CITY OF EKURHULENI METROPOLITAN MUNICIPALITY
ORDINARY COUNCIL MEETING

2026.03.26

A-F (18-2026)

CITY OF EKURHULENI (CoE): SUBMISSION OF ANNUAL REPORT, INCLUSIVE OF ANNUAL FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR-GENERAL, FOR THE 2024/25 FINANCIAL YEAR

PURPOSE

To submit the Annual Report, inclusive of the Annual Financial Statements and the Report of the Auditor-General, for the 2024/25 financial year to Council.

STRATEGIC OBJECTIVE

Promoting good governance

WARDS AFFECTED

All wards

IDP LINKAGE

Qualified Audit

EXECUTIVE SUMMARY

The Annual Financial Statements for the 2024/25 financial year have been prepared in accordance with Section 126 of the Municipal Finance Management Act and the Annual Report for the 2024/25 financial year in terms of Section 127 of the Municipal Finance Management Act.

Section 127 requires that the annual report must be submitted to Council within seven months after the end of the financial year (January of each year).

The COE has completed both the financial statements, Consolidated financial statements as well as the annual report within the legislative deadlines. The municipal entities have also complied will all various legislative deadlines.

The external audit process has been completed and the required amendments were made to the financial statements. The Auditor General has issued her reports on the various sets of financial statements during March 2026 (COE and Entities) and including the Consolidated. The audit outcomes were as follows:

COE Core	**Qualified audit opinion**
COE Consolidated	**Qualified audit opinion**
ERWAT	**Unqualified audit opinion**
EHC	**Clean audit opinion**

The final annual report with the annual financial statements and reports of the Auditor General must now be approved by Council. The report should then be referred to the Municipal Public

Accounts Committee (MPAC) to perform the oversight function and their report must be submitted to Council before the end of April 2025 as required by section 129 of the MFMA. This report must include a statement whether the council –

- Has approved the annual report with or without reservations
- Has rejected the annual report; or
- Has referred the annual report back for revision of those components that can be revised.

The annual financial statements disclosed irregular, fruitless, and wasteful expenditure that were incurred during the 2024/25 financial year and as such section 32 of the MFMA must be followed. The council committee referred to in section 32 of the MFMA that will investigate the irregular, fruitless and wasteful expenditure is the MPAC committee. The committee must in their report back to Council in May 2025, include recommendations regarding whether the expenditure must be –

- Recovered from the employees / service providers where it is found that the irregular, fruitless and wasteful expenditure was incurred deliberately and negligently
- Authorized in an adjustments budget (not applicable in the reported expenditure as there were no un-authorized expenditure resulting from budget overspending).
- Certified as irrecoverable and which must be written off by Council

This item is giving an overview of the financial results of the financial year, the organizational performance results and explains the report of the Auditor General. The discussion in the report deals with the results of the city only and the reports of the municipal entities are attached as annexures to this report.

This submission also includes a request to Council of ratification of Final Year End Transactions on the Compilation of the 2024/25 Financial Statements as required by the Generally Recognised Accounting Practices (GRAP).

The following Annexures are attached to this submission:

Annexure A: Annual Report
Annexure B1: Audited Financial Statements CoE Core
Annexure B2: Audited Financial Statements CoE Group

Annexure C1: Auditor-General's Report on COE Core
Annexure C2: Auditor-General's Report on COE Group

Separate reports have been submitted dealing with the municipal entities. These reports are contained in the same Council agenda.

DISCUSSION

SECTION A: ORGANISATIONAL PERFORMANCE AS CONTAINED IN THE ANNUAL REPORT

The full analysis of the city's performance against its commitments set in the Service Delivery Budget Implementation Plan (SDBIP) for the 2024/25 financial year is presented in the Annual Report submitted or attached (Annexure A).

Chapter 12 of the MFMA deals with financial reporting and auditing.

Section 122 provides the requirements for the preparation of annual financial statements. Section 126 stipulates that the annual financial statements must be completed within two months after the end of the financial year and be submitted for auditing by the Auditor-General. The Annual Financial Statements for the 2024/2025 financial year have been prepared in accordance with Section 126 of the Municipal Finance Management Act and have been completed within the legislative deadlines.

MFMA Circular 63 from National Treasury provides detailed explanation of the Annual Report process. It is important to note the following comment extracted from the circular:

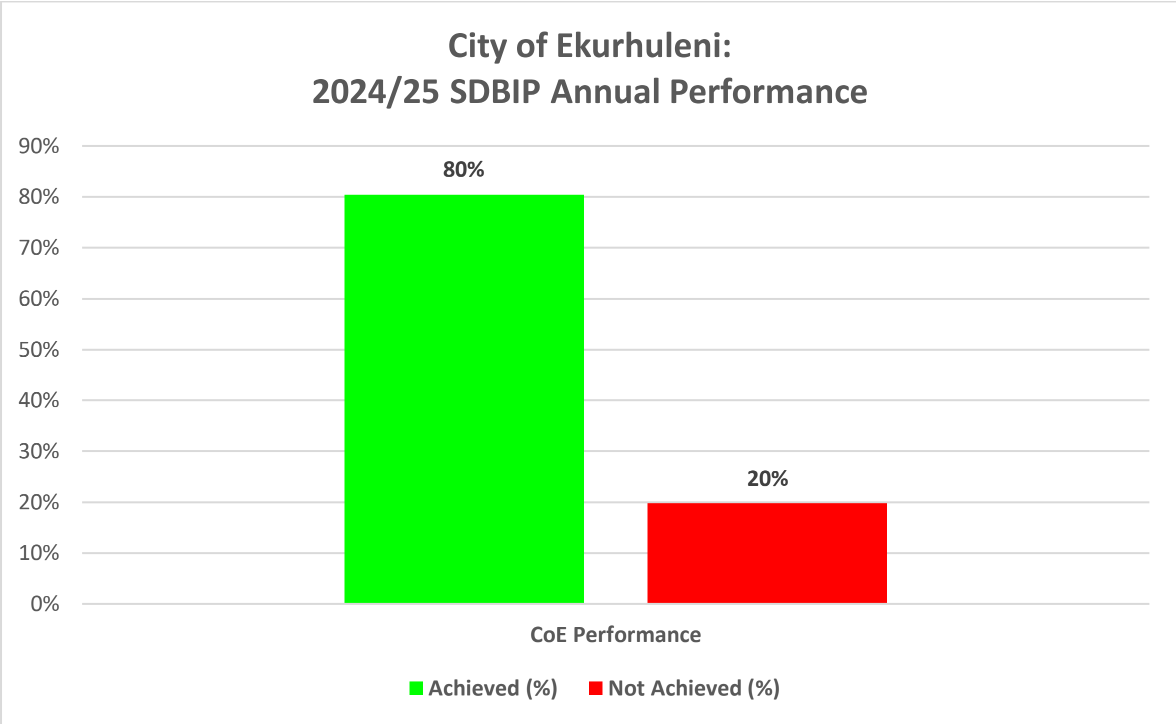
> *The unaudited Annual Report is used to feed information to the next year's IDP. The un-audited Annual Report is sent through in August to departments, National Treasury for their records and the Auditor-General for auditing. It is also submitted to the MPAC for oversight verification and community consultation together with council.*
>
> *The unaudited Annual Report is also submitted to a committee of council to verify performance of senior management in terms of the performance agreement entered into with the municipality. It is expected that the same committee deals with financial and non-financial performance.*
>
> *The Auditor-General will submit the audited report to the Accounting Officer by the end of November for municipalities without entities and December for municipalities with entities, The audited Annual Report is then submitted to Council and the MPAC for finalising its oversight report.*

In terms of the MFMA and Circular 63, all municipalities and municipal entities are required to prepare and submit their draft Annual Reports to the Auditor-General by 31 August each year.

A. SDBIP PERFORMANCE/ NON-FINANCIAL PERFORMANCE INFORMATION

SUMMARY OF THE AUDITED SDBIP ANNUAL PERFORMANCE REPORT (NON-FINANCIAL PERFORMANCE INFORMATION): FINANCIAL YEAR 2024/2025 CITY-WIDE PERFORMANCE

FIGURE 1: CITY-WIDE 2024/2025 ANNUAL PERFORMANCE



The City committed to a total of hundred and twelve (112) targets in the 2024/2025 financial year. Against these commitments, 90 (80%) of the targets were achieved and 22 (20%) were not achieved. The committed targets were contributed by the seventeen (17) departments and one (1) entity for the City-wide SDBIP. Of the seventeen (17) departments and one (1) entity that committed to the targets, ten (10) departments and one (1) entity achieved hundred per cent (100%) of their planned targets.

FIGURE 2: CITY-WIDE 2024/2025 ANNUAL PERFORMANCE PER CLUSTER

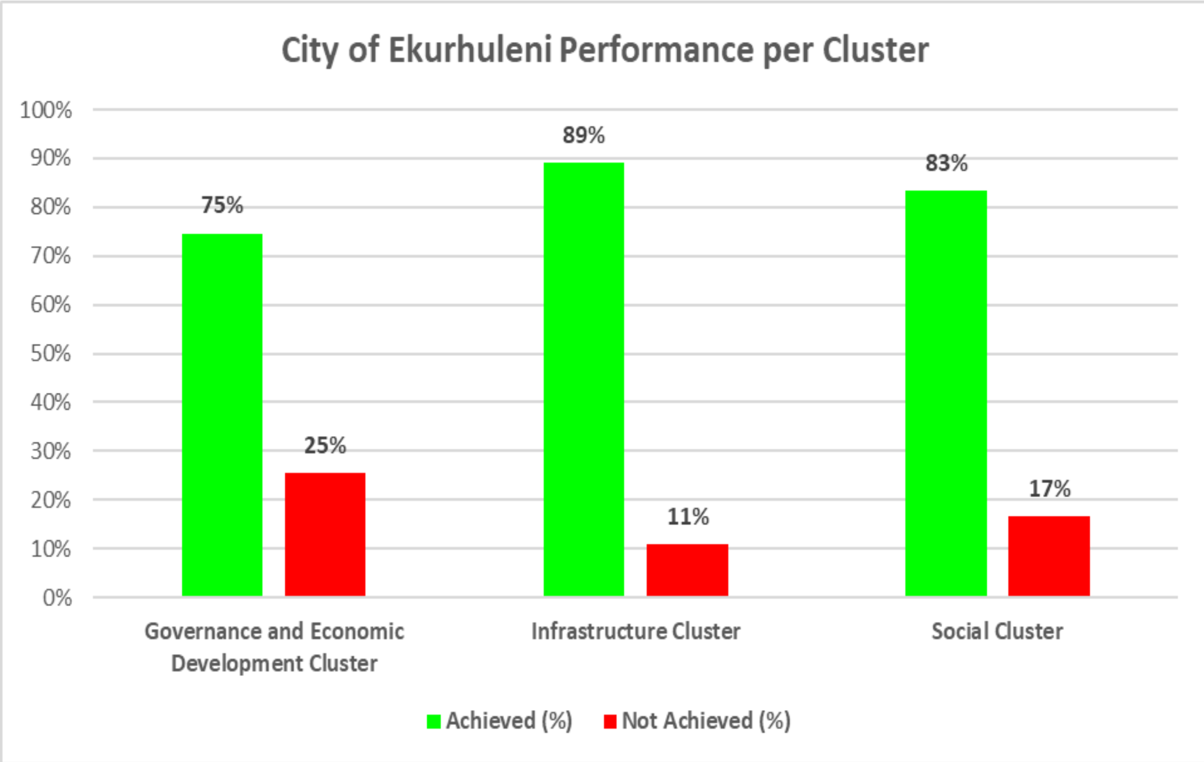


Figure 2. above presents the City's annual performance against the targets set for the 2024/2025 financial year per cluster. The figure shows that the Infrastructure Cluster recorded the highest performance of eighty-nine per cent (89%) target achievement, followed by Social Cluster which recorded eighty-three per cent (83%) target achievement. Governance and Economic Development Cluster recorded seventy-five per cent (75%) achievement.

FIGURE 3: CITY-WIDE ANNUAL PERFORMANCE BY GDS THEMATIC AREAS

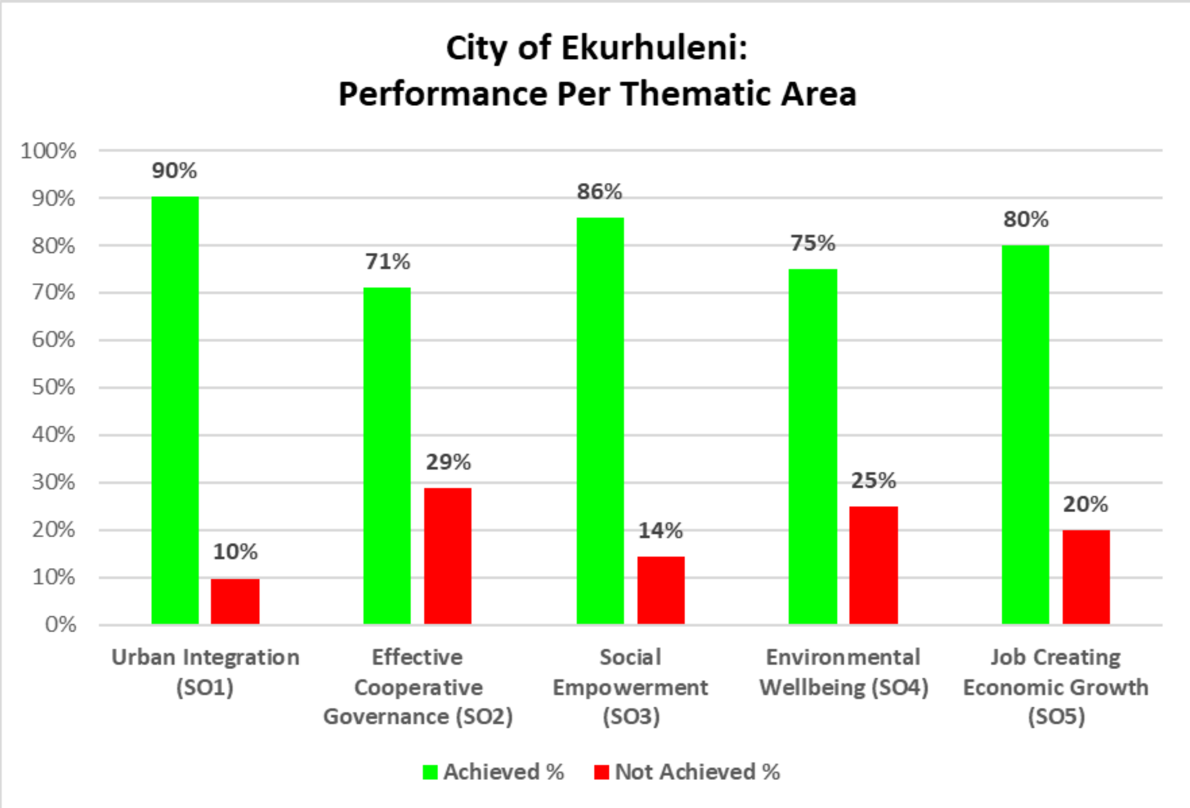
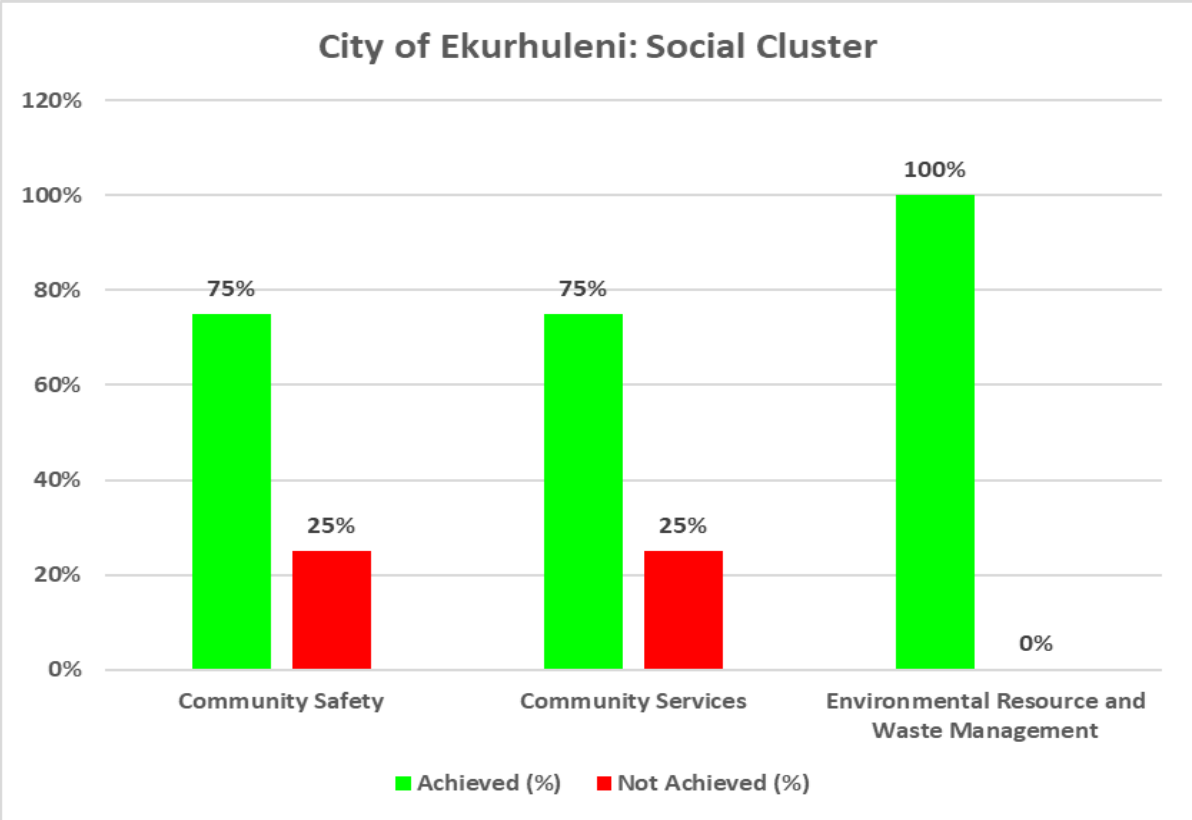


Figure 3. above presents the performance against the Thematic Areas of the Growth and Development Strategy (GDS) on targets that were planned to be delivered over the period under review and the performance is summarised as follows:

The highest performance was recorded for the Urban Integration Thematic Area which achieved 90% of their planned targets, followed by Social Empowerment Thematic Area at 86%. The Job Creating Economic Growth Thematic Area recorded 80% target achievement, while Environmental Wellbeing Thematic Area and Effective Corporative Governance Thematic Area recorded an achievement of 75% and 71% respectively.

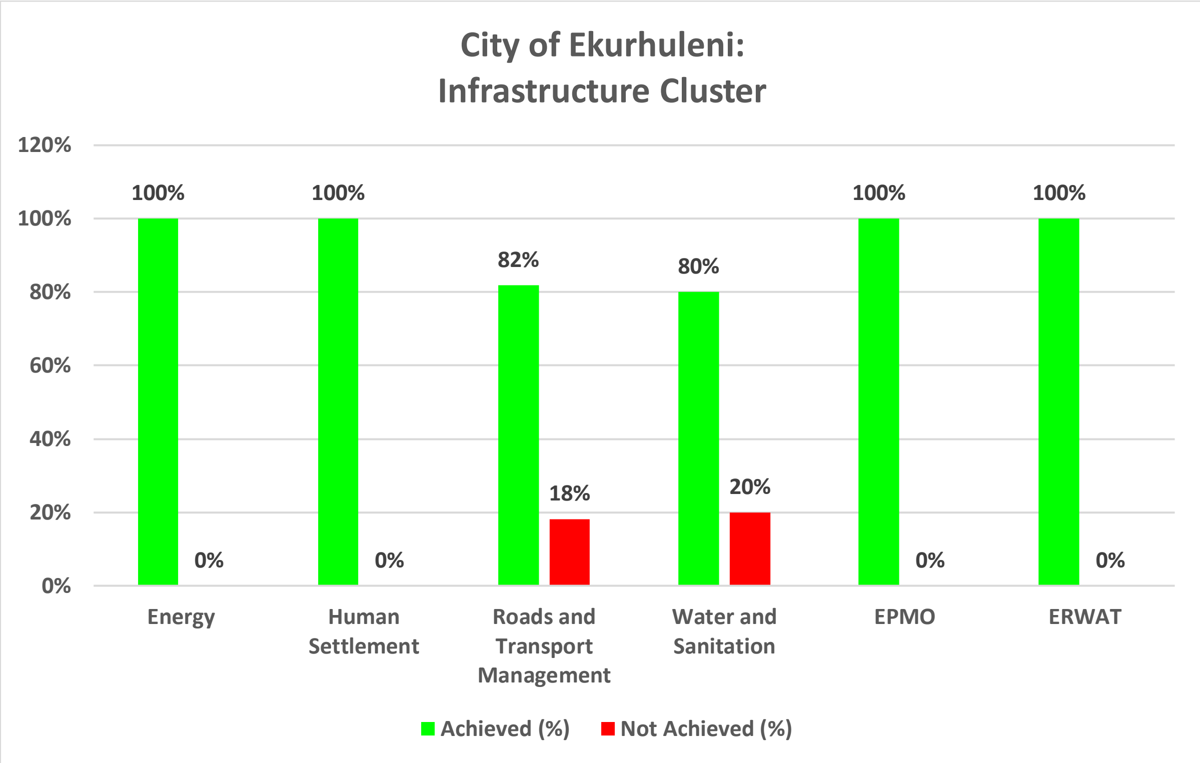
FIGURE 4: CITY-WIDE ANNUAL PERFORMANCE ACROSS SOCIAL CLUSTER



Social Cluster

The Social Cluster committed to a total of twelve (12) targets and of the twelve (12) targets, 10 (83%) targets were achieved, and 2 (17%) targets were not achieved as presented. One (1) department in this cluster achieved 100% of its planned targets for the year under review. This department is Environmental Resources and Waste Management (ERWM). Community Services (SRAC and Health and Social Development)) and Community Safety (DEMS and EMPD) recorded 75% target achievement respectively.

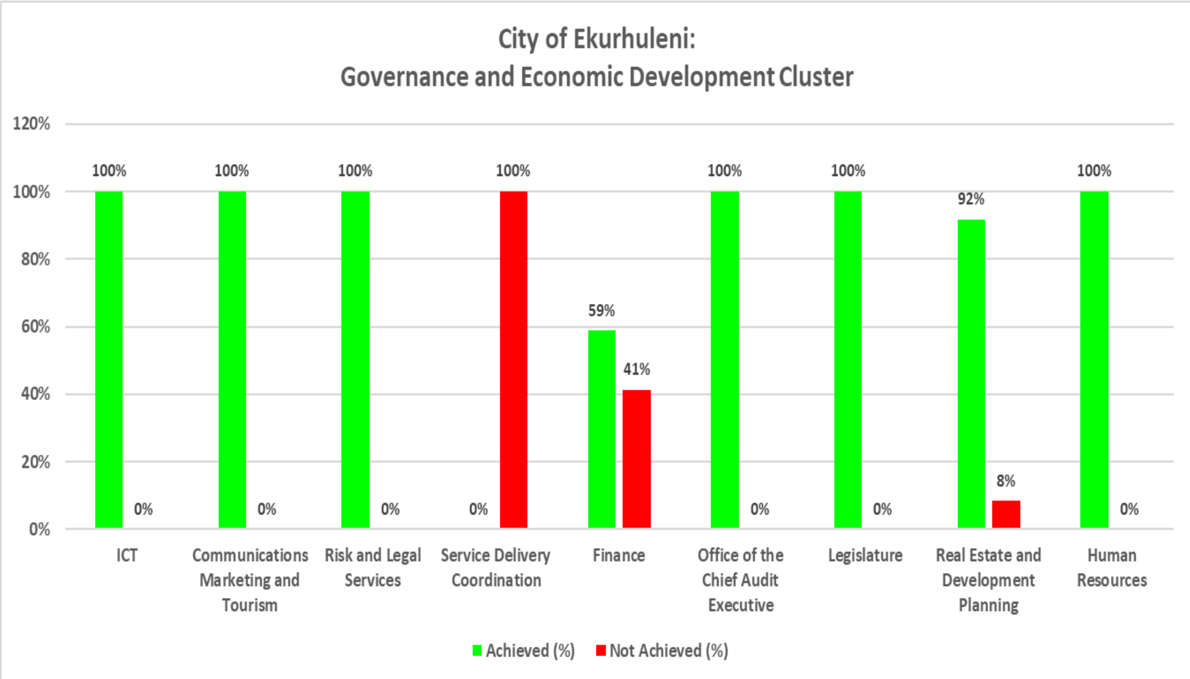
FIGURE 5: CITY-WIDE ANNUAL PERFORMANCE ACROSS INFRASTRUCTURE CLUSTER



Infrastructure Cluster

The cluster committed to a total of thirty-seven (37) targets and of the thirty-seven (37) committed targets, 33 (89%) were achieved and 4 (11%) were not achieved. Four departments (Energy, Human Settlement, EPMO and ERWAT) achieved hundred per cent (100%) of their planned targets in this cluster. The second highest performing department is Roads and Transport Management (Roads and Stormwater and Transport and Fleet Management) achieved 82%, while Water and Sanitation department achieved 80% of its planned targets during the period under review.

FIGURE 6: CITY-WIDE ANNUAL PERFORMANCE ACROSS GOVERNANCE AND ECONOMIC DEVELOPMENT CLUSTER



Governance and Economic Development Cluster

The performance of the cluster was measured against sixty-three (63) targets that were planned to be met in the 2024/2025 financial year. A total of 47 (75%) targets were achieved and 16 (25%) were not achieved. Six (6) departments (Information Communication and Technology (ICT), Communications Marketing and Tourism, Risk and Legal Services, Office of the Chief Audit Executive, Legislature and Human Resources) achieved 100% of their set targets. The second highest performing department is in this cluster is Real Estate and Development Planning with an achievement of 92%, followed by Finance department at 59% target achievement. Service Delivery Coordination department achieved nil percent (0%) of its planned targets.

SECTION B: FINANCIAL PERFORMANCE AS CONTAINED IN THE ANNUAL FINANCIAL STATEMENTS OF THE CITY OF EKURHULENI (CORE)

***Note**: The figures explained in this section relate to the COE Core financial statements and not consolidated. In the attached consolidated financial statements, two columns are provided, one for the economic entity and one for the controlling entity. The economic entity refers to the entire COE group, i.e. the COE plus the entities, whilst the controlling entity refers to the COE only.*

The Financial Performance of the city is explained for the 3 main financial statements, being the Statement of Financial Performance, the Statement of Financial Position and the Cash Flow Statement.

Statement of Financial Performance

Explanatory notes on what the Statement of Financial Performance entails

The purpose of the Statement of Financial Performance is to give an account of the results of the city's operations for the year. These transactions result from the operating budget of Council. The result is expressed as being either a surplus of a deficit (being the difference between Revenue and Expenditure). A surplus is indicative of Revenue being more than Expenditure and a deficit is when Expenditure being more than Revenue.

It is important to note that the financial statements are prepared on the accrual basis and not the cash basis meaning that the transactions as recorded (both revenue and expenditure) when services are rendered or received, does not relate to amounts received or paid, but to the City being entitled to the revenue or being liable for the expenditure. In addition, non-cash items (both revenue and expenditure) are included in the Statement of Financial Performance. Resultantly, neither the surplus nor the deficit refers to cash. To see what the cash balance is, one must refer to the Cash Flow Statement.

As examples, the following is provided:

Revenue for assessment rates and user charges for services – revenue contained in the Statement of Financial Performance is BILLED revenue and not revenue collected.

Gain on sales of assets – this amount is the "profit" made on the sale of assets being the difference between the carrying value of the asset and the selling price (or insurance recovery) received.

Depreciation – depreciation is the systematic expensing of the value of an asset as it is used up and does not relate to any cash payment made (nor is the money owed to anyone for that matter). A road can last for 40 years and every year 1/40th of the road is "used up" and that must be shown as an expenditure item called depreciation. The intention is to set these funds aside so that there is cash available at the end of the useful life of the asset to replace the asset.

Loss of sale of assets – the same as in gain on sale of assets, but here the selling price (or insurance recovery) is less than the carrying value of the asset.

The City of Ekurhuleni generated a deficit of R656 519 325 in the current year compared to a surplus of R545 149 395 in previous year. The collections rates are still below targets. The full set of GRAP accounting standards, as approved by the Accounting Standards Board were fully complied with in the preparation of these annual financial statements.

A comparison of the actual revenue against the revenue of previous year.

	June 25	June 24	Value variance	% Variance
REVENUE				
Service charges	33,082,122,346	30,879,193,024	2,202,929,322	6.7%
Rental of facilities and equipment	102,823,566	106,113,758	(3,290,192)	-3.2%
Construction contracts - HSDG Grant	6,109,610	85,170,089	(79,060,479)	-1294.0%
Interest earned - outstanding debtors	1,061,864,158	1,031,736,167	30,127,991	2.8%
Income from agency services	339,766,334	329,710,220	10,056,114	3.0%
Licences and permits	39,860,334	42,896,703	(3,036,369)	-7.6%
Other Income	338,356,809	274,658,058	63,698,751	18.8%
Interest earned - external investments	112,620,641	135,879,644	(23,259,003)	-20.7%
Gains on sale of assets	-	-	-	0.0%
Property rates	8,839,917,599	8,823,217,846	16,699,753	0.2%
Property rates - penalties imposed	268,776,503	316,821,029	(48,044,526)	-17.9%
Government grants and subsidies	10,670,767,195	10,255,455,533	415,311,662	3.9%
Public contributions and donations	80,594,057	420,881,839	(340,287,782)	-422.2%
Fines	349,628,398	861,824,707	(512,196,309)	-146.5%
Total Revenue	**55,293,207,550**	**53,563,558,617**	**1,729,648,933**	3.1%

Total revenue for the year amounted to R55 293 207 550, which is 3.1% increase from the revenue of the 2023/24 financial year which was R53 563 558 617. The increased revenue is mainly resulting from the increase in the implementation of the inflationary adjustments (costs of bulk increases) consumption of the services charges which increased by 6.7%: other income increased by 18.8%. No allocation was received on the HSDG grants, for the construction services, the interest earned external investment decreased by 20.7% due to less investment made during the year. Penalties on property rates were 17.9% below budget and Public contributions decreased by 422% due to less assets handed over to the city by developers and fines decreased by 146% due to lack of system for the traffic management.

A comparison of the actual revenue against the budget revenue shows a 9.1% deviation.

	Budget	Actual	Value variance	% Variance
REVENUE				
Service charges	37,490,294,968	33,082,122,346	4,408,172,622	11.8%
Rental of facilities and equipment	113,225,545	102,823,566	10,401,979	9.2%
Construction contracts - HSDG Grant	6,109,610	6,109,610	-	0.0%
Interest earned - outstanding debtors	1,097,833,652	1,061,864,158	35,969,494	3.3%
Income from agency services	348,280,865	339,766,334	8,514,531	2.4%
Licences and permits	38,896,074	39,860,334	(964,260)	-2.5%
Other Income	195,200,653	338,356,809	(143,156,156)	-73.3%
Interest earned - external investments	120,064,609	112,620,641	7,443,968	6.2%
Property rates	9,576,125,193	8,839,917,599	736,207,594	7.7%
Property rates - penalties imposed	266,781,129	268,776,503	(1,995,374)	-0.7%
Government grants and subsidies	10,674,759,605	10,670,767,195	3,992,410	0.0%
Public contributions and donations	-	80,594,057	(80,594,057)	0.0%
Fines	933,008,944	349,628,398	583,380,546	62.5%
Total Revenue	**60,860,580,847**	**55,293,207,550**	**5,567,373,297**	9.1%

Major concern on the budget implementation is due to fact that services charges could not be realized based on the projected revenue, which was 11.8% below budget as a result of the impact of higher interim meters on the electricity services which contracted by almost R4 billion while the cost of bulk costs increased significantly. Other income increased by 73.3% above budget due to development applications approved while traffic fines were 62.5 below budget due to the lack of the traffic management system.

A comparison of the actual expenditure against the expenditure of previous year.

The total expenditure for the year amounted to R55 949 726 875 which is 5.2% increase from the expenditure of the 2023/24 year which was R53 018 409 225.

	June 25	June 24	Value variance	% Variance
EXPENDITURE				
Employee related costs	10,785,739,579	9,840,310,000	945,429,579	8.8%
Remuneration of councillors	161,437,351	158,376,569	3,060,782	1.9%
Depreciation	2,646,097,414	2,720,840,954	(74,743,540)	-2.8%
Impairment of assets	18,576,460	19,414,681	(838,221)	-4.5%
Finance costs	1,062,102,103	1,429,261,792	(367,159,689)	-34.6%
Debt impairment	5,093,056,005	6,798,252,543	(1,705,196,538)	-33.5%
Collection cost	113,058,841	210,315,346	(97,256,505)	-86.0%
Bulk purchases	26,106,665,557	22,914,763,416	3,191,902,141	12.2%
Contracted Services	4,363,814,861	2,907,798,038	1,456,016,823	33.4%
Grants and subsidies paid	1,126,121,377	886,115,450	240,005,927	21.3%
General expenses	4,473,057,327	5,132,960,436	(659,903,109)	-14.8%
Total Expenditure	**55,949,726,875**	**53,018,409,225**	**2,931,317,650**	5.2%

The increase on employee costs is 8.8% year on year due to annual salary increases and higher overtime worked during the year. Finance cost decreased 34.6% due to less debt carried and no new loans raised. The debt impairment contribution decreased by 33.5% because several households who previously could not afford to pay for services have qualified for the indigent support programme, in terms of the revised indigent policy, and which also impacted the collection costs which decreased by 86.0%. Significant cost increases relate to bulk costs which have increased by 12.2% because of implementation on the bulk suppliers' costs approved by regulators, contracted services increased to 33.4% due to realignment of repairs and maintenance from general expenses, and increased allocation to the programme. The grants paid increased by 21.3% due to the payment's incentives granted to household who service their accounts. General expenses decreased 14.8% by reclassification on the repairs and maintenance to the contracted services.

A comparison of the actual expenditure against the budget expenditure shows a 3.6% under expenditure, mainly because of employee related costs, finance costs and debt impairment.

EXPENDITURE	Budget	Actual	Value variance	% Variance
Employee related costs	11,356,802,516	10,785,739,579	571,062,937	5.0%
Remuneration of councillors	172,415,066	161,437,351	10,977,715	6.4%
Depreciation	2,875,371,138	2,646,097,414	229,273,724	8.0%
Impairment of assets	-	18,576,460	(18,576,460)	100.0%
Finance costs	1,598,372,559	1,062,102,103	536,270,456	33.6%
Debt impairment	5,691,640,795	5,093,056,005	598,584,790	10.5%
Collection cost	164,506,798	113,058,841	51,447,957	31.3%
Bulk purchases	26,248,074,191	26,106,665,557	141,408,634	0.5%
Contracted Services	3,969,563,460	4,363,814,861	(394,251,401)	-9.9%
Grants and subsidies paid	1,245,832,569	1,126,121,377	119,711,192	9.6%
General expenses	4,718,973,785	4,473,057,327	245,916,458	5.2%
Total Expenditure	**58,041,552,877**	**55,949,726,875**	**2,091,826,002**	3.6%

The financial performance for the year reflects as a deviation of 3.6% spending below budget allocation. Finance cost decreased 34.6% due to less debt carried and better management of the overdraft facility. The debt impairment contribution decreased by 10.5% of the revised indigent support programme, and which also impacted the collection costs which decreased by 31.3%; contracted services were 9.9% higher than budget due to increased costs on security and cleaning costs, and grants and subsidies paid were 9.6% below budget due to saving raised on the ablution support programme. The minimal variance between the budget and actual indicates an improved level of planning being performed by departments and realisation of budgeted revenue projections and keeping expenditure within the approved budget.

Statement of Financial Position

Explanatory notes on what the Statement of Financial Position entails

The purpose of the Statement of Financial Position is to give an account of the assets and liabilities of the city at the end of the financial year.

Net assets are shown which the difference between the assets and the liabilities is. If the city has a net deficit, it is indicative that the city has more liabilities than assets, which could be interpreted as being insolvent.

When comparing the Statement of Financial Position with that of 2024, the following variances are evident:

ASSETS	June 25	June 24	Value variance	% Variance
CURRENT ASSETS	16,452,902,758	13,940,894,004	(2,512,008,754)	-15.3%
NON-CURRENT ASSETS	63,112,200,540	62,919,628,801	(192,571,739)	0.3%
TOTAL ASSETS	79,565,103,298	76,860,522,805	(2,704,580,493)	3.4%
CURRENT LIABILITIES	20,913,527,733	17,116,720,318	3,796,807,415	18.2%
NON CURRENT LIABILITIES	9,873,466,631	10,309,174,234	(435,707,603)	-4.4%
			-	
TOTAL LIABILITIES	30,786,994,364	27,425,894,552	3,361,099,812	10.9%
			-	
NET ASSETS (NET POSITION)	48,778,108,934	49,434,628,253	(656,519,319)	-1.3%
Accumulated Surplus/(Deficit)	48,778,108,934	49,434,628,253	656,519,319	-1.3%

Net assets decreased by 1.3% from the previous year due to increased expenditure

Cash Flow Statement

Explanatory notes on what the Cash Flow Statement entails

The cash flow statement shows a positive net cash inflow (money received). Here accruals are not applicable as the as the focus is on cash movements. Technically the statement starts with the accounting surplus as per the Statement of Financial Performance which gets adjusted for all non-cash transactions. All other cash transactions not resulting from the Statement of Financial Performance are recorded. These items can be referenced back to both the capital budget as well as the items reported as part of the quarterly Section 11 withdrawals reports submitted to Council.

There are three main categories:

Net cash resulting from operating activities – this section shows the result of the operations of Council in cash terms. It includes the rendering of municipal services, purchasing of inventory kept in stores, debtors and creditors transactions and interest paid and received.

Net cash resulting from investing activities – this section shows the result from amounts invested (either in assets through the capital budget or as cash investments) as well as investments made and/or withdrawn.

Net cash resulting from financing activities – this section shows the result from financing activities, being mainly external loans taken up or redeemed.
A healthy financial situation is one where the city has a net cash surplus resulting from operations as main source of revenue rather than from financing activities. A second important measure is to look for a correlation between cash generated from financing

activities and investing activities which shows that funds borrowed where invested in capital infrastructure and not used for operations.

A very dangerous situation would be where there is a net cash deficit from operations, no or limited cash invested but cash received from financing activities. That would be indicative of a city utilising borrowing to fund operations instead of infrastructure assets.

Cash resources increased as follows:

	June 25	June 24	Value variance	% Variance
Net Cash inflow from Operating activities	4,401,156,488	3,684,657,507	(716,498,981)	-16.3%
Net Cash outflow from Investing activities	(2,793,956,705)	(1,941,331,481)	852,625,224	30.5%
Net Cash inflow from Financing activities	(950,710,524)	(1,719,554,515)	768,843,991	-80.9%
Net Increase in Cash and Cash equivalents	**656,489,259**	**23,771,511**	**632,717,748**	96.4%
Cash and Cash equivalents at Beginning of the year	615,825,182	592,053,671	23,771,511	3.9%
Cash and Cash equivalents at End of the year	**1,272,314,441**	**615,825,182**	**656,489,259**	5159.8%

Cash flow Statement

	June 24	June 23	Value variance	% Variance
Net Cash inflow from Operating activities	3 684 657 507	2 926 887 307	(757 770 200)	-20,6%
Net Cash outflow from Investing activities	(1 941 331 481)	(3 049 662 419)	(1 108 330 938)	-57,1%
Net Cash inflow from Financing activities	(1 719 554 515)	(58 314 466)	(1 661 240 049)	96,6%
Net Increase in Cash and Cash equivalents	**23 771 511**	**(181 089 578)**	**204 861 089**	861,8%
Cash and Cash equivalents at Beginning of the year	592 053 671	773 143 249	(181 089 578)	-30,6%
Cash and Cash equivalents at End of the year	**615 825 182**	**592 053 671**	**23 771 511**	386,0%

The city generated from its operating activities a cash of R4.401 billion during the 2024/25 financial year and 2023/24 financial year was R3.685 billion, an increase of R716 million. The year started with a cash balance of R615 million and ended with cash of R1.272 billion. The financing element decreased by R951 million. The cash were generated as follows:

- From operations – R716 million cash increase - Simply stated this means that the difference between amounts received from our customers for services rendered and grants received were R716 million more than the amounts that we paid out as operating expenditure to our employee costs and suppliers in delivering services

- From investing activities – R2.8 billion cash outflow – this means that we invested R2.8 billion in the acquisition and replacement of the capital expenditure.

- From financing activities – R769 million cash inflow – This relates to repayments of long-term borrowing. No new borrowing were raised for the current year.

The loan redemption profile of the existing loans is as follows:

City of Ekurhuleni Metropolitan Municiplaity Loan Redemption Profile 30 June 2025								
Financial	Opening Balance	New Loans	Redemption	Closing Balance	Inv Maturing	Net Redemption	Annuity Payments	Bullet Payments
2024/25	8,190,001,246.18	-	933,971,657.06	7,256,029,589.12		933,971,657.06	933,971,657.06	
2025/26	7,256,029,589.12		785,628,545.23	6,470,401,043.90		785,628,545.23	785,628,545.23	
2026/27	6,470,401,043.90		822,407,204.65	5,647,993,839.25		822,407,204.65	822,407,204.65	
2027/28	5,647,993,839.25		837,541,793.65	4,810,452,045.60		837,541,793.65	837,541,793.65	
2028/29	4,810,452,045.60		803,459,205.26	4,006,992,840.34		803,459,205.26	803,459,205.26	
2029/30	4,006,992,840.34		801,522,444.04	3,205,470,396.30		801,522,444.04	801,522,444.04	
2030/31	3,205,470,396.30		616,528,426.55	2,588,941,969.75		616,528,426.55	616,528,426.55	
2031/32	2,588,941,969.75		328,630,593.74	2,260,311,376.01		328,630,593.74	328,630,593.74	
2032/33	2,260,311,376.01		137,659,616.35	2,122,651,759.66		137,659,616.35	137,659,616.35	
2033/34	2,122,651,759.66		2,122,651,762.79	- 3.13	2,000,000,000.00	122,651,762.79	2,122,651,762.79	

The bullets loans will be redeemed from sinking funds that are in place and funds are transferred annually to the reserves. The redemption of the loans will therefore not have a negative impact on the cash available for operations.

External borrowing profiles for the last five years is as follows:

Financial Institution	Closing Balance 30 June 2021	Closing Balance 30 June 2022	Closing Balance 30 June 2023	Closing Balance 30 June 2024	Closing Balance 30 June 2025
ABSA	437,965,685	291,882,375	205,430,842	108,629,224	-
Nedbank	971,424,897	901,063,595	860,189,751	815,227,858	765,571,875
DBSA	2,024,933,185	4,924,105,520	5,434,276,971	5,110,094,746	4,759,391,533
Municipal Bonds	6,528,619,283	3,967,041,646	3,525,881,110	2,272,272,331	1,830,550,226
Total Liabilities	**9,962,943,050**	**10,084,093,136**	**10,025,778,674**	**8,306,224,159**	**7,355,513,634**

The city has an accumulated surplus of R48.778 billion –meaning that the city's net assets balance exceeds the city's total liabilities by this amount. The accumulated surplus is presented on accrual basis as per the accounting standards for reporting purposes and does not mean actual cash balance position.

Capital Budget Implementation

The final departmental performance insofar as the capital budget for the current year is concerned is reflected below:

	Sum of Original Budget	Sum of Adjusted Budget	Sum of Actual Expenditure Year to Date	% Spent (Actual vs Adjusted Budget)
Disaster & Emergency Management Services	30,500,000	30,500,000	30,223,135	99.09%
Economic Development	35,253,940	35,253,940	35,449,248	100.55%
Ekurhuleni Housing Company (EHC)	434,403	4,676,961	2,993,247	64.00%
Ekurhuleni Metro Police Department	30,000,000	40,000,000	39,987,703	99.97%
Energy	552,214,824	531,092,824	528,927,784	99.59%
Environmental Resources & Waste Management	100,200,000	105,200,000	104,010,766	98.87%
ERWAT	95,000,000	103,260,538	98,333,438	95.23%
Health and Social Development	1,000,000	1,000,000	1,000,000	100.00%
Human Settlements	492,511,321	471,511,321	471,511,322	100.00%
Information and Communication Technology	196,000,000	201,100,000	200,005,400	99.46%
Real Estate	39,000,000	49,000,000	48,809,538	99.61%
Roads and Stormwater	263,598,355	212,514,355	212,511,023	100.00%
Service Delivery Coordination	91,000,000	91,000,000	89,520,115	98.37%
Sport Recreation Arts and Culture	26,231,000	27,262,977	27,230,224	99.88%
Transport Planning & Provision	367,369,500	302,269,500	302,269,501	100.00%
Water and Sanitation	590,000,000	581,000,001	581,000,001	100.00%
Grand Total	**2,910,313,343**	**2,786,642,417**	**2,773,782,443**	**99.54%**

Capital expenditure for 2023/24

	Sum of Original Budget	Sum of Actual Expenditure Year to Date	% Spent (Actual vs Adjusted Budget)
Council General	8 500 000	-	0,00%
Disaster & Emergency Management Services	32 000 000	31 169 163	100,00%
Economic Development	24 650 000	24 350 000	98,78%
Ekurhuleni Metro Police Department	10 000 000	23 256 021	96,06%
Energy	555 439 499	632 627 577	100,00%
Environmental Resources & Waste Management	54 100 000	75 690 641	98,94%
Health and Social Development	4 248 000	3 433 698	98,11%
Human Settlements	500 091 000	372 648 832	99,50%
Information and Communication Technology	213 000 000	225 289 175	99,32%
Real Estate	56 444 474	33 438 193	59,24%
Roads and Stormwater	255 640 123	241 015 089	99,95%
Service Delivery Coordination	25 000 000	24 990 054	99,96%
Sport Recreation Arts and Culture	24 575 000	27 726 750	102,41%
Transport Planning & Provision	287 956 831	303 556 403	99,98%
Water and Sanitation	587 000 000	576 860 967	99,98%
Grand Total	**2 767 670 180**	**2 753 208 993**	**99,74%**

Capital budget was increased from R2 767 670 180 (in 2023/24) to R2 910 313 343 in 2024/25. The expenditure performance against budget in the current year is 99.54% for the city, excluding its entities, which is lower than the previous year performance of 99.74% but higher than the norm or target of 95%.

SECTION C: REPORT OF THE AUDITOR-GENERAL

The Auditor General (AG) report contained in the annexures to this report is the signed report. The page numbers (which refer to the pages in the annual report) will be included in the published version (glossy) of the annual report.

The MFMA, Section 126 (3) require The Auditor-General must—

a) audit those financial statements; and
b) submit an audit report on those statements to the accounting officer of the city or entity within three months of receipt of the statements.

The report of the Auditor General will include audit work performed on the following activities of the city:

a) Financial Statements, whether the financial statement fairly present in all material aspect the financial results and financial position of the city and it cash flow
b) Predetermined objectives, whether the information reported by the city on service delivery targets is usefulness and reliable as reported in the city's annual report
c) Compliance with Laws and Regulations, whether the city has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.
d) Any other audit work performed on behalf of the city (other audit services)

Additional clarity / definitions:

What types of audit opinions are there?

DISCLAIMER - When the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive (i.e. very serious / chaos).
ADVERSE - The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements i.e. the statements are inaccurate.
QUALIFIED - The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements – also called "except for" financial statements accurate except for certain matters
UNQUALIFIED - The opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. This means there are no material errors in the financial statements.

What a financial audit opinion says – in other words, what does it mean to have an unqualified audit opinion?

Opinion as to whether the financial statements are a true reflection (in all material aspects) of the financial results of the city.
What a financial audit opinion does not say – in other words, even if you are unqualified, it does not mean that:

- *There are no fraud*
- *The city has enough cash / is financially in a good position*

What is Materiality?

- *Amount determined by AG that is deemed to be big enough to cause a misstatement - +-R100m for COE*
- *Opinion based on findings that are material in value, i.e. errors > R100m impacts on opinion*

What is Significant matters?

Regardless of the materiality amount, certain items are deemed to be material due to the nature of the item, such as disclosure requirements.

Why does the report not say that it is "Clean" or not?

In private sector, an unqualified audit is the norm. There is no concept of "clean" in private sector and the term is also not contained in audit standards.

However, in public Sector a higher level of accountability is required. The goal is to achieve clean audit as we are dealing with public funds.

Then what is a "Clean Audit"?

A clean audit is an audit opinion that is:

- ***Financially unqualified***
- ***Has no findings on Pre-Determined Objectives***
- ***Has no findings on Compliance Matters***

Audit opinion – **QUALIFIED AUDIT OPINION,** on the consolidated and separate financial statements of the City of Ekurhuleni.

Basis for opinion – auditing of AFS and expressing an opinion as to whether the AFS gives a true reflection of the city financial performance and its financial position for the year ended and the audit procedures performed in reaching the audit opinion.

Indicate that sufficient audit evidence was obtained to express the audit opinion.

Key audit matters

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.

In addition to the matter described in the material uncertainty related to the going concern section, I have determined the matter described below to be the key audit matter to be communicated in my report. In terms of the EAR Rule, I am required to also report the outcome of audit procedures or key observations with respect to the key audit matter.

Key audit matter	How matter was addressed and outcomes or key observation
Revenue from service charges (electricity and water) The municipality generates a significant portion of its revenue from service charges relating to electricity and water supplied to residents and businesses. Due to the large number of consumers, reliance on automated billing systems and the risk of inaccuracies in metre readings and billing processes, revenue from service charges was considered to be a matter of most significance in our audit. In addition, there is a risk that revenue may be misstated due to incorrect tariff application, incomplete billing or system-related errors. The recognition of revenue is governed by the applicable **GRAP 9** and **GRAP 23.**	Our audit procedures included: • Evaluating the design and implementation of key controls over the revenue and billing cycle. • Testing a sample of consumer accounts to confirm that tariffs applied were approved by the council and correctly configured in the billing system. • Testing metre readings and consumption data used to generate billing. • Performing analytical procedures comparing electricity and water revenue with prior years and consumption trends. • Performing cut-off testing around year-end to ensure that revenue was recognised in the correct reporting period. • Assessing the adequacy of disclosures relating to revenue in the financial statements. No material misstatements were identified as a result of procedures performed.

Emphasis of matters

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

An uncertainty relating to the future outcome of exceptional litigation

Par 22. With reference to note 46 to the consolidated and separate financial statements, the group is the defendant in the various lawsuits. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

Material impairment

As disclosed in note 14 to the consolidated and separate financial statements, the consumer debtors' balance has been impaired. The allowance for impairment of consumer debtors amounts to R23 102 534 883 (2024: R21 412 957 670) which represents 68% (2024: 70%) of total consumer debtors. The contribution to the allowance for debt impairment was R5 548 032 566 (2024: R5 789 351 498).

Par 18. As disclosed in note 13 to the consolidated and separate financial statements, the traffic fines debtors' balance has been impaired. The allowance for impairment of traffic fines debtors amounts to R2 739 788 968 (2024: R2 653 787 032) which represents 82% (2024: 82%) of total traffic fines debtors. This was due to non-payment of long-outstanding traffic fines.

As disclosed in note 12 to the consolidated and separate financial statements, the property rates debtors' balance has been impaired. The allowance for impairment of property rates debtors amounts to R4 484 157 370 (2024: R4 263 614 831) which represents 73% (2024:78%) of total property rates debtors.

Material losses – Electricity

Par 20. As disclosed in note 40 to the consolidated and separate financial statements, material electricity losses of R3 067 588 141 (2024: R2 750 624 166) were incurred, which represents 15,5% (2024: 16%) of total electricity purchased. Technical losses of R858 388 622 (2024: R736 309 218) were due to electricity lost while being distributed from the source of generation through the transmission and distribution network to the final consumer. Non-technical losses of R2 209 199 519 (2024: R2 014 314 948) were due to administrative and technical errors, negligence, theft of electricity, tampering with metres and connections, which form part of illegal consumptions and faulty metres.

Restatement of corresponding figures

As disclosed in note 58 to the consolidated and separate financial statements, the corresponding figures for 30 June 2024 were restated as a result of errors in the consolidated and separate financial statements of the group at, and for the year ended, 30 June 2025.

Other matters

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

I draw attention to the matter below. My opinion is not modified in respect of these matters.
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 for the financial statements

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

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 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.

Auditor-general's responsibilities for the audit of the consolidated and separate financial statements

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 financial statements.

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.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

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 objective presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

I selected the following strategic objective presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected a strategic objective that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Strategic objective	Page numbers	Purpose
To deliver reliable, affordable and sustainable services and ensure improved infrastructure maintenance	X - X	To promote integrated human settlements by ensuring access to basic services

I evaluated the reported performance information for the selected strategic objective 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.

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
- 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 and for the reasons provided for any over- or underachievement of targets taken to improve performance.

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

I did not identify any material findings on the reported performance information for the selected strategic objective.

Other matters

I draw attention to the matters below.

Achievement of planned target

The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

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.

To deliver reliable, affordable sustainable service and ensure improved infrastructure maintenance.

Targets achieved: 71%

Budget spent: 96%

Key indicator not achieved	Planned target	Reported achievement
TR6.13: KMs of new municipal road network	6KM	1,06KM
RSD1.3: Number of stormwater systems constructed	20	9
WS3.11: Percentage of callouts responded to within 48 hours (sanitation/wastewater)	85%	43.07%
WS3.21: Percentage of callouts responded to within 48 hours (water)	85%	52.91%

Report on the audit of compliance with legislation

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.

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.

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.

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

Expenditure Management

Reasonable steps were not taken to prevent irregular expenditure amounting to R42 952 885, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by the contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations.

Procurement and Contract Management

Some of the contracts were awarded to bidders based on points given for legislative requirements that differed from those stipulated in the original invitation for bidding, in contravention of SCM regulations 21(b) and 28(1)(a)(i) and the Preferential Procurement Regulations. Similar non compliance was reported in the previous year.

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. 44.

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.

Other information in the annual report

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

My opinion on the financial statements, the report on the annual performance report and the report on compliance with legislation does not cover the other information.

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 strategic objective presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 auditor's report as appropriate. However, if is corrected this will not be necessary.

Internal control deficiencies

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.

The matter reported below is limited to the significant internal control deficiency that resulted in the material findings on compliance with legislation included in this report.

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 in a timely manner to prevent and detect material errors in the submitted annual financial statements, as well as to prevent and detect non compliance with legislation.

The accounting officer developed an action plan to address the prior years' significant findings, but adherence to the plan was not adequately monitored on a timely basis by the appropriate level of management, resulting in numerous material findings relating to compliance with laws and regulations.

The accounting officer did not adequately design and implement IT controls to prevent, detect and prevent unauthorised access to the financial reporting system, resulting in data manipulation.

Senior management did not always ensure that adequate controls were designed, implemented and monitored to ensure proper financial reporting and compliance with laws and regulations, resulting in material non-compliance with laws and regulations.

Material irregularities

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 irregularity in progress

I identified a material irregularity during the audit and notified the accounting officer of this, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting officer were not yet due. This material irregularity will be included in the next year's auditor's report

Status of previously reported material irregularities

The material irregularities identified are as follows:

Distribution centre not utilized.

Resources of the municipality were not utilised economically, as required by section 62(1) (a) of the MFMA. The municipality did not take appropriate steps to ensure that once the distribution centre was completed, it was placed in use. The distribution centre was completed, and an occupancy certificate was issued on 27 June 2022.

The non-compliance is likely to result in the misuse of the vacant distribution centre at the Ekurhuleni fresh produce market for the CoE. The expansion on the fresh produce market was constructed and completed on 27 June 2022 and was intended to assist and create a boost in the economy within the CoE district, as well as generate an additional stream of revenue for CoE. The cost of expanding the fresh produce market with the additional distribution centre amounted to R39 778 318.

The accounting officer was notified of the material irregularity on 12 December 2024.

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

- Property valuers appointed in February 2025 completed the valuation of the distribution centre in February 2025.

- The council passed a resolution in July 2025 authorising the AO to conduct the required public participation process relating to the proposed long-term lease of the distribution centre.

- A provincial government gazette was issued in August 2025 pertaining to the notice of the public participation process to be conducted on the proposed long-term leasing of the distribution centre, with a meeting scheduled for 4 September 2025. Hereafter, the public participation outcome will be submitted to the council to request the resolution to finalise the process. After the receipt of this approval, the AO will issue a bid advertising to invite potential tenants, followed by the bid evaluation and subsequent award. The distribution centre will then be handed over to the successful bidder and the commencement of the functionality of the distribution centre will take place.

- The public meeting took place on 4 September 2025 in the Supper Hall, Springs Civic Centre however, there was no attendance by any members of the community.

- Engagements were undertaken with National Treasury and Provincial Treasury to obtain guidance on the prescribed process to be followed in respect of the proposed long-term lease of the property.

- No disciplinary process was initiated as the project manager is no longer in the employment of the municipality.

I will follow up on the implementation of the planned action during my next audit.

SECTION D: APPROVAL OF FINAL YEAR END TRANSACTIONS FOR THE COMPILATION OF THE 2024/25 FINANCIAL STATEMENTS

As part of the compilation of the financial statements process, and to comply with the requirements of Generally Recognized Accounting Practices (GRAP), the following transactions were processed:

Council approval required:

- An amount of R12 930 631 had to be impaired and derecognised as these Capital Expenditure did not meet the subsequent capitalization requirements as per the applicable accounting standards, which have to be derecognised.
- The criteria for redundant stock are where no or little movement for over a period pf time. Stock with no movement for the last 5 years were identified through stock count and circulated to departments to indicate any need for the items as from April 2024. The inventory write-off for the year under review was R7 558 319 (2024: R8 730 075).

Council noting for the delegated write:

- Debtors written off in terms of the GCFO's delegated powers – these are reported to Council in terms of the various council resolutions taken regarding the delegations.

OTHER DEPARTMENTS/ BODIES CONSULTED

The finance management team was consulted, and these results were reviewed by the audit committee and their recommendations were noted in preparing these reports. HOD's commented on matters raised by the Auditor-General in respect of matters under their area of responsibility, and corrective action will be monitored by the OPCA, Internal Audit and Audit Committee in the 2024/25 financial year.

CITY OF EKURHULENI METROPOLITAN MUNICIPALITY
ORDINARY COUNCIL MEETING

2026.03.26

A-F (18-2026)

RECOMMENDATION

1. **That** the Annual Report, inclusive of the Annual Financial Statements and the Report of the Auditor-General for the 2024/25 financial year, **BE NOTED**.

2. **That** the report, **BE REFERRED** to the Municipal Public Accounts Committee (MPAC) for the oversight process as contemplated in section 129 of the Municipal Finance Management Act.

3. **That** all instances of Irregular, Fruitless and Wasteful Expenditure as reported in the Annual Financial Statements, **BE REFERRED** to the Municipal Public Accounts Committee (MPAC) for investigation as contemplated in section 32 of the Municipal Finance Management Act.

4. **That** the Municipal Public Accounts Committee **REPORT BACK** to Council by no later than end April 2026 as required by sections 32 and 129 of the Municipal Finance Management Act.

5. **That** the final year end transactions for the compilation of the financial statements as described in the report, **BE APPROVED.**

6. **That** the city Annual Reports, inclusive of the Annual Financial Statements and the Reports of the Auditor-General for the 2024/25 financial year, **BE APPROVED.**