rivers essential

and central to the sustainability of both man and the environment. I performed a site visit on 22 October 2024, to the WWTW to confirm the current conditions of the treatment plant and from my observations, the plant is still in the same condition from the previous year's visit. I visited the site again in the current year on 29 October 2025, to the WWTW to confirm the current conditions. According to my observations the WWTW has remained the same as the condition performed in the previous year's visit.

120. I concluded that the accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the Department of Water and Sanitation on 14 April 2025, as provided for in section 5(1A) of the Public Audit Act 25 of 2004 (PAA). As at the date of this audit report, investigation was in progress.

Other reports

121. 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 financial statements or my findings on the reported performance information or compliance with legislation.
122. Investigations into municipality is still in progress by the Directorate for Priority Crime and Investigation in connection with alleged irregularities in the issuance of driving and learner's licences.

Auditor-General

Polokwane

28 November 2025



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.

evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern.

evaluate the overall presentation, structure and content of the financial statements including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Selected legislation and regulations	Consolidated firm level requirements
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 165(1), 165(2)(a), 165(2)(b)(ii), 165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), 166(2)(b), 166(2)(a)(iv), 166(5), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 45(a), 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b) Parent municipality with ME: Sections: 93B(a), 93B(b) Parent municipality with shared control of ME: Section: 93C(a)(iv), 93C(a)(v)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)

Selected legislation and regulations	Consolidated firm level requirements
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)

