

Report of the auditor-general to the Gauteng Provincial Legislature and Council of the City of Johannesburg Metropolitan Municipality on the audit of Pikitup Johannesburg SOC Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Pikitup Johannesburg SOC Limited set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement, statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Pikitup Johannesburg SOC Limited as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. 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.
4. I am independent of the municipal entity 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.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.
7. As disclosed in note 12 to the financial statements, the material loss of R253 467 121 was incurred as a result of irrecoverable receivables from non-exchange transactions.
8. As disclosed in note 13 to the financial statements, the material loss of R5 087 603 947 was incurred as a result of irrecoverable receivables from exchange transactions.

9. I draw attention to note 44 in the financial statements, which deals with the possible effects of the future implications of continuing deterioration in financial sustainability and operational results on the municipal entity's prospects, performance, and cash flows. My opinion is not modified in respect of this matter.

Other matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.
11. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the 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.

12. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and Companies Act; 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.
13. In preparing the financial statements, the accounting officer is responsible for assessing the municipal entity'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 municipal entity 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.

14. 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.
15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xx to xx, forms part of our auditor's report.

Report on the annual performance report

16. 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.
17. I selected the following material performance indicators related strategic goals on integrated waste management, waste prevention and waste minimisation and effective and efficient delivery of waste management services presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipal entity's performance on its primary mandated functions and that are of significant national, community or public interest.
- Percentage of known informal settlements receiving basic removal services
 - Cleanliness levels city-wide
 - Percentage of households with basis refuse removal services or better
 - Refuse collection service rendered to all households
18. 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 municipal entity's planning and delivery on its mandate and objectives.
19. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives.
 - all the indicators relevant for measuring the municipal entity'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 presented in the annual performance report in the prescribed manner.
 - there is adequate supporting evidence for the achievements reported.

20. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
21. I did not identify any material findings on the reported performance information for the selected indicators.

Report on compliance with legislation

22. 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 municipal entity's compliance with legislation.
23. 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.
24. 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 municipal entity, 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.
25. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual Financial Statements

26. The financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of debt impairment, receivables, cash flow statements and disclosures identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

27. Reasonable steps were not taken to ensure that money owed by the municipal entity was always paid within 30 days, as required by section 99(2)(b) of the MFMA.
28. Reasonable steps were not taken to prevent irregular expenditure of R657 473 755 disclosed in note 46 to the annual financial statements as required by section 95(d) of the MFMA. The majority of irregular expenditure was caused by expenditure incurred in excess of the approved adjustments budget, in contravention of section 87(8) of the MFMA.
29. Expenditure was incurred in excess of the approved adjustments budget, in contravention of section 87(8) of the MFMA.

Other information in the annual report

30. The accounting officer is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report, and the company secretary's certificate, as required by the Companies Act. The other information referred to does not include the financial statements, the auditor's report and those selected shareholder priorities presented in the annual performance report that have been specifically reported on in this auditor's report.p
31. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation does 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.
32. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with financial statements and the selected priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
33. 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

34. 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.
35. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, and the material findings on compliance with legislation included in this report.
36. The Accounting Officer did not exercise oversight responsibility regarding financial reporting, compliance, and related internal controls.
37. Senior management did not exercise adequate oversight responsibility regarding financial reporting and compliance and related internal controls.
38. Management did not always prepare regular, accurate and complete financial reports that are supported and evidenced by reliable information.

Material irregularities

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

Status of a previously reported material irregularity

Poor management of the Marie-Louise Landfill Site

40. The municipal entity had been operating the Marie Louise landfill site in a manner that is not in compliance with its landfill license conditions and the minimum legislative requirements for waste disposal. This was evidenced by inadequate control over water runoff, leachate management, overloading of ponds with dumped waste and damaged lining on the ponds.
41. The municipal entity consequently did not dispose and treat waste in an environmentally sound manner that does not endanger the health or the environment as required by section 16(1) of the National Environmental Management Waste Act 59 of 2008. In addition, reasonable measures were not taken to prevent pollution or degradation from occurring, continuing, or reoccurring as required by section 28(1) of the National Environmental Management Act 107 of 1998 and section 19(1) of the National Water Act 36 of 1998.
42. The non-compliance is likely to cause substantial harm to the community members utilising the landfill site and communities adjacent to the landfill site.
43. I notified the accounting officer of the material irregularity on 31 January 2024.
44. The accounting officer has taken the following actions to address the material irregularity:
- While awaiting feedback from the Department of Fishery, Forestry and Environment on the regularisation of reclaimers, issued access cards to reclaimers to enable legal access to the landfill site through demarcated entrances.
 - No official could be held accountable as the material irregularity was due to lack of funding to adequately manage the landfill site. No investigation was performed as the outcome would have been the same.
 - Appointed a contractor in November 2024 for the construction of a boundary wall.
 - Construction could not be completed in July 2025 due to a lack of funding. The accounting officer committed to complete construction of the boundary wall before end of January 2026.
45. The accounting officer committed to rehabilitate the leachate dam upon completion of the construction of the boundary wall.
46. I will follow up on the implementation of the planned actions during my next audit.

47. 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.
48. The Group Forensic and Investigation Services (GFIS) was investigating allegations of possible fraud, procurement irregularities and financial misconduct at the municipal entity, covering various financial years and including the current financial year. The outcome of these investigations is expected after 30 June 2025.

AUDITOR - GENERAL

Johannesburg

30 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 priorities and on the municipal entity'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 municipal entity'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 municipal entity 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 municipal entity to cease operating as a going concern

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

Communication with those charged with governance

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

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

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the 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 requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections: 1, 62(1)(f)(i), 62(1)(f)(ii), 62(1)(f)(iii), 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), 87(8), 88(1)(a), 90(1), 90(2)(a), 90(2)(b), 95(d), 96(2)(a), 96(2)(b), 97(e), 97(f), 97(h), 97(i), 99(2)(a), 99(2)(b), 99(2)(c), 99(2)(g), 102(1), 102(2)(a), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 122(1), 126(2)(b), 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, 172(3)(a), 172(3)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations: 73(1)(a), 73(1)(b), 73(2)(b), 73(2)(d), 75(1), 75(2)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(2), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	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), 28(1)(a)(ii), 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)
Companies Act 71 of 2008	Sections: 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii), 45(4), 46(1)(a), 46(1)(b), 46(1)(c), 112(2)(a)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Municipal Systems Act 32 of 2000	Sections: 93B(a), 93C(a)(iv), 93J(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)

Legislation	Sections or regulations
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)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)