



Consolidated Annual Report 2022/2023

"A leader in sustainable
development and service
delivery by 2030"

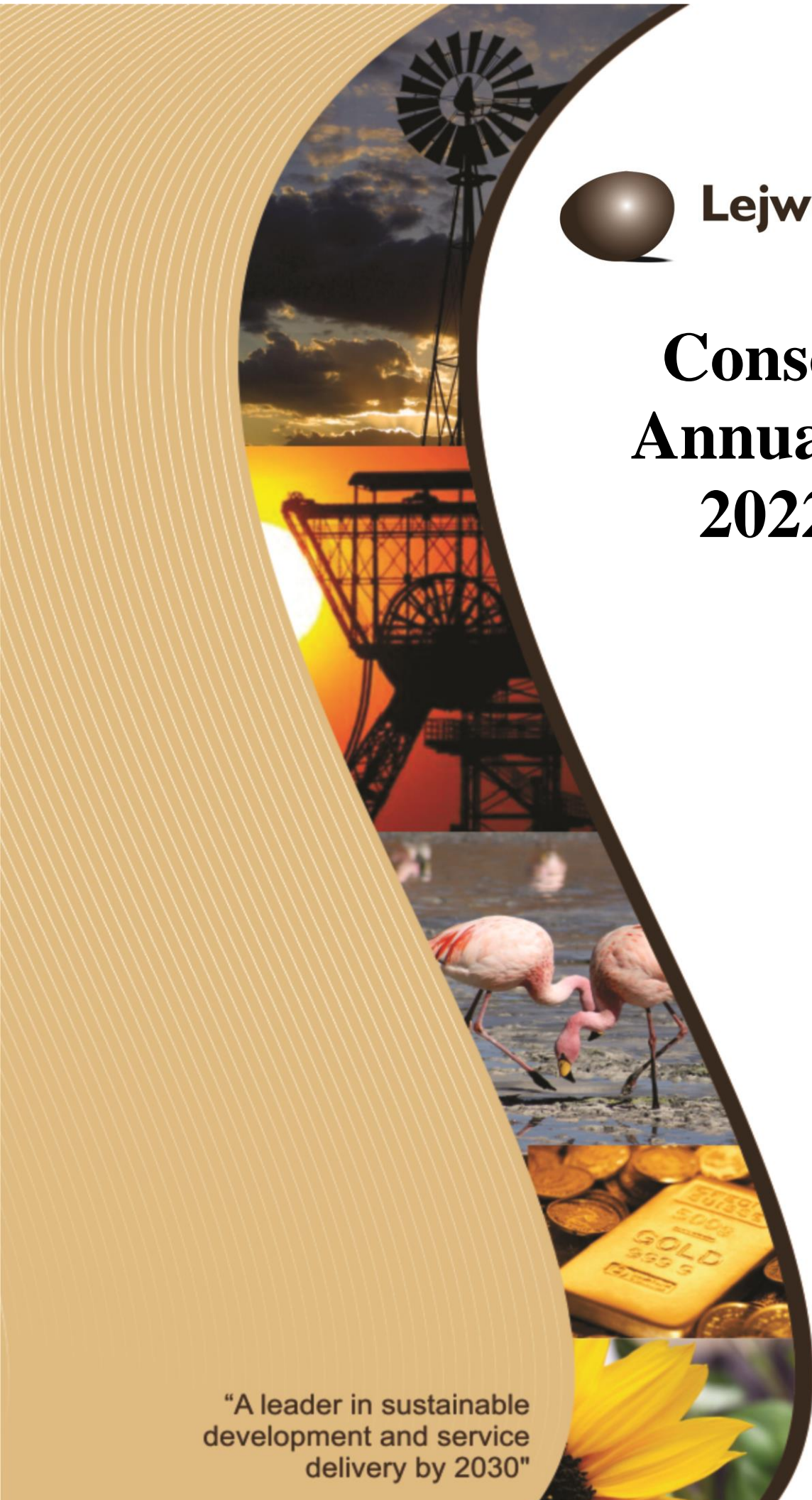


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VISION

“A LEADER IN SUSTAINABLE DEVELOPMENT AND SERVICE DELIVERY
TO ALL”

MISSION STATEMENT

THE LDM STRIVES TO ACHIEVE ITS VISION THROUGH

1. PROVIDING SOUND FINANCIAL MANAGEMENT
2. PROVIDING EXCELLENT, VIBRANT PUBLIC PARTICIPATION AND HIGH QUALITY LOCAL MUNICIPAL SUPPORT PROGRAMMES MAINTAINING GOOD WORKING RELATIONS IN THE SPIRIT OF CO-OPERATIVE GOVERNANCE
3. ENHANCING HIGH STAFF MORALE, PRODUCTIVITY AND MOTIVATION

THE VALUES OF THE LDM ARE THE FOLLOWING

1. INTEGRITY
2. HIGH WORK ETHICS
3. OPENNESS
4. TRANSPARENCY
5. HONESTY
6. CONSULTATION
7. PROFESSIONALISM

LDM STRATEGIC OBJECTIVES

- 1. Strategic objective** - Build a capacitated workforce and communities.

- 2. Strategic objective** - Sustainable Environmental Management and Public Safety

- 3. Strategic objective** - Growing an inclusive district economy.

- 4. Strategic objective** - Financial Viability.

- 5. Strategic objective** - Good Governance.

VALUES

ABOUT THIS ANNUAL REPORT

Category B Municipalities in South Africa were mandated to perform the under – mentioned functions for the achievement of set goals and objectives of a development by central Government.

- Municipal abattoirs
- Municipal park and recreation
- Local Sport Facilities
- Street Trading
- Municipal planning
- Municipal Roads
- Public places
- Refuse removal , refusal of dumps and solid waste
- Traffic and parking
- Municipal Public Transport
- Public, Nuisance control Fire Fighting Service
- Pontoons, Ferries, Jetties, Piers and Harbors
- Markets Stalls and Trade Areas
- Storm Water Management
- Local Tourism
- Cemeteries, Funeral Parlours and Crematoria
- Building, Trading Regulations, Liquor and Public, Nuisance Control
- Beaches and Amusement Facilities Advertisements in Public Places

Section 84 of the Municipal Systems Act, 2000 (Act 32 of 2000) provides for the following functions of District municipalities.

- Integrated Development and Planning for the District as a whole
- Bulk Infrastructure Planning
- Solid Waste Disposal
- Provincial Roads
- Regulation of Passenger Transport Services
- Municipal Health Services
- Fire Fighting Service in the District / Disaster management
- Promotion of Local Tourism.

Lejweleputswa District Municipality continues to forge and strengthen relations with local Municipalities in the District and plays its role of support, coordination, facilitation and innovation as mandated by the legislation. Through, integrated development planning and promoting bulk infrastructural development, the District strives to capacitate local municipalities in performing their functions to address issues of service delivery and triple challenges that are facing our country as a contribution to **THUMA MINA PROJECT**.

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CHAPTER 1
EXECUTIVE SUMMARY:
FOREWORD BY THE
EXECUTIVE
MAYOR AND OVERVIEW BY
THE ACTING
MUNICIPAL MANAGER



EXECUTIVE MAYOR'S FOREWORD

IDP 2022/2023

As the Executive Mayor of the Lejweleputswa District Municipality, it is my privilege to present the Annual Report for the 2022/2023 financial year. The Annual Report is a comprehensive accumulation of achievements and progress made during the 2022/2023 financial Year by LDM. It also provides an opportunity to present current and future challenges the municipality continues to face.

As means to pursue this district planning, it will therefore be significant ensure proper and coherent planning processes which begins with the development of the Integrated Development Plan (IDP), budget and Service Delivery Budget Implementation Plan (SDBIP). The SDBIP is not an isolated document but an integral part of municipal planning as required by Municipal Finance Management Act (MFMA) to meet set standards. The SDBIP gives effect to the IDP. The budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan. The SDBIP therefore serves as a “contract” between the administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget

As part of our public participation process, we have on numerous occasions had conversations with residents across the district, the purpose of which was to solicit the views of our communities and measure our service delivery progress as well as to gather information on the immediate community needs

This is a decisive moment for our country as we begin a new decade of hope and expectation, of promise and opportunity despite the many challenges we face and when many South Africans continue to endure much hardship. Notwithstanding the hardships, we face the nation remains united in its resolve to overcome the challenges of the present and realise the National Development Plan’s Vision 2030

The process of implementing District Development Model is ongoing. Development will be pursued through single, integrated district plans enabled by the vision of “One District; One Plan; One Budget; One Approach”. The model has been endorsed by Cabinet, local government structures, traditional authorities and the President’s Coordinating Council (PCC). The new district-based coordination model aims to address service delivery and economic development challenges through the synchronisation of planning across all spheres of government, working alongside social partners such as business and community

Our 2022-2023 IDP and our Budget will go a long way in improving the quality of life of our community by broadening accessibility and alleviating poverty. The municipality will continue to work in collaboration with government departments and other entities to provide desired services to the communities of Lejweleputswa

Signed By :.....
CLLR VERONICA NTAKUMBANA
EXECUTIVE MAYOR



ACTING MUNICIPAL MANAGER'S OVERVIEW

The municipality's Annual Report for the 2022/2023 Financial Year provides an overview of the work undertaken in the year under review, outlining both its highlights and challenges.

The municipality has five service departments, namely, the Municipal Manager's office, Finance Department, LED Department, Environment health, Disaster Department and the Corporate Services department. Not all these departments have existing departmental heads. However, when these departments' positions are fully filled service delivery should be of high standard.

In pursuit of its excellence, the municipality, monitored and evaluated its performance in accordance with the top layer Service Delivery and Budget Implementation Plan (SDBIP). The Annual Report also seeks to assist our Councillors, Local Municipalities within the area of jurisdiction of Lejweleputswa, the Provincial Legislature, our Communities and other users of this Annual Report, with information and progress made on service delivery in general

It is with great pleasure to report that the District Municipal Council is functional and continues to develop the requisite capacity to fulfil its Constitutional obligations as enshrined in section 152 of the Constitution. Together with its oversight committees such as the Municipal Public Accounts Committee (MPAC) and the Audit Committee, Council has managed to take the kind of decisions that place the interests of the people at heart.

As we pursue our service delivery agenda, we will never take our communities for granted and most importantly never again will the municipality be found wanting on issues of compliance.

As the Acting Municipal Manager of the Lejweleputswa District Municipality, allow me to take this opportunity to express my sincerest gratitude to all the staff members for their dedication and commitment as none of the achievements would not have been possible without them.

In conclusion, I would like to pay a special tribute to the Executive Mayor and his formidable team of Councillors, for their leadership, guidance and support during my acting time and especially during the period under review. They continue to be good leaders and exemplary to us not to pursue self-interest, but to pursue the interests of all peoples of the Lejweleputswa District. Their firm leadership, and relationship in Council, directed our course to excellence

Signed by-----
Mr Sello More
Acting Municipal Manager

1.1. MUNICIPAL FUNCTIONS, POPULATION AND THE ENVIRONMENT

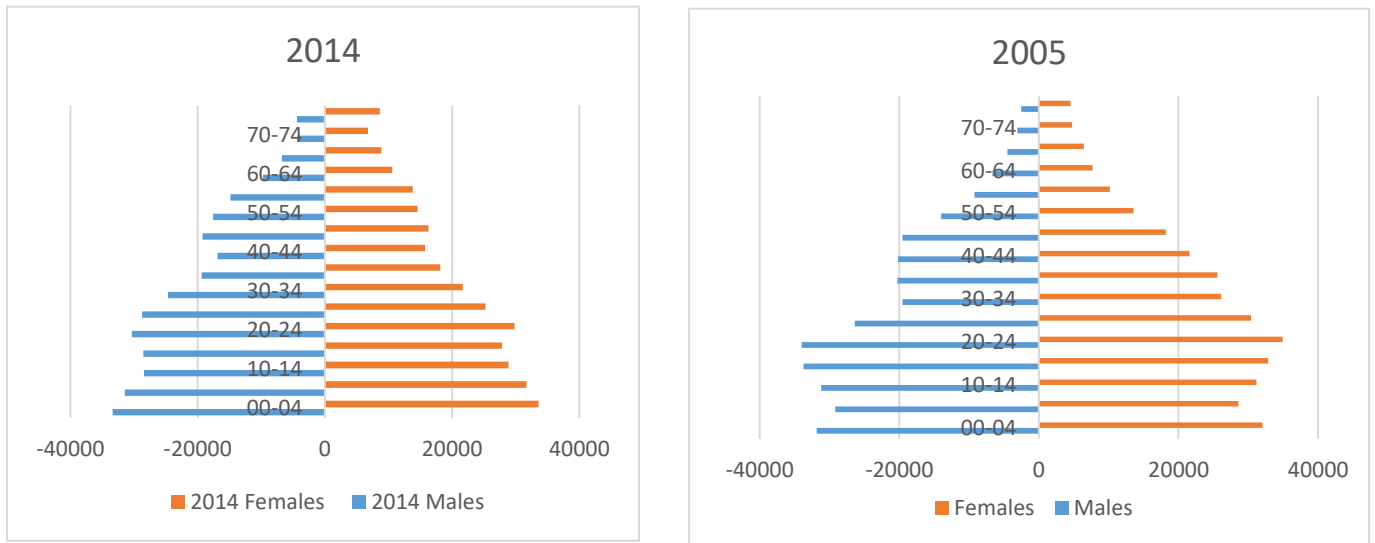
Lejweleputswa District Municipality is situated in the mid-western part of the Free State province, with an estimated area of about 31930 km² (Local government hand book, 2013). The district borders the North-West province to the north, Fezile Dabi District Municipality to the north east, and Thabo Mofutsanyane District Municipality to the east. It also borders Mangaung Metro and Xhariep District to the south and the Northern Cape Province to the west. It consists of 22.9% of the Free State province's population, down from 26.7 % in 1996 (IHS Global Insight, 2015). The District is made up of five local municipalities, namely; Matjhabeng, Tokologo, Tswelopele, Nala and Masilonyana with about 17 towns¹.

The economy of the District relies heavily on the gold mining sector as the largest sector, dominant in two of the municipalities, Matjhabeng and Masilonyana, whilst the other Municipalities are dominated by agriculture. There is less diversification of the District's economy relying heavily on the mining sector and community service sector as the largest employers in the District. Matjhabeng is the largest municipality in the District and contributes the largest share of GVA-R in the District. The average annual GDP-R growth rate stands at -1.5 percent in 2014 for the District and forecast to decline even further to -2.9 percent in 2016 according to IHS Global Insight, as a result of low international commodity prices and a persistent drought in the agricultural sector. Output in agriculture is forecast downwards and prices in agricultural goods are expected to rise due to low output levels as given by the South African Reserve Bank in their monetary policy statement in September 2015 for the country in general.

Demographic profile

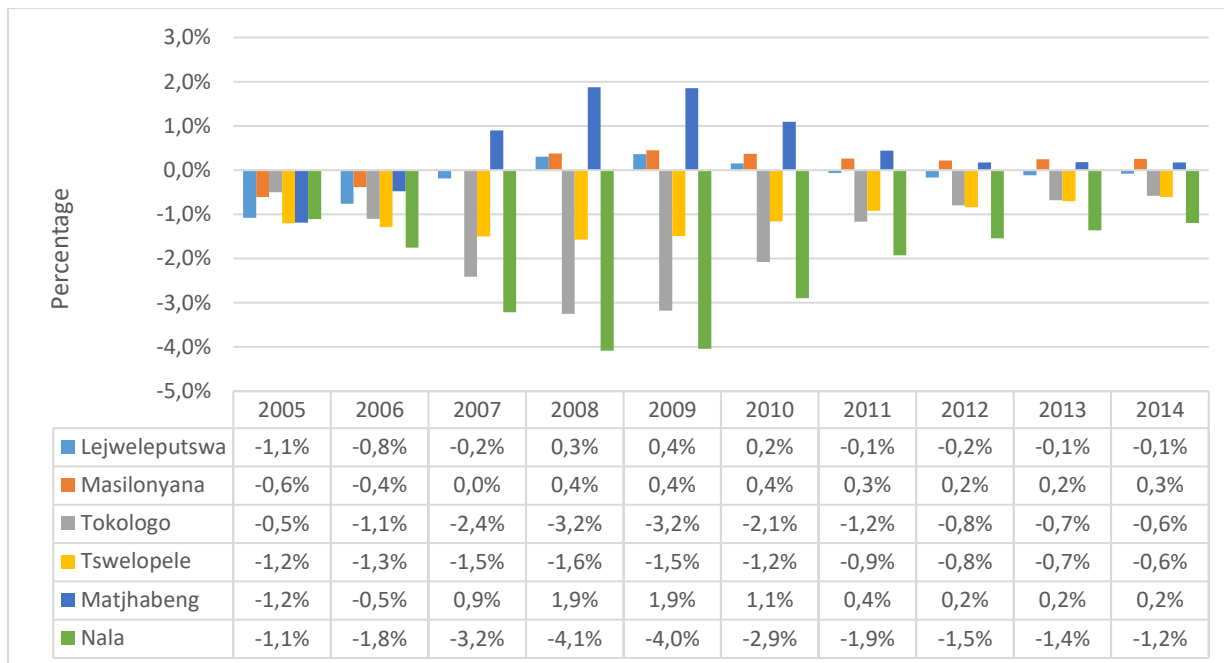
Lejweleputswa District had a total population of 630 912 in 2014, broken down into 318 662 males and 312 249 females. The District contributed 22.6 percent to the Free State's population in 2014, down from 23.24 percent in 2005. Most of the inhabitants are Africans, constituting 88.73 percent of the total population, followed by Whites (8.86 percent) and then Coloureds (1.9 percent), with a very small Indian community of 0.45 percent. There are more males (51.0 percent) in Lejweleputswa than females (49.0 percent).

Figure 4.1: Lejweleputswa District population pyramid



According to figure 4.1 above, the population pyramid of Lejweleputswa, for the years 2005 and 2014 has a broad base, indicating a large portion of children and the youth below 25 years of age. In 2005 Lejweleputswa District had a relatively large proportion of middle aged inhabitants, both the males and the females above 15 years of age and below 30 years of age, compared to the year 2014 which has a relatively sliding scale of both males and females in the same age cohort of 15 years and 30 years. The reflection of the relatively large proportion of the middle aged population in the District in 2005 coincided with a relatively strong mining sector, specifically in Matjhabeng. Whilst a smaller middle age group in 2014 indicates migration away from the District in general terms, probably to other mining related towns in search of better living conditions like platinum sector in the North West, which has a similar kind of operational structures like the gold sector, and therefore uses similar kinds of labour skills. The migration patterns of Lejweleputswa, especially in its smaller municipalities, is as a result of better employment opportunities by the working age groups. From figure 4.1, it is evident that in 2014 women were living longer than men, almost doubling them. In the age group 75+ there are 4 367 males against 8 623 females. This is reflective of a better life expectancy for women than for men, although for both men and women life expectancy has improved between 2005 and 2014.

Figure 4.2: Population growth rates in Lejweleputswa by local municipalities

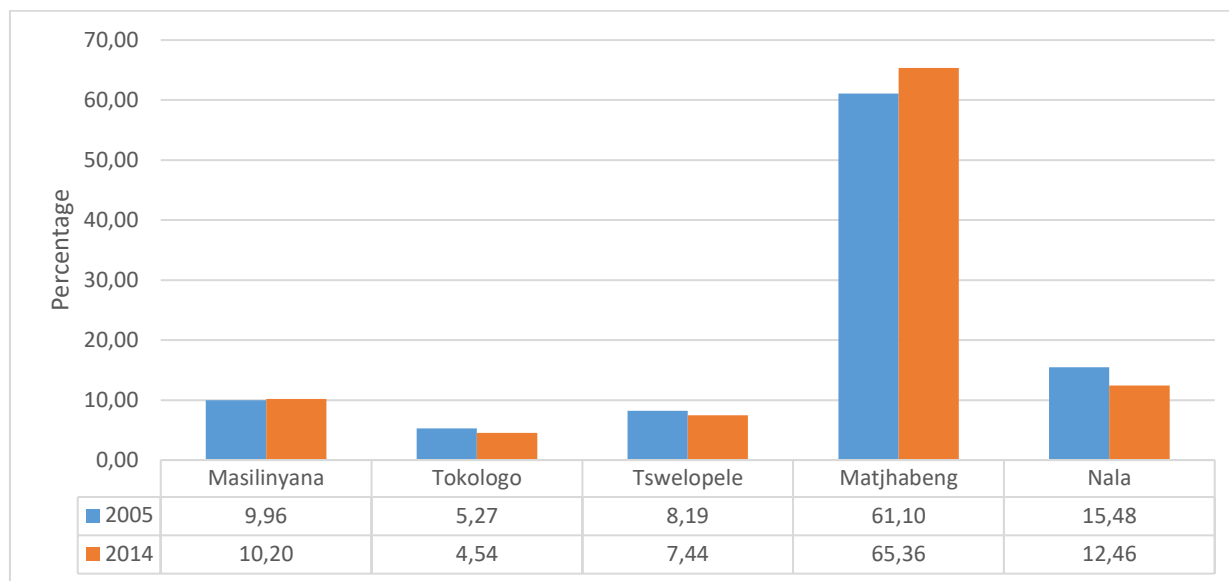


Source: IHS Global Insight Regional eXplorer, 2015

Figure 4.2, indicates that the growth rate in Lejweleputswa’s population had been negative for the large part of the review period (2005 – 2014) with the exception of 2008 (0.3%), 2009 (0.4%) and 2010 (0.2%), where it showed some positive recovery. The recovery happened because Matjhabeng, which contributed 25 percent to the population of the District, showed some positive growth rate during the period 2007 to 2011, which had a pulling effect on the District’s population growth rate. Nala displayed negative population growth rate reaching -4.1 percent at its lowest point in 2008, which had a little impact on Lejweleputswa due to its small contribution to the District population. The average growth rate for Lejweleputswa for the period under review is -0.2 percent, indicating a decline in the total population of the District. The decline is due to among others, net out migration and low fertility rates according to Statistics South Africa (2013).

The two most worst performing local municipalities in terms of population growth rate are Nala with a -2.3 percent average population growth rate and Tokologo with -1.6 percent average population growth rate between 2005 and 2014.

Figure 4.3: Population Distribution in Lejweleputswa District as a percentage



Source: IHS Global Insight Regional eXplorer, 2015

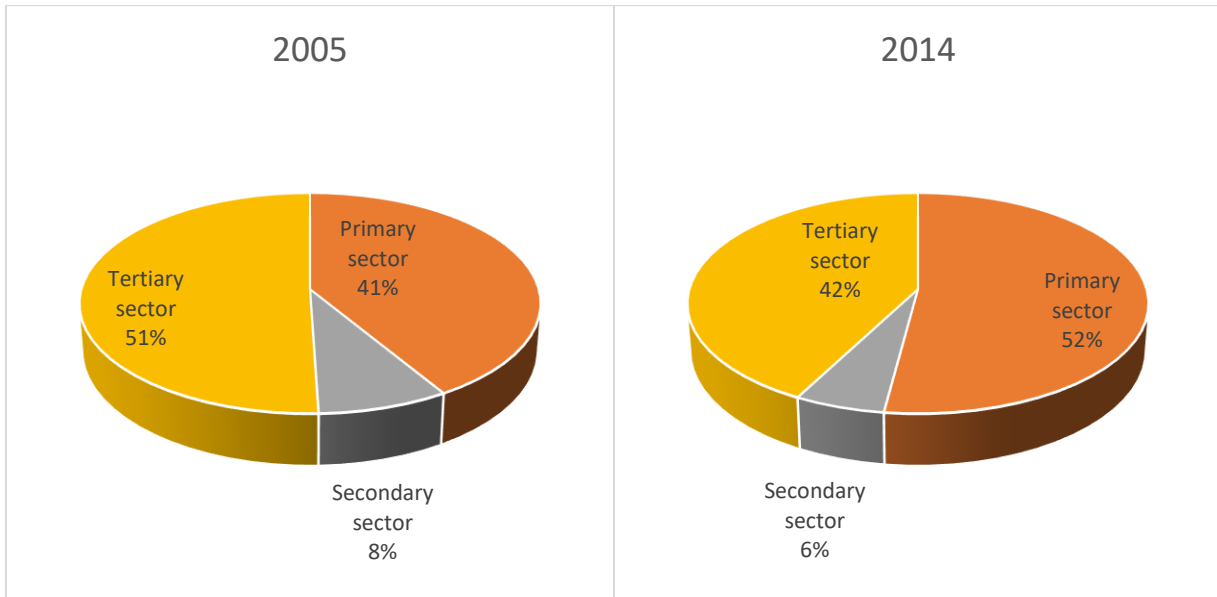
Matjhabeng had the highest share of Lejweleputswa's population at 65.36 percent in 2014 according to figure 4.3, which is up from 61.10 percent in 2005, followed by Nala with 12.46 percent and Masilonyana with 10.20 percent all in 2014. The total District's share of the population in the province has declined from 23.24% percent in 2005 to 22.49 percent in 2014, which is a 0.75 percentage point decline. The decline in Lejweleputswa's share of the population was driven more by smaller municipalities because Matjhabeng increased slightly between 2005 and 2014, as a result of mainly outward migration from the smaller municipalities.

1.2. Economy structure and performance

The main economic activities in the Lejweleputswa District happened in the primary sector and the tertiary sector. The primary sector in Lejweleputswa is driven by agriculture and mining. Matjhabeng is the largest municipality in the District and it contains most of the mining activities, especially gold mining, followed by Masilonyana with some of the gold mining and diamond mining. Recently the mining sector has been on a downward trend as a result of closure of many of the shafts as a result of high costs of production among others and the need for deep mining. The recent decline in world commodity prices, has aggravated the situation in general with many businesses that have traditionally dependent on the mining sector either have closed down or are in the process of closing down. Other municipalities' primary sector rely heavily on agriculture.

Economic Structure

Figure 4.4: Sectoral composition of Lejweleputswa economy (% , current prices)



Source: IHS Global Insight Regional eXplorer, 2015

The composition of the District’s economy is dominated by the primary sector at 52 percent in 2014 as shown by figure 4.4, up from 41 percent in 2005. The tertiary sector contributed 42 percent to the District’s economy in 2014, decreasing by 9 percentage points from 51 percent in 2005. The secondary sector’s share declined from 8 percent in 2005 to 6 percent in 2014, further indicating the difficulties that the sector is facing. Very little value adding is taking place in the region by using the vast primary products the District has in abundance.

Sectoral composition of the economy

Sectoral composition is the contribution of the different sectors to total GDP of Lejweleputswa’s economy. This includes all the nine sectors within an economy of a region as classified by the South African Standard Industrial Classification (SIC) of all economic activities (CSS fifth edition).

Table 4.1: Sectoral composition of Lejweleputswa's economy by local municipalities, 2014.

| 2014 | Lejweleputswa | Masilonyana | Tokologo | Tswelopele | Matjhabeng | Nala |
|------------------------|---------------|-------------|-------------|-------------|-------------|--------------|
| 1 Agriculture | 5.6% | 6.2% | 24.6% | 36.9% | 0.8% | 17.7% |
| 2 Mining | 46.5% | 50.3% | 21.6% | 1.2% | 56.0% | 4.7% |
| 3 Manufacturing | 2.5% | 2.1% | 2.9% | 2.2% | 2.1% | 5.2% |
| 4 Electricity | 1.5% | 1.2% | 2.9% | 2.8% | 1.3% | 2.3% |
| 5 Construction | 1.7% | 2.2% | 2.5% | 1.8% | 1.5% | 2.6% |
| 6 Trade | 11.0% | 8.3% | 12.3% | 15.4% | 10.0% | 17.6% |
| 7 Transport | 6.3% | 5.2% | 5.0% | 7.8% | 5.6% | 11.8% |
| 8 Finance | 10.8% | 8.4% | 7.6% | 10.6% | 10.8% | 13.9% |
| 9 Community services | 14.2% | 16.2% | 20.7% | 21.4% | 11.9% | 24.0% |
| Total Industries | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

Source: IHS Global Insight Regional eXplorer, 2015

The 2014 sectoral composition of Lejweleputswa as revealed by figure 4.5 points to the dominance of a few sectors in the economy of the District. According to table 3.1, the mining sector is the dominant sector with 46.5 percent of the economic activities of the district, followed by community services sector at 14.2 percent and then trade at 11 percent. The smaller municipalities of Nala, Tswelopele and Tokologo are the municipalities without mining as the dominant sector, instead Tswelopele has agriculture as the dominant sector at 36.9 percent in 2014. Nala had government services as the dominant sector with 24 percent in 2014, whilst Tokologo had agriculture as the dominant sector with 24.6 percent in 2014. In recent years the contribution of mining in Lejweleputswa's economy has been declining due to a number of reasons and recently the effect of lower world commodity prices has fueled the decline of the sector. The share of the primary sector in Lejweleputswa's GVA has also been on a decline, indicating a shift away from the primary sector to the tertiary sector. The community services sector is growing strongly in all of Lejweleputswa's municipalities and is also forecasted to grow further.

Tress Index

The tress index measures the level of diversification or concentration of a region's economy. The index ranges between zero and one. The closer to 0 the index is, the more diversified is the economy. The higher the index or closer to 1, the less diversified the economy, and the more vulnerable the region's economy to exogenous factors that can include things like adverse economic conditions due to natural disasters, like global warming (Wikipedia, 2015).

Figure 4.5: Tress index of Lejweleputswa and the Free State and its Districts



Source: IHS Global Insight Regional eXplorer, 2015

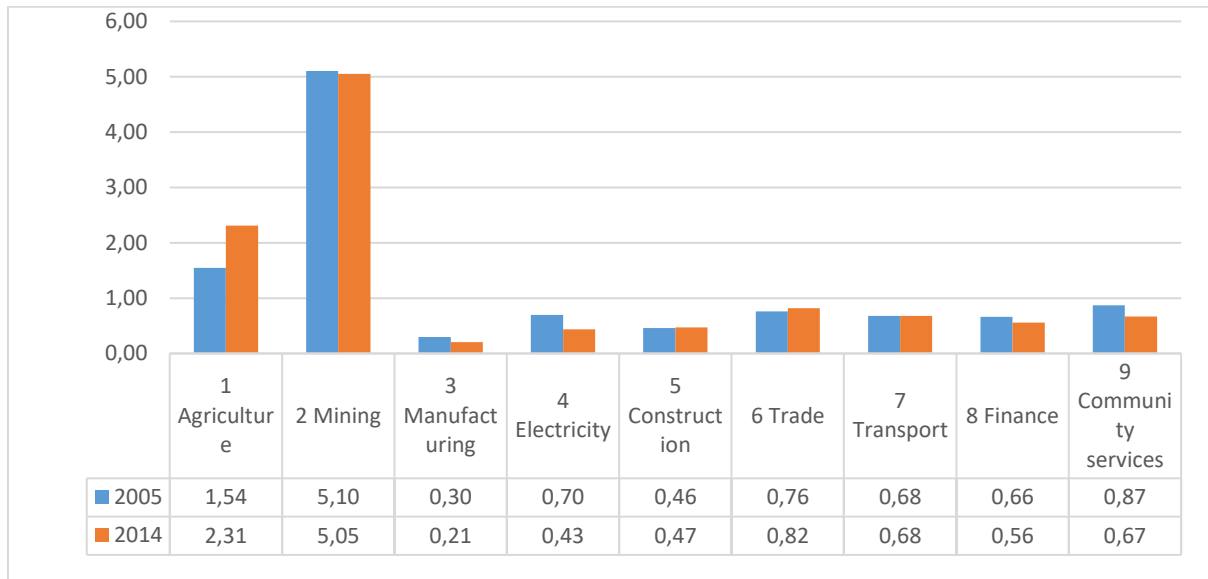
Lejweleputswa's economy has been leaning more to a less diversified economy due to its increase closer to 1 of its Tress Index over a ten year period as illustrated by figure 4.5. Even though Lejweleputswa's Tress Index has improved in 2014 (56.93 percent) as compared to (55.01 percent) 2005, the worst years of its less diversification were 2013 (61.32 percent) and 2012 (60.66percent). This simply indicates fewer industries dominating the region's economy, thus the vulnerability of the region's economy to outside shocks becomes very easily.

If compared to the rest of the province, Lejweleputswa is the second less diversified regional economy in the Free State after Mangaung Metro. The most diversified economy is that of Fezile Dabi among the Districts and the province is even better than all the Districts.

Location Quotient

Location quotient reveals what makes a particular region "unique" in comparison to the national or provincial average. It is basically a way of quantifying how concentrated a particular industry or cluster is as compared to the province or nationally (EMSI Resource library, 2015)

Figure 4.6: Lejweleputswa’s Location Quotient



Source: IHS Global Insight Regional eXplorer, 2015

According to figure 4.6, above the dominant sector in Lejweleputswa is the mining sector with a location quotient of 5.05 in 2014, which has declined slightly from 5.10 in 2005. By its nature mining is more export orientated and brings into the economy of the region more money than any other sector in the region. Agriculture follows the mining sector though very small as compared to the mining sector with an increase in the location quotient of 2.31 in 2014 as compared to 1.54 location quotient in 2005. The other sectors are less concentrated in the region, all ranging less than 1 location quotient. Trade is one of a few sectors that have shown some positive growth in its location quotient from 0.76 in 2005 to 0.82 in 2014.

Economic Performance

The Gross Value Added by Region (GVA-R) measures the difference between inputs into particular region’s economy and the value of outputs (goods and services) in that region or sector.

Table 4.2: GVA-R. Contribution to total economic growth in Lejweleputswa (% point, Constant 2010 prices)

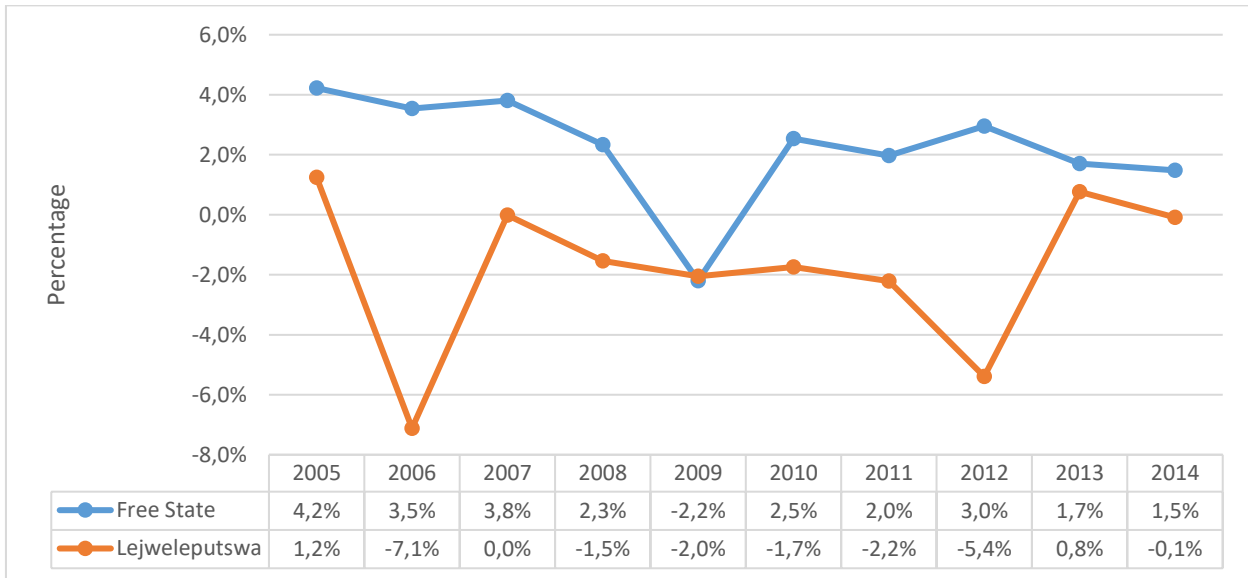
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------------|-------|------|------|-------|------|------|------|------|------|-------|
| 1 Agriculture | 0.1% | - | 0.0% | 0.9% | 0.1% | 0.0% | 0.5% | 0.1% | 0.0% | 0.2% |
| 2 Mining | 0.8% | 3.8% | 0.7% | -3.0% | 2.0% | 0.9% | 1.3% | 2.2% | 1.9% | -0.3% |
| 3 Manufacturing | -0.2% | - | 0.1% | 0.2% | 0.2% | 0.0% | 0.4% | 0.5% | 0.1% | -0.1% |
| 4 Electricity | 0.0% | - | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% | 0.1% | 0.0% | 0.0% |
| 5 Construction | 0.0% | 0.1% | 0.2% | 0.1% | 0.2% | 0.2% | 0.1% | 0.1% | 0.0% | 0.0% |
| 6 Trade | 0.1% | - | 0.2% | 0.1% | 0.3% | 0.6% | 0.2% | 0.2% | 0.4% | 0.0% |
| 7 Transport | 0.1% | - | 0.2% | 0.1% | 0.0% | 0.3% | 0.2% | 0.4% | 0.2% | 0.0% |
| 8 Finance | -0.2% | 0.5% | 0.3% | 0.1% | 0.2% | 0.5% | 0.1% | 0.4% | 0.2% | 0.0% |
| 9 Community services | 0.2% | - | 0.3% | 0.4% | 0.1% | 0.6% | 0.4% | 0.8% | 0.2% | 0.1% |
| Total Industries | 0.9% | 6.5% | 0.2% | -1.1% | 2.3% | 1.3% | 3.2% | 4.8% | 0.8% | 0.0% |
| Taxes less Subsidies on products | 0.3% | - | 0.2% | -0.4% | 0.3% | 0.4% | 1.0% | 0.6% | 0.0% | -0.1% |
| Total (Gross Domestic Product - GDP) | 1.2% | 7.1% | 0.0% | -1.5% | 2.0% | 1.7% | 2.2% | 5.4% | 0.8% | -0.1% |

Source: IHS Global Insight Regional eXplorer, 2015

The contribution of mining, which is the dominant sector, in Lejweleputswa district's economic growth has been on a declining trajectory in the review period of 2005 to 2014 according to table 4.1. Table 4.2 above illustrates that although mining has been on a downward trend, 2010 saw a 0.9 percentage point increase in its GVA-R, together with a 1.9 percentage point increase in 2013. Part of the 2013 growth in the mining sector was due to a favourable world commodity prices, which has recently been not very favourable according to the recent world statistics on commodity prices. On average total industries in Lejweleputswa are declining with the 2012 as the worst year with -4.8 percent decrease in total for all the industries. The contribution of community services sector' growth has declined from 0.2 percent in 2005 to 0.1 percent in 2014, indicating a general decline in the activities of the sector. The decline of community services sector could be as a result of recent policy shift to "austerity measures" of trying to reduce government wage bill. The GDP growth in Lejweleputswa is also hovering in recession for most of the review period except for 2013, with a 0.8 percent recovery.

Gross Domestic Product

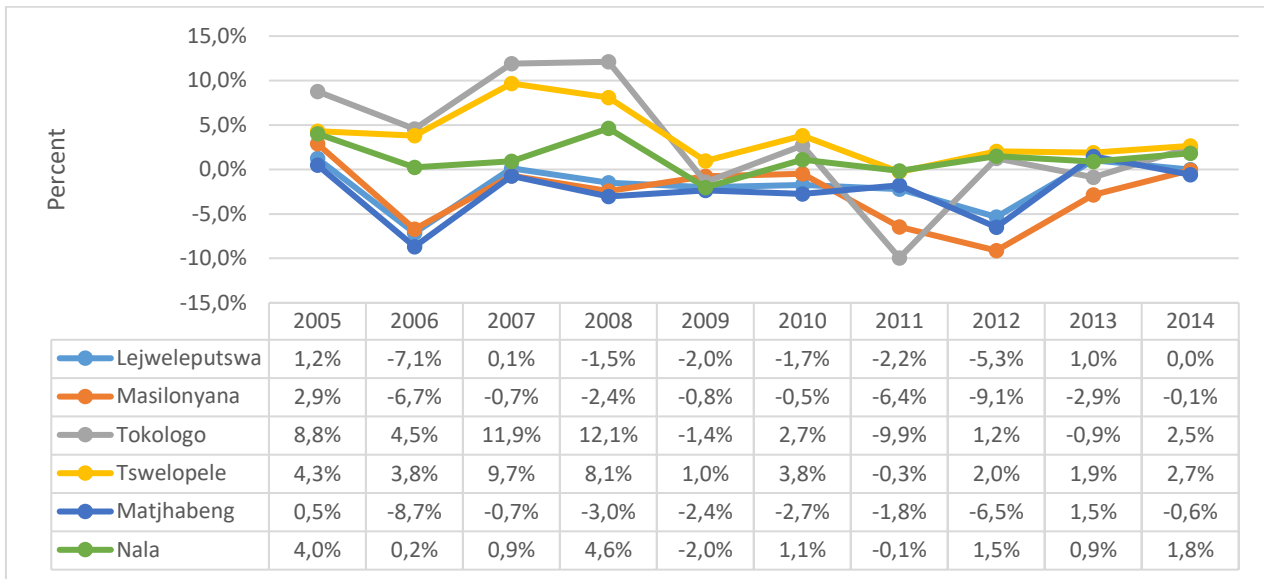
Figure 4.7: GDP-R of Free State and Lejweleputswa District Municipality



Source: IHS Global Insight Regional eXplorer, 2015

Figure 4.7 shows that the GDP-R of Lejweleputswa has been on a continuous negative territory for most of the period under review, except for 2005 with 1.2 percent and 2013 where it recovered by 0.8% percentage points on the back of a strong mining sector which was also positive in 2013 by 1.9 percent. However, it declined further again in 2014 to -0.1 percent, and it is also expected to decline further in 2015 on the back of low worldwide commodity prices. The negative growth rate experienced in most years in the District is affecting the District negatively and is one of the factors pushing people away from the District, leading to what can be termed economic migrants. The sustainability of the District’s economy is in jeopardy because of a continued negative growth rate in the District driven by a declining mining sector and a shrinking agricultural sector. However, the provincial growth rate has always been positive except for the 2009 recession, where it was below that of the District by -2.2 percentage points. The best growth for the province post the recession was in 2012, with a growth rate of 3 percent, which was also the worst growth rate year for Lejweleputswa at -5.4 percent. The recession in Lejweleputswa in 2012 was driven by the mining sector with -2.2 percent and the community services sector with -0.8 percent and other tertiary sectors relying on the mining sector. The 2014 slump is also as a result of low commodity prices affecting the mining sector and a general decrease in total industries of -4.8 percent.

Figure 4.8: GDP-R of Lejweleputswa and its municipalities



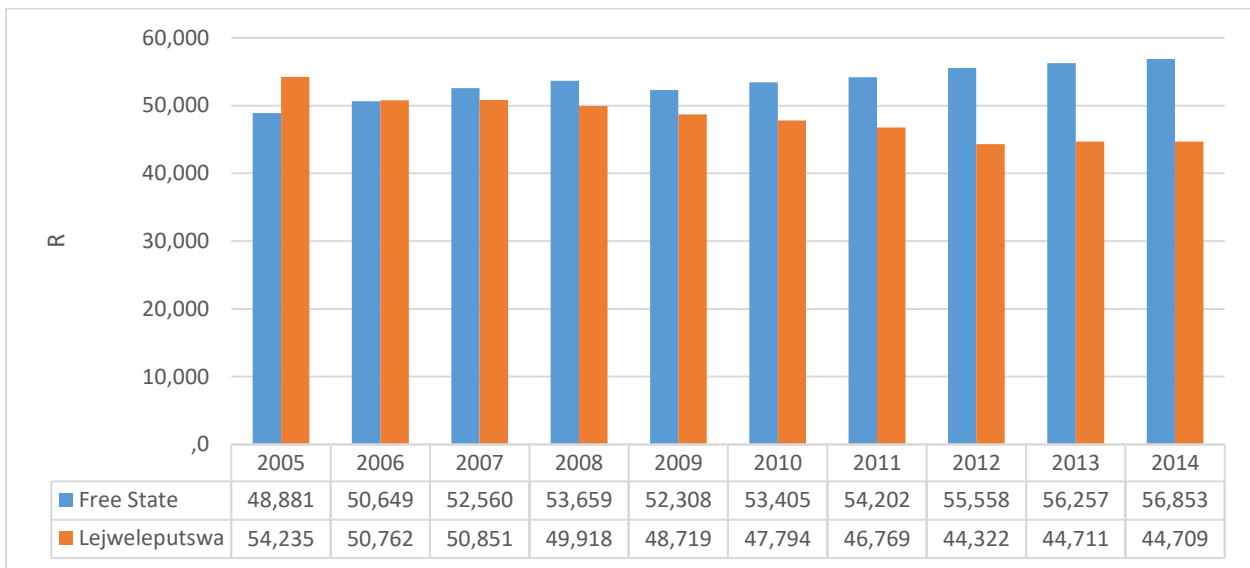
Source: IHS Global Insight Regional eXplorer, 2015

According to figure 4.8, the District’s GDP-R follows that of Matjhabeng to a large extent as compared to the rest of the municipalities. Lejweleputswa’s average growth rate for the period 2005 to 2014 was -1.8 percent, which is a sign for a shrinking economy. The worst average growth rate for the District’s local municipalities in the review period was experienced in Masilonyana with a -2.7 percent average growth rate followed by Matjhabeng with a -2.4 percent between 2005 and 2014. In 2008, Tokologo had the highest growth rate of 12.1 percent, which declined during the 2009 recession to -1.4 and further in 2011 to -9.9 percent making it the worst performing local municipality in Lejweleputswa in 2011. This kind of performance can only happen if there are few participants in the economy of the municipality who have a significant share of the economy. However the average growth rate for Tokologo municipality is 3.2 percent in the review period. Tswelopele has shown the highest average growth rate in the district with a 3.7 percent, followed by Nala with an average growth rate of 1.3 percent in the same period.

GDP-R per capita.

Per capita GDP-R is a measure of the total output of a region that takes into account the gross domestic product and then divides it by the number of the people in the region (World Bank, 2015). It is one of the primary indicators of the region’s performance (investorwords.com, 2015). It is calculated by either adding up everyone’s income during the period or by adding up the value of final goods and services produced in the region during the year (Investorwords.com, 2015)

Figure 4.9: GDP-R Per Capita of Lejweleputswa



Source: IHS Global Insight Regional eXplorer, 2015

Figure 4.9 above shows the relative performance of the Free State’s real GDP-R per capita against that of Lejweleputswa from 2005 to 2014. The real GDP-R per capita of the Free State is on the rise indicating an increase in the standard of living of the people of the province. It increased from R48 881 in 2005 to R56 853 in 2014, which is an average increase of 16.3 percent between 2005 and 2014. On the other hand the GDP-R of Lejweleputswa decreased by 17.5 percent between 2005 and 2014 i.e. from R54 235 in 2005 to R44 709 in 2014. This indicates a declining standard of living of the people of Lejweleputswa. A decline in the average standard of living in one of the regions of the province should be a course for concern for the government and policy makers.

Sectoral analysis and forecast.

Sectoral forecasts are used to help governments and policy makers to determine their strategies over a longer period using historical data to predict future developments in major variables or sectors of interests.

Table 4.3: GVA-R. Forecasted Contribution to total economic growth of Lejweleputswa (Constant 2010 prices)

Source: IHS Global Insight Regional eXplorer, 2015

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|------|-------|-------|
| 1 Agriculture | 0.0% | -0.5% | -0.1% | 0.0% | 0.2% | -0.3% | 0.1% | 0.1% | 0.1% | 0.1% |
| 2 Mining | 0.9% | -1.3% | -2.2% | 1.9% | -0.3% | -0.1% | -1.4% | 1.1% | -0.3% | -0.8% |
| 3 Manufacturing | 0.0% | -0.4% | -0.5% | -0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 4 Electricity | -0.1% | -0.1% | -0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 5 Construction | 0.2% | -0.1% | -0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 6 Trade | 0.6% | -0.2% | -0.2% | 0.4% | 0.0% | -0.2% | 0.0% | 0.1% | 0.3% | 0.3% |
| 7 Transport | 0.3% | -0.2% | -0.4% | 0.2% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% | 0.2% |
| 8 Finance | 0.5% | -0.1% | -0.4% | 0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |
| 9 Community services | 0.6% | -0.4% | -0.8% | 0.2% | 0.1% | 0.0% | 0.0% | 0.1% | 0.2% | 0.3% |
| Total Industries | 1.3% | -3.2% | -4.8% | 0.8% | 0.0% | -0.7% | -1.3% | 1.6% | 0.6% | 0.3% |
| Taxes less Subsidies on products | 0.4% | 1.0% | -0.6% | 0.0% | -0.1% | 0.1% | -0.3% | 0.0% | 0.0% | 0.0% |
| Total (Gross Domestic Product - GDP) | 1.7% | -2.2% | -5.4% | 0.8% | -0.1% | -0.6% | -1.6% | 1.6% | 0.5% | 0.2% |

Table 4.3 shows the outlook of total contribution to Lejweleputswa's economy's economic growth per sector, from 2010 to 2019, almost a ten year period. The most important sector in Lejweleputswa's economy, i.e. mining is expected to decline further in the outlook period from contributing 0.9 percent to the District's economic growth in 2010 to -0.8 percent in 2019. The decline can also be explained by a natural process in the development of any economy, where as the economy modernize the importance of primary sector slow down and that of the tertiary sector increases, this phenomenon is also called structural change to the economy. Furthermore the decline can be explained by a normal process where most of the mines or mine shafts are reaching the end of their life span. Agriculture in Lejweleputswa is only expected to stabilize around 0.1 percent contribution in the outlook period from 2016 to 2019. The tertiary sector (i.e., the trade industry and community service) is expected to grow positively in the outlook from -0.6 percent contribution in 2010 to 0.3 percent for both in 2019 respectively. However, what is worrying is the slow improvement or slow growth in the secondary and the tertiary sector to counter the dominance of the mining sector in the District. The total outlook for the GDP is also expected to be negative in the forecasted period, as a result of a strong pulling effect of the dominant sector. The resultant negative growth is at the back of lower world commodity prices also forecasted to be very much subdued in the outlook.

Sectoral analysis and forecast.

Sectoral forecasts are used to help governments and policy makers to determine their strategies over a longer period using historical data to predict future developments in major variables or sectors of interests.

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| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----------------|-------|-----------|-----------|-------|---------------|-----------|-----------|------|---------------|---------------|
| 1 Agriculture | 0.0% | - 0.5% | - 0.1% | 0.0% | 0.2 % | - 0.3% | 0.1% | 0.1% | 0.1 % | 0.1 % |
| 2 Mining | 0.9% | - 1.3% | - 2.2% | 1.9% | - 0.3 % | - 0.1% | - 1.4% | 1.1% | - 0.3 % | - 0.8 % |
| 3 Manufacturing | 0.0% | - 0.4% | - 0.5% | -0.1% | 0.1 % | 0.0% | 0.0% | 0.0% | 0.0 % | 0.0 % |
| 4 Electricity | -0.1% | - 0.1% | - 0.1% | 0.0% | 0.0 % | 0.0% | 0.0% | 0.0% | 0.0 % | 0.0 % |
| 5 Construction | -0.2% | - 0.1% | - 0.1% | 0.0% | 0.0 % | 0.0% | 0.0% | 0.0% | 0.0 % | 0.0 % |
| 6 Trade | -0.6% | - 0.2% | - 0.2% | -0.4% | 0.0 % | - 0.2% | 0.0% | 0.1% | 0.3 % | 0.3 % |

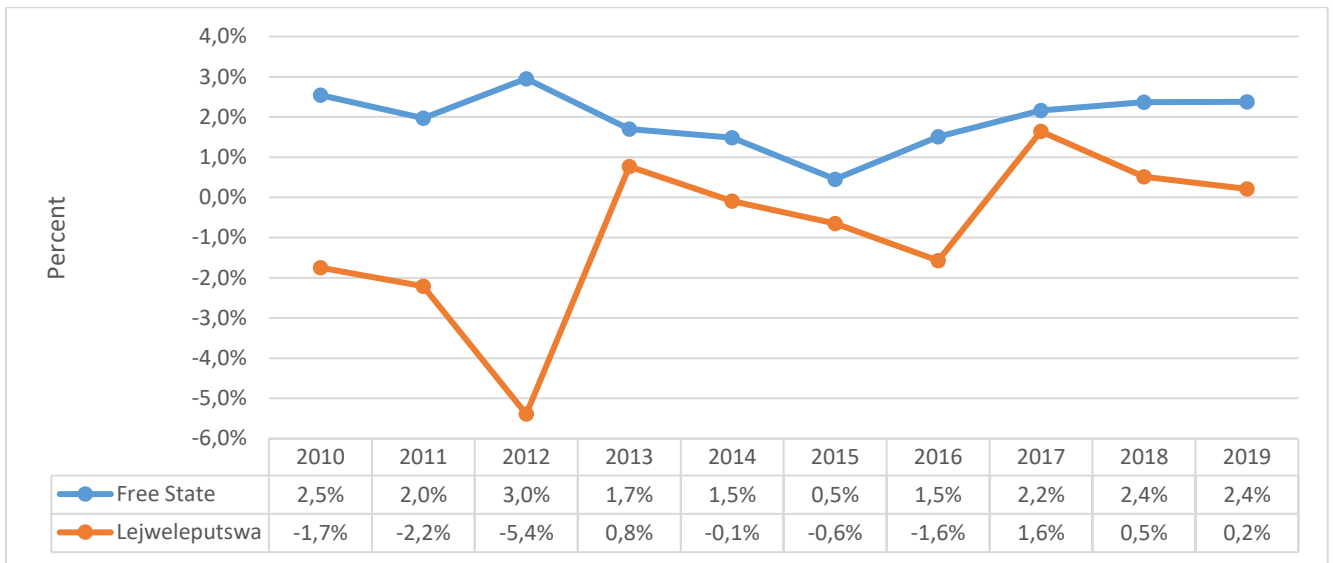
| | | | | | | | | | | |
|--------------------------------------|-------|------|------|-------|------|------|------|------|------|------|
| 7 Transport | -0.3% | - | - | -0.2% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% | 0.2% |
| Finance | -0.5% | 0.1% | 0.4% | -0.2% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.1% |
| 9 Community services | -0.6% | 0.4% | 0.8% | -0.2% | 0.1% | 0.0% | 0.0% | 0.1% | 0.2% | 0.3% |
| Total Industries | -1.3% | 3.2% | 4.8% | 0.8% | 0.0% | - | - | 0.6% | 0.6% | 0.3% |
| Taxes less Subsidies on products | -0.4% | 1.0% | 0.6% | 0.0% | 0.1% | 0.1% | 0.3% | 0.0% | 0.0% | 0.0% |
| Total (Gross Domestic Product - GDP) | -1.7% | 2.2% | 5.4% | 0.8% | 0.1% | - | - | 0.5% | 0.5% | 0.2% |

Source: IHS Global Insight Regional eXplorer, 2015

Table 4.3 shows the outlook of total contribution to Lejweleputswa's economy's economic growth per sector, from 2010 to 2019, almost a ten year period. The most important sector in Lejweleputswa's economy, i.e. mining is expected to decline further in the outlook period from contributing 0.9 percent to the District's economic growth in 2010 to -0.8 percent in 2019. The decline can also be explained by a natural process in the development of any economy, where as the economy modernize the importance of primary sector slow down and that of the tertiary sector increases, this phenomenon is also called structural change to the economy. Furthermore the decline can be explained by a normal process where most of the mines or mine shafts are reaching the end of their life span. Agriculture in Lejweleputswa is only expected to stabilize around 0.1 percent contribution in the outlook period from 2016 to 2019. The tertiary sector (i.e., the trade industry and community service) is expected to grow positively in the outlook from -0.6 percent contribution in 2010 to 0.3 percent for both in 2019 respectively. However, what is worrying is the slow improvement or slow growth in the secondary and the tertiary sector to counter the dominance of the mining sector in the District. The total outlook for the GDP is also expected to be negative in the forecasted period, as a result of a strong pulling effect of the dominant sector. The resultant negative growth is at the back of lower world commodity prices also forecasted to be very much subdued in the outlook.

Gross domestic Product at Regional level.

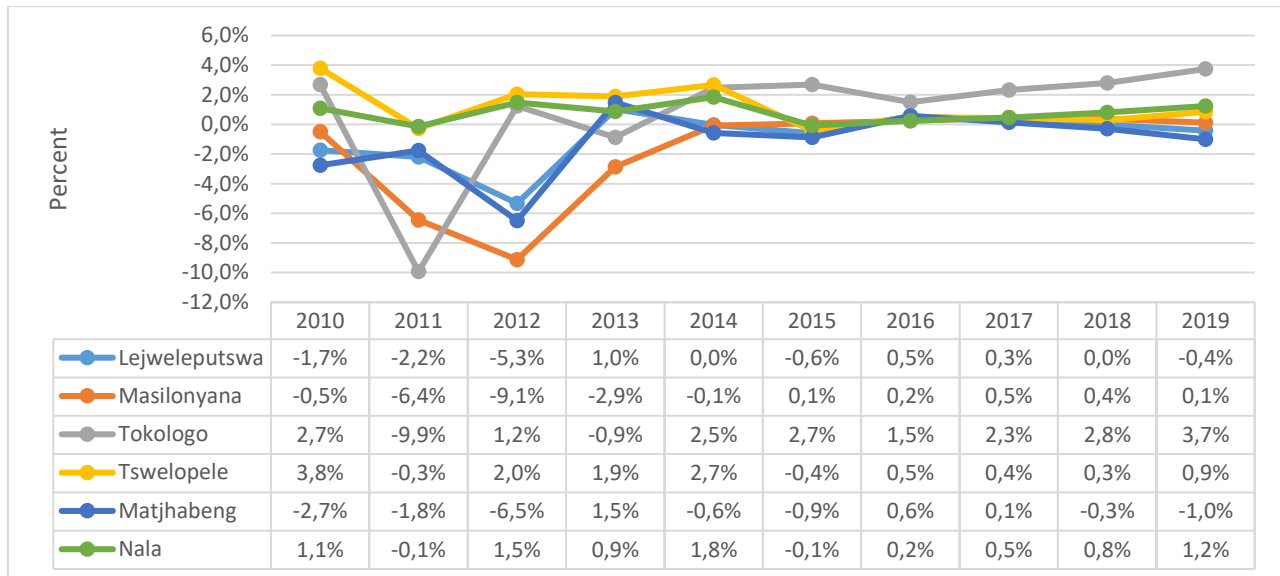
Figure 4.10: GDP-R growth Forecast for Lejweleputswa



Source: IHS Global Insight Regional eXplorer, 2015

Figure 4.10 shows that the average growth rate of the Free State is expected to be 1.9 percent between 2010 and 2019, which is the forecasted period. Lejweleputswa is expected to grow sluggishly with projected average of -0.9 percent over the forecasted period. The growth rate of Lejweleputswa is forecasted to be below that of the province for the entire forecast period and that has a dampening effect on the growth rate of the provincial economy. The result is that Lejweleputswa’s economy is dominated by the mining sector which is estimated to contract in the forecasted period. However, this dependence on the mining sector reflects the inability or the slowness of the District economy to diversify to the tertiary sector as the economy modernizes, thus reflecting a structural change or the deficiency thereof. The second dominant sector is agriculture and is also not growing as expected due to in general the consequences of global warming, and it shows that the district economy is more exposed to external shocks.

Figure 4.11: GDP-R Growth forecast of Lejweleputswa and its municipalities, 2010 – 2019



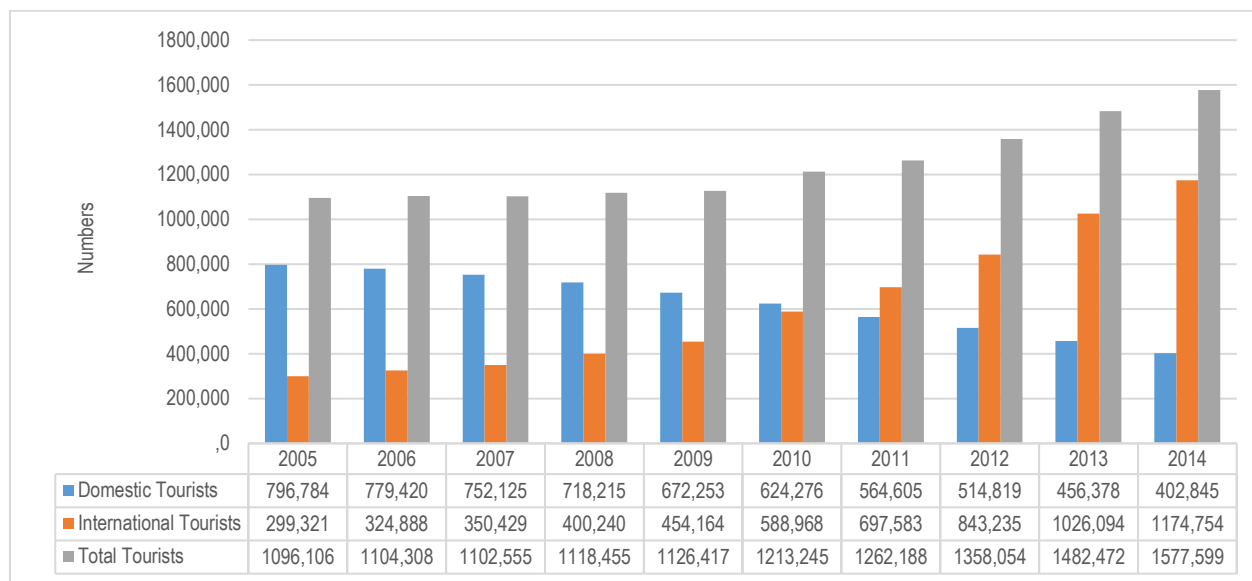
Source: IHS Global Insight Regional eXplorer, 2015

Figure 3.11, illustrates that the forecasted growth rate of Lejweleputswa between 2010 and 2019 mirrors that of Matjhabeng to a certain extent because of its large influence on the District economy. The average forecasted growth rate of -0.8 percent in Lejweleputswa in the forecasted period is influenced by the average forecast of -1.2 percent of Matjhabeng and -1.8 percent of Masilonyana. The influence of the other three municipalities, i.e., Tokologo, Tswelopele and Nala which are expected to grow positively in the forecasted period (0.9%, 1.2% & 0.8%, respectively) have very little impact on the overall outcomes of growth in the District because of their small economic sizes. The expected average growth rate for the three municipalities are Tokologo 0.9 percent, Tswelopele 1.2 percent and Nala 0.8 percent over the forecasted period.

4. Tourism sector

According to United Nations World Tourism Organization (UNWTO) tourism is defined as “comprising the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes” (2015). In today’s modern world, tourism is a major source of income for many countries, and it affects the economy of both the source and the host and is of vital importance. However tourism in the country is not well defined because it includes a host of other things related to other industries e.g. beverage, bed night and things like food. The importance of tourism is that it creates employment for people with less educational skills. For the purposes of simplicity we will employ bed nights in order to be able to deal with the number of tourists in the province and the District.

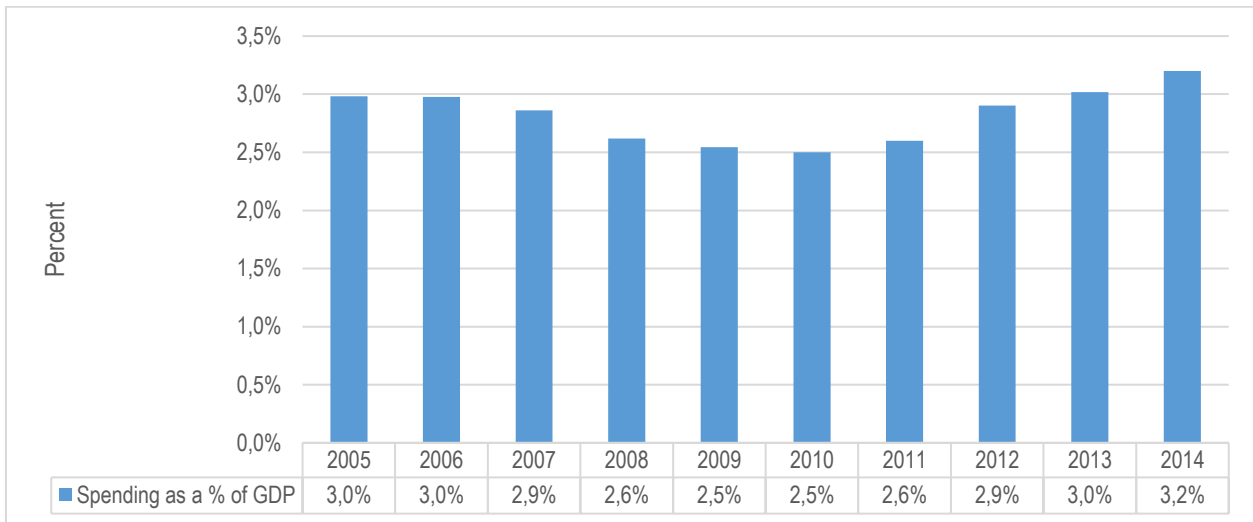
Figure 4.12: Bed nights by origin of tourist



Source: IHS Global Insight Regional eXplorer, 2015

According to figure 4.12, the number of tourists in Lejweleputswa in 2005 were more than a million combined that includes the domestic tourists and the international tourists. The domestic tourists have been on a decline from 796 thousand plus in 2005 to just above 402 thousands plus in 2014. The international tourists started picking increasing just around the soccer world cup in 2010 from 588,968, and catching up with domestic tourists who have been on a continuous decline at 624,276 in 2010. The total number of tourists increased from 1,096,106 million bed nights in 2005 to 1,577,599 million bed nights in 2014 and a growth rate of 43 percentage points between 2005 and 2014.

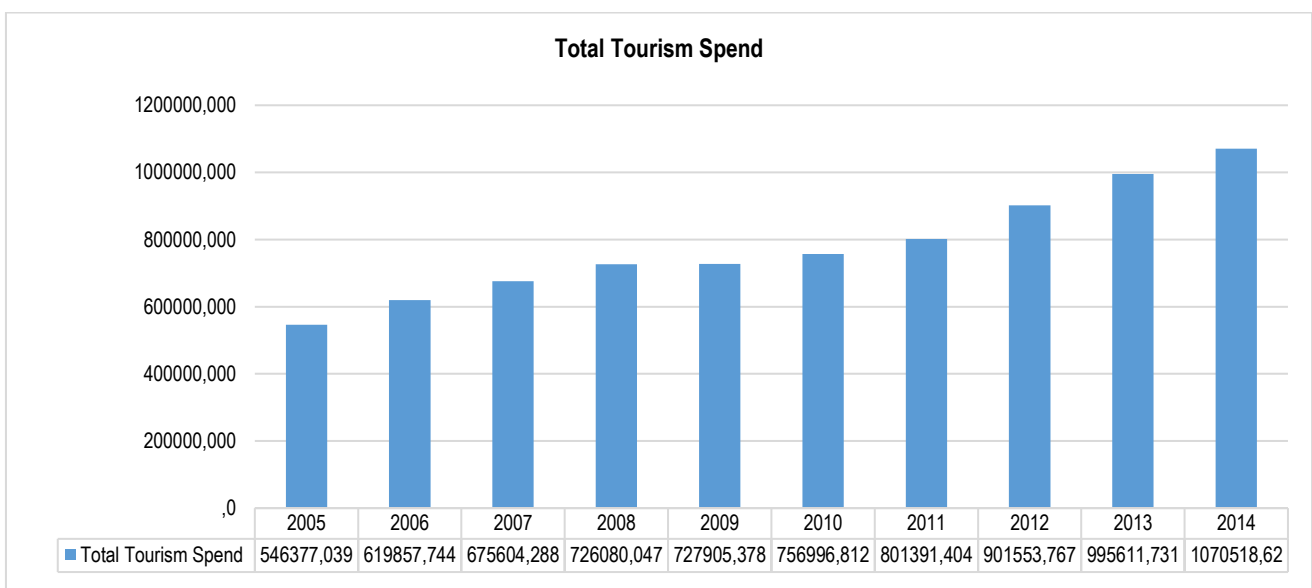
Figure 4.13: Total tourism spending as a percentage of GDP (constant prices 2010)



Source: IHS Global Insight Regional eXplorer, 2015

Figure 4.13, illustrates that tourism spending as a percentage of GDP was 3 percent in 2005 in the district and started to decrease in 2008 from 2.6 percent, to 2.5 percent in 2010, and then started to increase again to 3.2 in 2014. The resultant decline was due to the economic recession in 2008/09 and only started to recover in 2012 to 2.9 percent. Between 2005 and 2007, total tourism spending as a percentage of GDP was above 2.9 percent and it was very much significant considering the small sector in the district. The average tourism spending for the period under review was 2.8 percentage points.

Figure 4.14: Total tourism spend, (R1000, current prices) in Lejweleputswa.



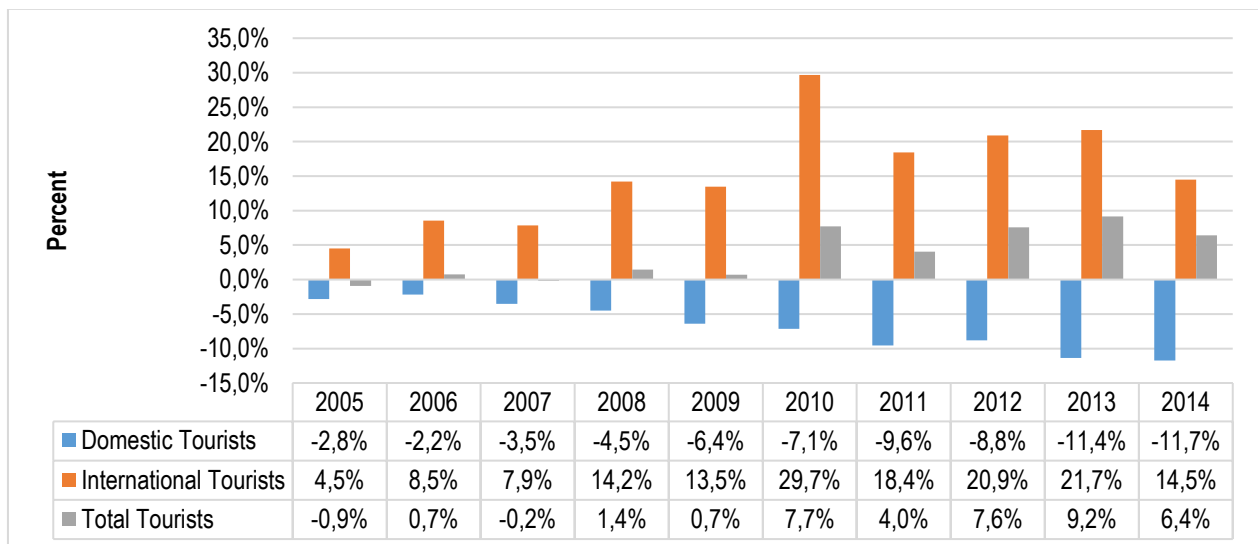
Source: IHS Global Insight Regional eXplorer, 2015

Tourism has many economic benefits which includes the generation of foreign exchange, the creation of new employment especially to those with less skills, stimulation of trade, income and entrepreneurship in the service industry and greater tax revenue to mention some of the few benefits. According to figure 4.14, total tourism spending has generally been increasing from R546 million to R1, 070 million in current prices. Which shows that the spending by tourists at current prices is increasing and the benefits of tourists in the local economy have a multiplier effect.

Growth in tourism

Tourism is one of the major growing industries internationally and countries are doing everything to promote their own countries. Figure 4.15 illustrates that Domestic tourists are declining to a certain extent between 2005 and 2011, which means that they are not growing positively. However what is more promising is the growth of international tourists especially after the 2010 soccer world cup, and they have grown from 13.5 percent in 2009 to 14.5 percent in 2014, an average of 15.4 percentage points between 2005 and 2014 . What is also significant in the tourism industry, which the whole country can benefit from is the rise in China’s middle class, which is a huge potential for our country in relation to good ties the country has with China as a trading partner. South Africa and the province in particular can use the friendship with China in the BRICS Countries to lure them to our country and that can be a great boost in the local tourism industry.

Figure 4.15: Growth in tourism



Source: IHS Global Insight Regional eXplorer, 2015

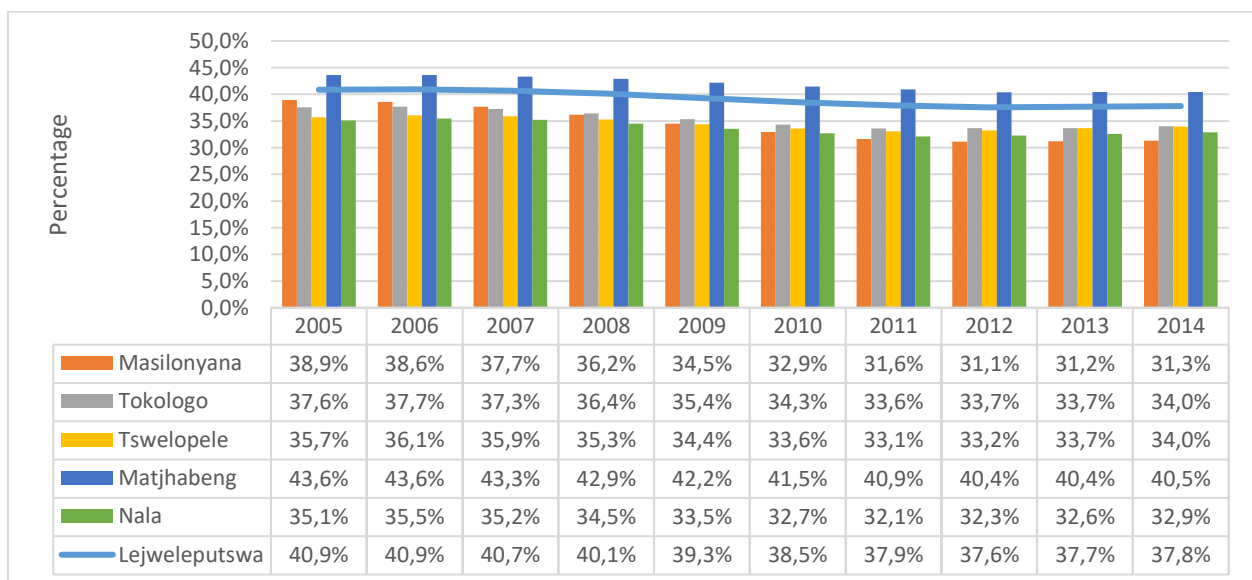
5. Labour market

Employment in Lejweleputswa

Economically active population comprises all persons between the ages of 15 and 64 years of age that are either employed or actively seeking employment (StatsSA, 2015)

Figure 4.16 below illustrates that the economically active population of Lejweleputswa has been declining from 40.9 percent in 2005 to 37.8 percent in 2014, an average decline of -7.6 percentage points with a growth rate -0.87 percentage points over the review period. The highest economically active population in Lejweleputswa’s municipalities is Matjhabeng with an average of 41.9 percent and it has been decreasing from 43.6 percent in 2005 to 40.5 percent in 2014. The lowest economically active population in the district is in Nala with an average of 33.6 percent between 2005 and 2014 and is also declining from 35.1 percent in 2005 to 32.9 percent in 2014. The other municipalities in the District namely; Tswelopele, Tokologo and Masilonyana have an average economically active populations of 35.4 percent and 34.4 percent respectively. A lower economically active population can also indicate a higher dependency ratio.

Figure 4.16: Economically Active population as % of total population in Lejweleputswa’s municipalities (Official Definition)



Source: IHS Global Insight Regional eXplorer, 2015

Table 4.4 below illustrates that Lejweleputswa’s employment is dominated by the community services sector at 20.57 percent followed by trade at 19.35 percent and then mining in third place with a 17.34 percent. The dominance of mining in Lejweleputswa is being eroded slowly

as the sector is facing difficult times. However mining is still dominant in Masilonyana with a 26.87 percent and Matjhabeng with a 21.44 percent, and both are traditional mining towns. Trade, community services sector and household sector plays a major role in the district as the employer, signifying the growing community service sector. Agriculture is also still very important especially in Tokologo with a 38.90 percent and Tswelopele with a 15.98 percent of the total employment in the district.

Table 4.4: Total formal employment by sector as a percentage, 2014.

| | Lejweleputsw a | Masilonyan a | Tokolog o | Tswelapel e | Matjhaben g | Nala |
|----------------------|-------------------|-----------------|--------------|----------------|----------------|-------|
| 1 Agriculture | 7.51 | 4.69 | 38.90 | 15.98 | 2.62 | 21.30 |
| 2 Mining | 17.34 | 26.87 | 2.72 | 0.92 | 21.44 | 1.46 |
| 3 Manufacturing | 5.40 | 3.62 | 2.81 | 3.28 | 5.08 | 11.31 |
| 4 Electricity | 0.48 | 0.28 | 0.11 | 0.71 | 0.38 | 1.34 |
| 5 Construction | 5.64 | 9.76 | 2.03 | 6.30 | 5.81 | 2.83 |
| 6 Trade | 19.35 | 13.66 | 8.56 | 17.66 | 20.47 | 22.22 |
| 7 Transport | 3.91 | 2.67 | 0.83 | 1.20 | 4.88 | 1.72 |
| 8 Finance | 7.89 | 8.45 | 2.67 | 5.36 | 8.89 | 4.99 |
| 9 Community services | 20.57 | 16.21 | 13.31 | 28.12 | 20.99 | 19.29 |
| Households | 11.91 | 13.80 | 28.07 | 20.48 | 9.44 | 13.53 |

Source: IHS Global Insight Regional eXplorer, 2015

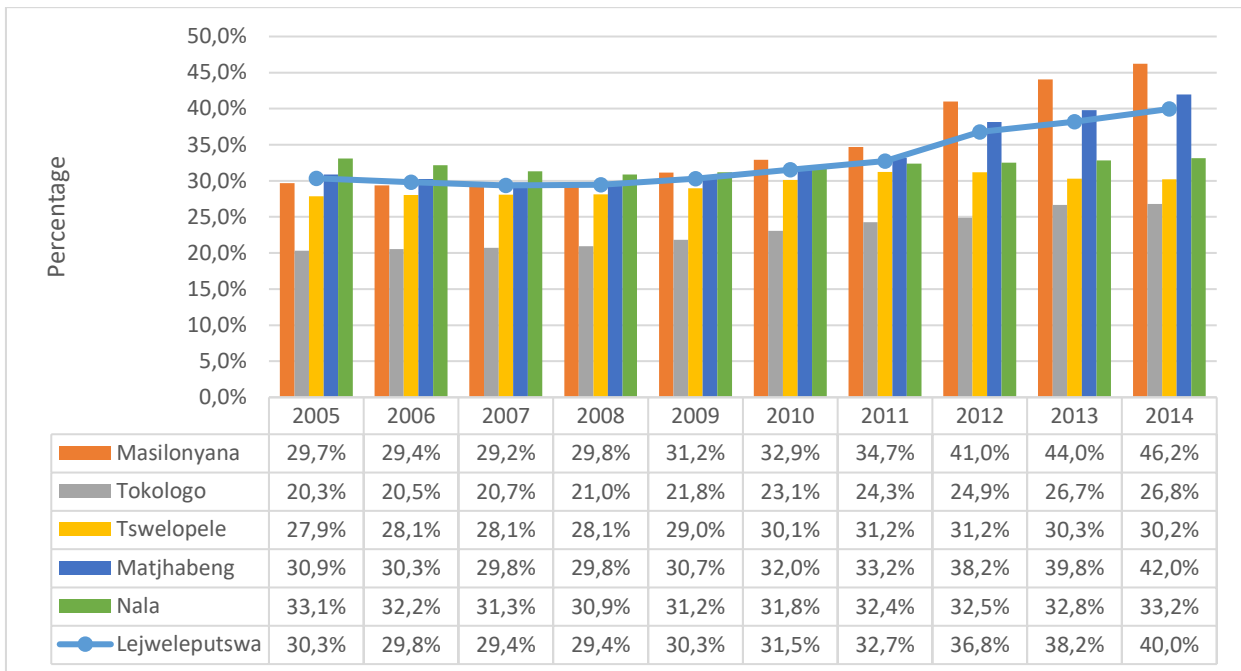
Unemployment rate in Lejweleputswa

Statistics South Africa defines unemployment rate as a measure of the prevalence of unemployment and is calculated as a percentage, by dividing the number of unemployed individuals by all individuals currently in the labour force.

Unemployment rate has increased in Lejweleputswa as illustrated by figure 4.17 below, from 30.3 percent in 2005 to 40 percent in 2014, with an average of 32.8 percent in the review period. The highest rate of the unemployment in the District was recorded in Masilonyana which increased from 29.7 percent in 2005 to 46.2 percent in 2014, an average unemployment rate of 34.8 percent for the municipality. All of Lejweleputswa's municipalities' unemployment rate is increasing, with Matjhabeng recording the second highest unemployment rate after **Masilonyana** (46.2 percent) of 42 percent in 2014 from 30.9 percent in 2005, with an average of 33.7 percent unemployment rate over the review period. The lowest recorded unemployment rate in the District was Tokologo which also increased from 20.3 percent in 2005 to 26.8 percent in 2014, with an average of 23 percent unemployment rate. Part of the unemployment in the

District can be explained by the decline in the mining sector and agricultural sector and the accompanying multiplier effect on other sectors.

Figure 4.17: Total Unemployment rate in Lejweleputswa (Official Definition %)

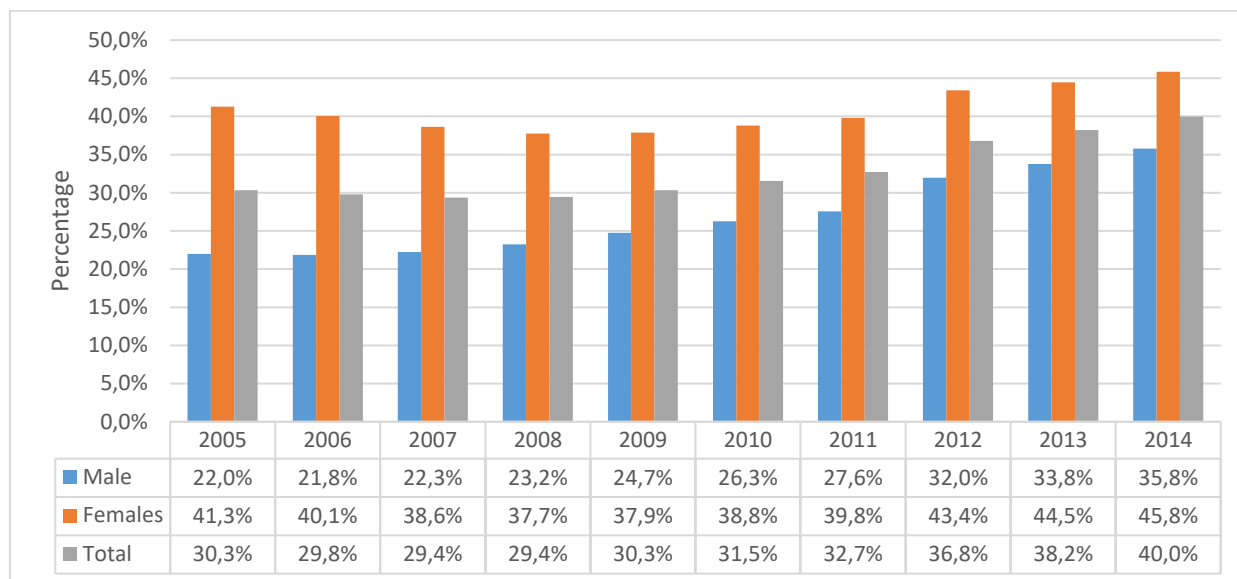


Source: IHS Global Insight Regional eXplorer, 2015

Male and Female unemployment rate

Male and female unemployment is the share of each sex in the unemployment rate of a country or region. Traditionally unemployment rate for women has always been higher for females than for males. This is because males have always been regarded as the providers and females as the receivers. As a result men are more likely to be in paid employment than females regardless of race, females are more likely to be doing unpaid economic work.

Figure 4.18: Male and Female Unemployment rate in Lejweleputswa (Official definition %)



Source: IHS Global Insight Regional eXplorer, 2015

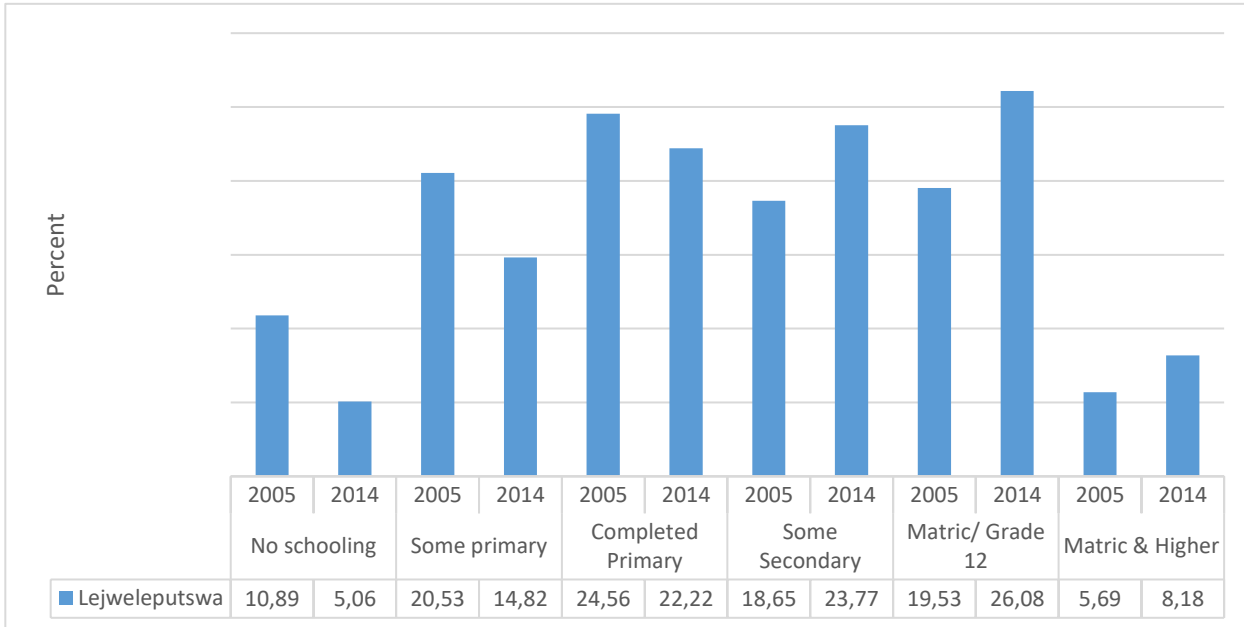
Figure 4.18 depicts a normal historical picture, where unemployment rate for men is lower than that of their female counterparts. The unemployment rate for females has fallen slightly during the 2008/09 recession to 37.7 percent from 41.3 percent in 2005. However after 2009 the female unemployment increased again to 35.8 percent in 2014. The result could signal that females are easily discouraged during times of recession and after the recession they join the labour market again by seeking employment. Unemployment rate for men has remained lower than that of their female counterpart for much of the period under review, starting from 22.0 percent in 2005 increasing to 35.8 percent in 2014. Generally unemployment rate in Lejweleputswa has increased from 30.3 percent in 2005 to 40 percent in 2014, indicating an average growth of 5.6 percentage points for men and an average growth of 1.24 percentage points for females. The average growth simply indicates that unemployment among males is increasing at a faster pace than for females.

6. Education profile

The education profiles of the economically active population in Lejweleputswa.

Education plays a major role in the employment of the economically active population, because many occupations require a certain level of education in order to be eligible for employment.

Figure 4.19: Highest level of Education attained by persons aged 20+



Source:

IHS Global Insight Regional eXplorer, 2015

Figure 4.19, illustrates that the majority of the persons aged 20 years and older are concentrated below matric level in Lejweleputswa with positive increases of persons completing matric. The number of persons with some primary 14.82 percent and completed primary 22.22 percent in 2014, far outweigh the number in other categories. The number of persons with some secondary education were 23.77 percent in 2014, an increase of about 5 percentage points and the number of persons with matric also increased from 19.53 percent to 26.08 an increase of more than 6 percentage points. The figures shows that an estimated 65 percent of the population in Lejweleputswa have an average education below matric, which simply means limited skills with limited employment opportunities. However the number of persons with a higher qualification than matric stood only at 8.18 percent in 2014 a slight increase from the 2005 figures of 5.69 percent. The rest of the municipalities in Lejweleputswa follow a more or less similar pattern.

7. Conclusion.

Overall Lejweleputswa continues to play an important role in the economy of the province, though its importance is declining due to a decline in its economic growth rate of -1.4 percent

on average in the review period of 2005 to 2014. The resultant decline in the district growth rate is as a result of the decline in the mining sector which is the mainstay of the district economy, which declined by an average of 0.3 percent from 2005 to 2014. Growth in the district is expected to decline further by an average of -0.9 from 2010 until 2019 in the forecasted period, due to low commodity prices (expected decline in the mining sector).

Employment creation is relatively low as the labour absorptive sectors, mining and agriculture are forecasted to grow negatively over the forecasted period of up to 2019.

Unemployment is relatively high at 40 percent in 2014 in the district and is expected to increase even further as the labour force grows and the economy struggling to recover.

SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY

The following key service delivery initiatives were rolled out by various departments of Lejweleputswa DM during the 2022/23 financial year:

OFFICE OF THE MUNICIPAL MANAGER

- Development and execution of the RBAP
- The Internal Audit Charter allows the Internal Audit Unit to perform consulting assignments. Significant reviews for the 2020/21 year included: Compliance to mSCOA Regulations. Investigation for Council Committee regarding 2022/23 irregular, unauthorised and fruitless and wasteful expenditure in LDA.
- Effective Performance Management System which follows “SMART” principle system and appropriate measures were taken in enhancing PMS section.

Basic Services

- Road Infrastructure development carried out in Five Local Municipalities.
- LDM implemented EPWP project with a total of 110 work opportunities with the EPWP Integrated Grant.
- 2 Employees were appointed in the Department for successful Execution of LDM's Legislated mandate to Locals.

WASTE MANAGEMENT

- The District has developed a draft Waste Management Policy and By-Laws to apply its mandate as set out in Section 84 of The Local Government: Municipal Structures Act 117 of 1998. The policy is outdated and to be reviewed and adopted by municipality
- Programmes and materials have been compiled to assist the local municipalities on waste diversion from the landfill function.

MUNICIPAL HEALTH

- Informal red meat traders' health and hygiene programme rolled out to informal red meat traders
- Listeriosis outbreak - samples were taken regularly and the disease was contained in the district
- Bird Flu outbreak –Breeding house was closed down and the bird flu virus was contained.
- EHP's Successfully monitored informal food premises, public toilet facilities and waste facilities. Improvement of hygiene standards which can be prescribed to the inspection rates.
- Improvement of water quality (Drinking water and final effluent Waste Water Treatment Plants) in the region.
- Inspections conducted at state owned premises, for example: hospitals, police station etc. were done as a new function that was taken over from the Provincial Health Department.
- EHP's of the LDM were responsible for inspection and monitoring of food preparation activities in all five Local municipalities
- Lejweleputswa District Municipal Health Office received a certificate for rendering outstanding environmental health services during the 2017 -18 Fiscal period and came second in the Country.

FIRE, RESCUE SERVICES and FLEET MANAGEMENT

- Lejweleputswa District Municipality offered training Firefighters in Local Municipalities. Training was aimed at establishing District Fire fighting Section.
- In 2017/18 Plans of such developments were escalated to the MEC taking into cognizance number of fire incidents which take place within the District
- Lejweleputswa District municipality for the year under review Conducted +/- 4 Fire Campaigns across Municipal District area.

Disaster Management

- Lejweleputswa District Municipality assisted Masilonyana Local Municipality rainfall which caused storms and severe damages to few houses.
- Disaster Contingency and Evacuation plans established and Training to be given all senior staff.
- Flood and drought awareness campaigns were held in collaboration with 8 primary schools in the District Municipal area.
- Lejweleputswa District Municipality, in collaboration with the South African National Roads Agency executed two accident simulations on the N1.
- Over the last 5 years the Lejweleputswa District Municipality through its Cluster meetings has been assisting in building capacity at local authority levels, facilitating formal and informal training sessions.

LDM: ROADS SERVICES

| | |
|---------------------------------|--|
| Network Extent | The asset extent reported relates to the total extent of roads and structures identified through field surveys, historical shapefiles/datasets and digitising of aerial/satellite imagery. It is understood that these values may change as further field surveys are made and data becomes available. At completion the asset extent will have been verified through field surveys. |
| Condition | Progress in terms of road asset condition assessment is made here. This asset condition assessment progress reported should be less than or equal to the asset inventory extent. Condition assessment must be carried out using the relevant TMH guideline. |
| RCAM Classification Asset Usage | Extent of the identified road network which has been classified according to RISFSA and/or RCAM. The total number of planned traffic counts and the number of traffic counts actually carried out, from those planned, are to be reported here. |
| Expenditure | The expenditure of the annual grant allocation for the municipal financial year to date and within the reporting quarter are to be input. |

CORPORATE-/STRATEGIC SERVICES

Objectives

- Employee well being of Employees through Employee wellness programmes
- Ensuring well developed human capital through Training.
- Ensuring Local Development through Offering Bursaries to Disadvantaged and well deserving youth.
- Finalization of Municipal employee job evaluation

TOURISM

Main objective was to improve sustainable tourism through increasing awareness of tourism attractions and ensure improved infrastructure development.

ICT

- Successful implementation MScoa financial System
- Inadequate Staff to execute IT functions – this issue has being addressed
- Adoption of IT Policies

Legal Services

- Contract management
- The delegation register and the Rules of Order were reviewed.

FINANCIAL SERVICES

- Improvement of Municipal Audit Opinion.
- Improvement of cash and financial position.
- Improvement in cash reserve balances through investments

SUPPLY CHAIN MANAGEMENT

- SCM made use of the National Treasury's central electronic tender bulletin.
- Use of National Treasury's CSD for sourcing quotations
- Majority of the SCM officials completed their certificates.

FINANCIAL HEALTH OVERVIEW

Refer to Section 3 of the annual report for the highlights and challenges of the finance department as contained in the annual performance report.

| Financial overview cold stats) new stats | | | | |
|---|------------------------|-------------------|---------------------|-----------------------|
| Details | Original Budget | Adjustment | Final Budget | Actual Amounts |
| Grants | R156,966,000 | -R4,031,000 | R152,031,000 | R152,118,277 |
| Interest Received Trading | - | | | |
| Interest Received Investment | R2,800,00 | R2,500,000 | R5,300,000 | R8,696,160 |
| Other Income | 262,000 | R25,500 | R287,500 | R644,678 |
| Gain on Disposal of Assets | - | | | |
| Total Revenue | R160,028,000 | -R1,455,500 | R158,572,500 | R161,509,615 |
| Less Total Operating Expenditure | -R198,134,396 | R3,813,440 | -R194,320,956 | -R167,765,566 |
| Net total | -R38,106,396 | R2,357,940 | -R35,758,456 | -R5,759,020 |

| Operating Ratios | |
|---|---------------|
| Detail | |
| Employee Costs including Councilors remuneration | 73.22% |
| Repairs and Maintenance | 0.25% |
| Finance Charges and Impairment | 0.00% |

COMMENT ON OPERATING RATIOS

COMMENT ON OPERATING RATIOS:

Employee Costs:

The employee related costs are higher than the norm, as the majority of the core functions must have a minimum of employees as stated in legislation to perform the functions.

Repairs and maintenance:

There are limited funding available to allocate to repairs and maintenance. However, repairs and maintenance were done.

The challenge still remains of funding to source the increased maintenance. The main source of income increases 3% which is not aligned to the average CPIX.

Finance Charges and Impairment

No new loans have been taken up for a number of years.

Old statistics

| Total Capital Expenditure: 2019/20 to 2022/23 (R'000) | | | | |
|--|----------------|----------------|----------------|----------------|
| Detail | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| Original Budget | R16,300,000 | R13,550,000 | R13,150,000 | R8,800,000 |
| Adjustment Budget | R17,100,000 | R14,238,700 | R13,150,000 | R8,800,00 |
| Actual | R4,068,823 | R9,963,831 | R5,447,154 | R1,605,982 |

COMMENT ON CAPITAL EXPENDITURE:

Municipal Capital Expenditure shows that the municipality's financial position has not improved and there is an decrease in capital expenditure

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

The Human Resources Section consists of the following disciplines:

- Human Resource Management
- Employment Equity
- Recruitment and Selection
- Human Resources Administration & Conditions of Service
- Training and Development-
- Labor Relations
- Occupational Health and Safety
- Wellness and Employee Assistance

1.5.1 BACKGROUND AND OBJECTIVE

Lejweleputswa District Municipality is consistent with the constitutional mandate of Local Government, the legislative obligations for Human Resources and the Organisational Strategies, the Human Resources Section regards its mission as dedicating itself to serve and support the organization in achieving its strategic objectives, whilst serving the interest of its employees. To give effect to its mission, HR endeavour to :

- (i) Empower employees towards maximizing their personal potential and deliver on and exceed organizational requirements,
- (ii) Continuously align the HR Strategy with the Organizational Strategy (IDP), Legislative Requirements and Best Practices in the HR field.
- (iii) Champion the cause of our human resource (employees/people) as Lejweleputswa District Municipality's most valuable resource and the key to success in service delivery,
- (iv) Promote and practice "People First Principles", Equity, Fairness, Objectivity and Consistency,
- (v) Actively influence the achievement of an employee corps with high morale, high commitment to organizational goals/values and dedication to public/community service,
- (vi) Commit to professional conduct, promote professional HR management practices and advance the knowledge and proficiency of HR to the benefit of the LDM, and
- (vii) Develop and adopt appropriate systems and procedures to ensure fair, efficient, effective and transparent personnel administration

BENEFITS OF HR STANDARDS

The vision of the project is to set national HR standards in order to improve the quality of HR work, irrespective of the location of a HR professional, or industry and organizational differences. Ultimately, HR professionalism will be enhanced by reducing inconsistencies in the profession.

The goals of the project are as follows:

- To improve standardised approaches to professional HR practices and thus promoting HR professionalism;
- To develop a national HR scorecard with specific HR measurements and metrics, supported by a National HR Research and Benchmarking Centre;
- To create a National HR Academy with a standardised HR Curriculum;
- To ensure that HR features in integrated reporting;
- To develop a foundation for integrating HR in the King IV Code of Governance.

AUDITOR GENERAL REPORT

AUDITED OUTCOMES

| Year | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Status | Unqualified with matters | Unqualified with matters | Unqualified with matters | Unqualified with matters | Unqualified with matters | Unqualified with matters |

STATUTORY ANNUAL REPORT PROCESS

Amendment made in terms of Exemption of section 177(1)(b) of Local Government Municipal Finance Management Act , 2003 (act no 56 of 2003) exempt municipalities and municipal entities from the provision of that act and regulations as set out in the schedule

| Nr. | Activity | Time Frame |
|-----|---|---------------|
| 1. | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period. | August 2020 |
| 2. | Implementation and monitoring of approved Budget and IDP commenced (In-year financial reporting). | Monthly |
| 3. | Finalise the 4th quarterly Report for previous financial year. | August 2023 |
| 4. | Submit draft 2021/22 Annual Report to Internal Audit . | October 2023 |
| 5. | Municipal entities submit draft annual reports to MM. | October 2023 |
| 6. | Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant). | October 2023 |
| 7. | Mayor tables the unaudited Annual Report. | October 2023 |
| 8. | Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General. | October 2023 |
| 9. | Annual Performance Report as submitted to be provided as input to the IDP Analysis Phase. | October 2023 |
| 10. | Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data. | Nov – Dec 23 |
| 11. | Municipalities receive and start to address the Auditor General's comments. | November 2023 |
| 12. | Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report. | January 2024 |
| 13. | Audited Annual Report is made public and representation is invited. | February 2024 |
| 14. | Oversight Committee assesses Annual Report. | |
| 15. | Council adopts Oversight report. | |
| 16. | Oversight report is made public. | March 2024 |
| 17. | Oversight report is submitted to relevant provincial council | |
| 18. | Commencement of draft Budget/IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input. | |

CHAPTER 2 GOVERNANCE

INTRODUCTION TO GOVERNANCE

2.1.1. Introduction to Governance

Lejweleputswa District Municipality has, as all other municipalities, essential administrative and other support functions that are not necessarily statutory prescribed, but that are necessary in order for the organization to function. These functions are referred to as support services functions.

Good governance ensures Excellent, Accurate, Effective and Efficient administrative and secretarial/support service to Council, Mayoral Committee, Section 79 and 80 Committees and other standing Committees.

2.1.2. Introduction to Political and Administrative Governance

Lejweleputswa District Municipality Corporate/Strategic Services ensures that Council, Executive Mayoral Committee, Portfolio Committees and other standing Committees meets regularly as per approved Council's meeting schedule.

The directorate ascertains arrangement of special meetings, as and when required to do so. Agendas of all Council and Committee meetings are compiled, produced and distributed to thirty five (35) Councillors, Management and officials. Minutes of all meeting proceedings are recorded and safeguarded for record purposes and future reference.

Lejweleputswa District municipality makes use of Resolution register to keep track of all Council resolutions and its implementation, thereof.

Political Structure



Executive Mayor
Cllr Ntombizodwa Ntakumbana



Speaker
Cllr Danile Jerence Dikane

Section 80: Portfolio Committee chairpersons



Cllr V Rooyen
IDP, PMS, Policy Development and Monitoring



Cllr PP Maleka
Corporate Services: Including HR And Legal Services



Cllr MS Baleni
Municipal Infrastructure Services



Cllr BA Kadi
Community Services



Cllr MJ Meli
Economic, Small Business and Rural Development: Including Agriculture and Tourism








Cllr D Kotzee
Finance: Including Budget & Treasury



Cllr SE Tsuinke
Environmental Health Services & Disaster Management : Including Fire Fighting

2.1.3. COMPOSITION OF COUNCIL

Lejweleputswa District Municipality consists of 39 Councillors

| ANC | DA | EFF | FF+ | ISANCO | ADEC |
|---|---|---|--|---|---|
|  |  |  |  |  |  |
| 22 | 8 | 5 | 1 | 2 | 1 |

COMPILATION OF COUNCIL

| Proportional | Matjhabeng Municipality | Tswelopele Municipality | Nala Municipality | Masilonyana Municipality | Tokologo Municipality |
|--------------|-------------------------|-------------------------|-------------------|--------------------------|-----------------------|
| 16 | 15 | 2 | 3 | 2 | 1 |

| Political Party | Name of Councillor | Representing |
|-----------------|--------------------|---|
| 1. ANC | Cllr NV Ntakumbana | LDM Executive Mayor |
| 2. ANC | Cllr DJ Dikane | LDM Speaker |
| 3. ANC | Cllr SE Tsuinke | Chairperson of Municipal Health Service & Disaster Management Including Fire Fighting |
| 4. ANC | Cllr KV Van Rooyen | Chairperson of IDP PMS Policy Development Including Monitoring & Evaluation |
| 5. ANC | Cllr PP Maleka | Chairperson of Corporate Service :HR and Legal |
| 6. ANC | Cllr MJ Meli | Chairperson of Economic, Small Business and Rural Development Including Agriculture & Tourism |
| 7. ANC | Cllr BA Kabi | Chairperson of Community Services |
| 8. ANC | Cllr D Kotzee | Chairperson of Finance (Budget and Treasury) |
| 9. ANC | Cllr MS Baleni | Chairperson of Municipal Infrastructure |
| 10. DA | Cllr PF Botha | Member of Portfolio Committee |
| 11. DA | Cllr AJJ Kruger | Member of Portfolio Committee |
| 12. DA | Cllr MJ Kose | Member of Portfolio Committee |
| 13. EFF | Cllr LE Khetsi | Member of Portfolio Committee |
| 14. EFF | Cllr MI Lentsa | Member of Portfolio Committee |

| | | |
|------------|---------------------|--|
| 15. ANC | Cllr PE Maile | Member of Portfolio Committee |
| 16. ANC | Cllr M Molefi | Chairperson of MPAC |
| 17. ANC | Cllr JS Mabitla | Member of Portfolio Committee |
| 18. ANC | Cllr PV Nthuba | Member of Portfolio Committee |
| 19. ANC | Cllr NP Nkone | Member of Portfolio Committee |
| 20. ANC | Cllr V Sotenjwa | Chairperson of Woven Caucus |
| 21. ANC | Cllr IP Mphore | Member of Portfolio Committee |
| 22. ANC | Cllr MJ Twala | Member of Portfolio Committee |
| 23. DA | Cllr A. Styger | Chairperson of Disciplinary and Ethics Committee |
| 24. DA | Cllr SE Putsoenyane | Member of Portfolio Committee |
| 25. ANC | Cllr MG Fosi | Member of Portfolio Committee |
| 26. DA | Cllr C Malherbe | Member of Portfolio Committee |
| 27. FF + | Cllr M Pienaar | Member of Portfolio Committee |
| 28. EFF | Cllr MT Macingwane | Member of Portfolio Committee |
| 29. ANC | Cllr BH Mkhondwani | Member of Portfolio Committee |
| 30. ANC | Cllr MM Molutsi | Member of Portfolio Committee |
| 31. DA | Cllr MM Snyder | Member of Portfolio Committee |
| 32. ANC | Cllr T Molale | Member of Portfolio Committee |
| 33. ADEC | Cllr LJ Maile | Member of Portfolio Committee |
| 34. EFF | Cllr A Dyantyi | Member of Portfolio Committee |
| 35. ANC | Cllr NW Speelman | Chairperson of Rules Committee |
| 36. EFF | Cllr IS Mokotedi | Member of Portfolio Committee |
| 37. DA | Cllr TW Letlhake | Member of Portfolio Committee |
| 38. ISANCO | Cllr ME Mahlaku | Member of Portfolio Committee |
| 39. ISANCO | Cllr SJ Lehasa | Member of Portfolio Committee |

2.1.4 RACE AND GENDER REPRESENTATION IN COUNCIL

During the year under view, political parties were represented as follows:

Note: A = Africans, C = Coloured, I = Indians and W = Whites

| Political Party | Male | | | | Female | | | | TOTAL |
|---------------------------------|------|---|---|---|--------|---|---|---|-------|
| | A | C | I | W | A | C | I | W | |
| African National Congress (ANC) | 13 | 0 | 0 | 0 | 9 | 0 | 0 | 0 | 22 |
| Democratic Alliance (DA) | 3 | 0 | 0 | 3 | 1 | 0 | 0 | 1 | 8 |

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| | | | | | | | | | |
|--------|----|---|---|---|----|---|---|---|----|
| EFF | 3 | 0 | 0 | 0 | 2 | 0 | 0 | 0 | 5 |
| Ff+ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| ISANCO | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 2 |
| ADEC | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| TOTAL | 19 | 0 | 0 | 5 | 13 | 0 | 0 | 2 | 39 |

Number of Meetings Held

| Types of Meetings | No of Meetings | Number of Members per Portfolio Committee | Agendas Distributed per Sitting |
|--|----------------|---|---------------------------------|
| Council Meetings | 9 | 53 | 371 |
| Mpac Meetings | 18 | 13 | 234 |
| Corporate services Portfolio Committees | 5 | 7 | 35 |
| Finance Portfolio Committees | 4 | 7 | 28 |
| Led Portfolio Committees | 2 | 7 | 14 |
| Public Participation Committee | - | - | - |
| Municipal Health Services | 4 | 7 | 28 |
| Special Programmes Portfolio Committees | 1 | 7 | 7 |
| Municipal Support and Infrastructure Portfolio Committees | 3 | 7 | 21 |
| Mayoral Committees | 10 | 17 | 170 |
| Rules Portfolio Committee | 3 | 10 | 30 |
| Language and Public Places | - | - | - |
| Ethics and Disciplinary Committee | - | - | - |
| IDP, Pms Policy development and Monitoring Portfolio Committee | 4 | 7 | 28 |
| Total | 63 | 142 | 966 |

2.1.5 EXECUTIVE MAYORAL COMMITTEE

The Executive Mayor is at the centre of the system of governance; therefore executive powers are vested in him to manage the day-to-day affairs. This means that he has an overarching strategic and political responsibility. (Refer to Section 60 of the Structures Act).

Although accountable for the strategic direction and performance of the Municipality, the Executive Mayor operates in consultation with the Mayoral Committee. The Mayoral Committee is chaired by the Executive Mayor.

Name and Portfolio of each member of the Mayoral Committee for 1 July 2022 - 30 June 2023:

| Name of Member | Capacity |
|--------------------|--|
| Cllr KV Van Rooyen | IDP, PMS, Policy Development Including Monitoring and Evaluation |
| Cllr MS Baleni | Municipal Infrastructure |
| Cllr D Kotzee | Finance Including Budget and Treasury |
| Cllr BA Kabi | Community Services |
| Cllr MJ Meli | Economic, Small Business & Rural Development Including Agriculture and Tourism |
| Cllr SE Tsuinke | Municipal Health Services & Disaster management Including Fire Fighting |
| Cllr PP Maleka | Corporate Services Including HR and Legal Services |

2.1.6. COMMITTEES

The Municipal Structures Act allows a municipal council to establish two types of committees - Section 79 and Section 80 Portfolio Committees.

Section 79 Committee, also known as council committees, meet every second month and report their oversight outcomes to Council, via the MAYCO. Lejweleputswa DM has the following Section 79 Committees:

- MPAC
- Training & Development
- Occupational Health & Safety
- Local Labour Forum; and
- Disciplinary Committee.

Section 80 Portfolio Committees meet on a monthly basis to discuss matters referred to them and to make suitable recommendations to the MAYCO. Members are appointed to assist the Executive Mayor with his/her duties. Lejweleputswa District Municipality has the following Section 80 Committees:

- Road Infrastructure
- Financial Services
- Community Services
- Municipal Health Services & Disaster management Including Fire Fighting
- Economic, Small Business Rural Development Including Agriculture and Tourism
- Corporate Services Including HR And Legal Services
- IDP, PMS, Policy Development Including Monitoring and Evaluation

2.1.7 SECTION 79 AND 80 COMMITTEES

| SECTION 80 COMMITTEES | | | |
|--|---|--------------------|--------------------------|
| Committee | Functions | Chairperson | Executive Manager |
| Municipal Infrastructure | Roads Infrastructure | Cllr SE Tsuinke | Mr YM Kupiso |
| Financial Including Budget And Treasury | Income and Expenditure, Supply Chain, BTO, Revenue Management, Asset Management, Stores, Financial Statements, GRAP Statements | Cllr D Kotzee | Mr T Tsoaeli |
| Community Services | Sport | Cllr BA Kabi | Mr YM Kupiso |
| Economic, Small Business Rural Development Including Agriculture and Tourism | Local Economic Development through Training of Smmes, Agricultural Cooperatives Development and Tourism Promotion | Cllr MJ Meli | Mr S Musapelo |
| Municipal Health Services & Disaster management Including Fire Fighting | Municipal Environmental Protection and Disaster Management | Cllr SE Tsuinke | Mr YM Kupiso |
| Corporate Services Including HR and Legal Services | Human Resource Development, Support services. Access Control), Committee Services, Legal Services, Gender / Disability related matters. | Cllr PP Maleka | Me BJ Malapane |
| IDP, PMS, Policy Development Including Monitoring And Evaluation | IDP, Performance management System | Cllr KV Van Rooyen | DF Maselwa/ S Musapelo |

2.1.8. Section 79 Committees

| Committee | Chairperson | Other political representation | Unions |
|-----------------------------------|------------------------|--|--------|
| MPAC | Cllr M Molefi (ANC) | Cllr NW Speelman(Anc), Cllr NP Nkone (Anc), Cllr IP Mphore(Anc), Cllr BN Mkhondwane (Anc), Cllr V Sotenjwa (Anc), Cllr MG Fosi(Anc), Cllr AJJ Kruger(Da), Cllr MT Macingwane (Eff) , Cllr M Pienaar (FF+), Cllr A Styger (DA) Cllr BS Ramosie(ISANCO) Cllr LJ Maile(ADEC) | |
| Rules Committee | Cllr NW Speelman (ANC) | Cllr IP Mphore (Anc), Cllr NP Nkone(Anc), Cllr V Sotenjwa (Anc), Cllr A Styger(Da), Cllr IS Mokoteli (Eff) , | |
| Disciplinary and Ethics Committee | A Styger(Da) | Cllr MJ Twala (Anc), Cllr TW Letlhake (Da), Cllr MM Molutsi (Anc), M Pienaar (FF+), M Molefi (Anc) | |

2.1.8 POLITICAL DECISION-MAKING PROCESS

| | | |
|--------|--------------------|---------------------------------------|
| Step 1 | Executive Managers | Submit Reports to Portfolio Committee |
| Step 2 | Council Committees | For notice and/or Recommendations |
| Step 3 | Mayoral Committee | Recommendation |
| Step 4 | Council | Approve / Consider |
| Step 5 | Executive Manager | Execution |

All decisions taken by Committees or Council are listed on municipal Resolution Register for Implementation.

2.2 ADMINISTRATIVE GOVERNANCE

2.2.1 INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is regarded, in terms of legislation, as the head of administration and is responsible and accountable for the management of the municipality's administration. The Accounting Officer must at all times act with fidelity, honesty, integrity and in the best interests of the municipality in managing its financial affairs.

The Management team comprises of the following officials:

| | |
|--|----------------|
| Acting Municipal Manager | Mr S More |
| Acting Executive Manager: Corporate Services | Me BJ Malapane |
| Acting Executive Manager: Financial Services | Mr T Tsoaeli |
| Acting Executive Manager: Local Economic Development | Mr S Musapelo |
| Executive Manager: Basic Services | Mr YM Kupiso |

In order to ensure that administrative governance is enforced and elevated, a number of departmental structures have been put in place viz;

- Senior Management meetings (Exco);
- Middle Management meetings
- Operation Clean Audit
- Departmental Management meetings.

The administration ascribes to the Batho Pele Principles and the values are contained in the vision and mission of the Municipality. The municipality is using the national Anti-Fraud & Anti-Corruption Hotline which is aimed at fostering a clean administration and enhancing a code of ethics and good governance.

Senior Management is continuously striving at elevating the corporate culture of the administration, by inculcating corporate values, high levels of integrity and professionalism.

TOP ADMINISTRATIVE STRUCTURE



Mr Sello More
Acting Accounting Officer



Mr T Tsoaeli
Acting Chief Financial Officer



Mr S Musapelo
Acting Director LED



Me BJ Malapane
Acting Director: Corporate Services



Mr YM Kupiso
Director EHS

| Performance Agreement Status | | |
|-------------------------------------|-----------------------------------|--|
| Name of official | Department | Performance Agreement Signed? Y/N |
| Mr S More | Acting Municipal Manager | Yes |
| Me BJ Malapane | Acting Corporate Services | Yes |
| Mr T Tsoaeli | Acting Financial Services | Yes |
| Mr S Musapelo | Acting Local Economic Development | Yes |
| Mr YM Kupiso | Basic Services | Yes |

2.3. COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTERGOVERNMENTAL RELATIONS

2.3.1 INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Lejweleputswa DM, via the utilisation of its Intergovernmental Relations function and established functions, seeks to achieve the following:

- To promote horizontal and vertical partnership building towards coherent governance for the effective provision of municipal services and the realization of national priorities;
- Co – ordinate and partake in district, provincial and national intergovernmental structures;
- The implementation, reporting and monitoring of the Back – to Basics – Programme;
- To co-ordinate and facilitate good relationships with municipalities and Provincial and National spheres of government;
- To ensure that internal departments and sections build strategic developmental partnerships with their technical counterparts;
- To co-ordinate the sharing of best practices, knowledge and information amongst municipalities; and
- To enhance both municipal human and financial resources capacity, leading to improved municipal service delivery.

2.3.2 PROVINCIAL INTERGOVERNMENTAL STRUCTURE

The major structure envisaged to promote and facilitate intergovernmental relations between the provinces and local governments in the province is the Premier's Intergovernmental Forum. Lejweleputswa District Municipality actively participates on various provincial intergovernmental structures. In this regard there is direct engagement on a political and senior management level with regard to the following provincial structures:

District IDP Managers' Forum, LED Managers' Forum, Chief Financial Officer's forum, Intergovernmental Political Forum, Intergovernmental Technical Forum, Mayor's forum

Through this process, all agenda settings and engagement matters relating to Lejweleputswa District Municipality and local municipalities in its area of jurisdiction are elevated to a provincial level. The under – mentioned meetings are held Quarterly

- Provincial IDP forums
- Provincial IDP assessment Panel
- Provincial LED Forums
- Provincial Disaster Management Forums
- Provincial Performance Management meetings

Reason for attendance

- To attain guidance to municipal planning process
- To report on district s planning process
- For attainment of financial support and technical support on municipal ldp and public participation
- To ensure alignment of Policies with National and Provincial sector
- & For identification of Capacity gaps, training and development

2.3.3 Relationship with Municipal Entities

Below is various internal municipal platforms utilised by both Lejweleputswa district municipality and Lejwe leputswa development urgency to enhance accountability.

- Management Committee
- Council's Section 79 and Section 80 Committees
- Mayoral Committee
- Municipal Public Accounts Committee (MPAC)
- Audit Management Committee
- Budget Steering Committee
- Training and Development Committee

2.3.4 DISTRICT INTERGOVERNMENTAL STRUCTURES

Lejweleputswa District Municipality as a custodian of inter-governmental relations structures in the district has facilitated the establishment of the following 11 forums for better coordination with the five local municipalities. The Executive Mayor of Lejweleputswa District municipality envisaged the significance of IGR Political especially with regard to information sharing with local municipality and district's playing its oversight role

| Forum Name | Does it have a TOR? | Is Forum Active | Frequency of Meeting | Purpose of forum | Composition of Forum | Chairperson |
|--------------------------|---------------------|-----------------|----------------------|--|--|---|
| Mayors Forum | Yes | Yes | 4 | Both Local And District Executive Mayors and Locals meet to engage on Governance | 1) District Mayor 2) 5 Local municipalities' Executive Mayors | District Mayor: Cllr Ntombizodwa Ntakumbana |
| Speakers Forum | Yes | Yes | 4 | To identify and implement programs | 1) District Speaker 2) 5 Local Municipalities' Speakers | District Speaker: Cllr Jerence Dikane |
| Municipal Managers Forum | Yes | Yes | 4 | For discussions of matters of Municipal interest | 1) District Municipal Manager 2) 5 Local Municipalities' Accounting Officer | District Municipal Manager: Mr Sello More |
| IDP Managers Forum | Yes | Yes | 4 | It's a Platform of engagement by IDP managers to discuss IDP processes and alignment between District and Locals | 1) District IDP Manager 2) 5 local Municipalities IDP Managers and Cogter member | Mr Silone Musapelo District IDP Manager |
| LED Managers Forum | Yes | Yes | 4 | LED practitioners of both District and Local engage in ways to improve projects and stimulate local | 1) District LED Manager. 2) 5 Local municipalities' LED managers | Mr Thamsanqa Skele District LED Manager |

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| | | | | | | |
|------------------------------|-----|-----|---|--|--|----------------------|
| Internal Audit | Yes | Yes | 4 | Internal Auditors of Both District and Locals meet to engage on ways to improve Audit, AG's audit Finding and exchange Ideas on Best Audit Practices | 1) District Internal Audit Manager. 2)5 Local municipalities' Internal Audit managers | Mr Andre Bester |
| Performance Management Forum | Yes | Yes | 4 | Performance Managers of Both District and Locals meet to engage on ways to improve Performance System, reporting , AG's and Performance Findings. | 1) District Performance Manager Manager. 2)5 Local municipalities' Internal Audit managers and Cogta | Mr D F Maselwa |
| IGR Technical | Yes | Yes | 4 | Officials of Both Local Municipality and a District meet to discuss issues of intergovernmental relations and best practices | District Officials and Locals | Mr Sello More |
| Waste Management Forum | Yes | Yes | 4 | To discuss waste management matters | Provincial waste managers, District waste managers and Local municipalities' waste managers. | Mr Louis Vollchenk |
| Disaster Management Forum | Yes | Yes | 4 | To discuss disaster related issues | Provincial Disaster managers, District disaster managers and Local municipalities' disaster managers | Mr Sibonda Nzume |
| Labor Relations Forum | Yes | Yes | 4 | Labor related Issues | Management and Employee representatives | Cllr Phindiwe Maleka |

COMPONENT C: PUBLIC ACCOUNTABILITY

Overview of Public Accountability and Participation

MSA section 15 (b) requires a municipality to establish and organise its administration to facilitate a culture of accountability amongst its staff. Section 16 (i) states that a municipality must develop a system of municipal governance that complements formal representative governance with a system of participatory governance. Section 18 (i) **(d)** requires a municipality to supply its community with information concerning municipal governance, management and development.

The participation outlined above is required in terms of:

- the preparation, implementation and review of the IDP;
- the preparation, implementation and review of the municipal SDF;
- the drafting of the municipal budget;
- strict adherence to Section 27 of the Municipal Systems Act;
- MPAC and APAC oversight committee;
- notifying the public on council meetings;
- publication of Performance Agreements on the municipal website;
- Supply Chain Management procedures and processes;
- the development, implementation and mitigation of municipal risks through a risk register;
- implementation of iComply Eunomia to ensure legislative compliance;
- the municipal Annual Report;

2.4 IDP PARTICIPATION & PERFORMANCE ALIGNMENT

| IDP Participation and Alignment Criteria | Yes/No |
|--|--------|
| Does the municipality have impact, outcome, input, output indicators? | Yes |
| Does the IDP have priorities, objectives, KPIs, development strategies? | Yes |
| Does the IDP have multi-year targets? | Yes |
| Are the above aligned and can they calculate into a score? | Yes |
| Does the budget align directly to the KPIs in the strategic plan? | Yes |
| Do the IDP KPIs align to the Section 57 Managers | Yes |
| Do the IDP KPIs lead to functional area KPIs as per the SDBIP? | Yes |
| Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes | Yes |
| Were the indicators communicated to the public? | Yes |
| Were the four quarter aligned reports submitted within stipulated time frames? | Yes |
| Section 26, Municipal Systems Act 2000 | |
| | |

COMPONENT D: CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships amongst the many stakeholders involved and the goals for which the institution is governed.

2.5 RISK MANAGEMENT

2.5.1 GOOD GOVERNANCE: RISK MANAGEMENT

To maintain an overall positive perception of the municipality and confidence in the municipality from the public and other stakeholders, well planned goals and objectives should be coordinated and achieved within the district. Lejweleputswa DM has instituted Risk Management as a systematic and formalised process in order to identify, assess, manage and monitor risks which effectively ensures achievement of those planned goals and objectives. Thus, Risk management is essentially a good governance measure instituted to ensure the municipality accomplishes its vision, mission and strategic plans.

Risk refers to a beneficial or unwanted outcome, actual or potential, to the organisation's service delivery and other performance objectives, caused by the presence of risk factors. A risk factor is seen as any threat or event which creates, or has the potential to create risk, i.e. it is the root cause of the risk. The occurrence of these risks would be an example of a factor that could hamper service delivery. Some risk factors also present upside potential, which management must be aware of and be prepared to exploit. Such opportunities are encompassed in this definition of risk.

2.5.2 BENEFITS OF RISK MANAGEMENT

Risk management is a valuable management tool which increases an institution's prospects of success through minimising negative outcomes and optimising opportunities.

Instituting a system of risk management may have the following beneficial outcomes for Lejweleputswa DM:

- More sustainable and reliable delivery of services;
- Informed decisions underpinned by appropriate rigour and analysis;
- Achievement of strategic goals as set out in the Integrated Development Plan;
- Reduced waste;
- Prevention of fraud and corruption;
- Better value for money through more efficient use of resources; and
- Better outputs and outcomes through improved project and program management.

2.5.3 LEGISLATIVE REQUIREMENTS

Sections 62(1)(c)(i) and 95(c)(i) of the MFMA specifically require Accounting Officers to ensure that their municipalities and municipal entities have and maintain effective, efficient and transparent systems of risk management.

2.5.4 THE RISK MANAGEMENT PROCESS

The risk management process is the basic structure that guides the entire risk management unit and consists of 8 vital steps:

- Step 1: Internal Environment** the municipality’s internal environment is the base of all other components of risk management and needs to be thoroughly assessed.
- Step 2: Objective Setting** – this is a precondition to event identification, risk assessment and risk response. There must first be objectives before management can identify risks to their achievement and take necessary actions to manage the risks.
- Step 3: Event identification** – as part of event identification management recognises that uncertainties exist, but does not know when an event may occur, or when its outcome should occur.
- Step 4: Risk Assessment** – management considers the mix of potential future events relevant to the municipality and its activities. This entails examining factors including the municipality’s size, complexity of operations and degree of regulation over its activities that shape the municipality’s risk profile and influence the methodology it uses to assess risks. Individual risks are assessed on inherent and residual levels, and on impact and likelihood of occurrence.
- Step 5: Risk Response** – this involves identifying and evaluating possible responses to the risks identified. Evaluation of likelihood and impact of risks is done then plotted on the following graph (which is used to categorise risks as low, medium or high) in order to gauge the type of response needed.

Graph: Risk Response required according to impact and likelihood.

| | |
|---|--|
| Medium Risk Share (Insurance) | High Risk Avoid & Reduce (Control) |
| Low Risk Accept (Risk Appetite) | Medium Risk Reduce (Control) |

Likelihood

Step 6: Control Activities – three types of control activities are recognised in risk management. These are preventative controls (striving to eliminate the occurrence of certain risks), detective controls (striving to identify and bring attention to risks that have already occurred or materialised), and corrective controls (striving to counteract the effects of risks that have already occurred or materialised).

In order for activities and operations to run effectively and efficiently LDM must optimally distribute its resources according to significance of those activities and operations.

Step 7: Information and Communication – information should be delivered to personnel in a form and timeframe that enables them to carry out their risk management and other responsibilities.

Step 8: Monitoring – risk management operates in an ever-changing and dynamic environment.

Management needs to regularly determine whether the functioning of each risk management component continues to be effective.

It should be noted that the below risks were identified during the annual risk assessment and has not been approved by council yet.

As at 30 June 2023, the top 6 risks to the municipality

| No. | Risk Group | Risk | Cause of risk (root cause) |
|-----|----------------------------------|---|--|
| 1. | Ensure Financial Sustainability. | Loss of Assets. | Theft of assets, Theft of fire vehicles prohibiting service delivery. |
| 2. | Promote good Governance | Failure to properly execute the Individual and Organizational Performance | Capacity constraints, Lack of cooperation from departments, Incomplete performance updates and evidence files. |

| As at 30 June 2023, the top 6 risks to the municipality, in no particular order | | | |
|--|----------------------------------|--|---|
| No. | Risk Group | Risk | Cause of risk (root cause) |
| 5 | Ensure Financial Sustainability. | Lack of / insufficient revenue. | Lack of accountability and responsibility. Economic realities. |
| 6. | Ensure Financial Sustainability | Do not have the resources to effectively implement projects. | landequate Grants for a Dsistrict to execute its main powers anf functions. |

RISK MANAGEMENT: ACCOMPLISHMENTS AND THE WAY FORWARD

Risk management remains an ongoing process and an important factor in change management in Lejweleputswa DM. Also, best practices are being formulated and evaluated within the field of risk management on a provincial level on a continuous basis. The Lejweleputswa District Internal Audit and Risk Management committee was established which includes all Municipalities in the district. This allows all members to give constructive inputs into risk discussions that affect the whole district. mSCOA implementation for municipalities was a big challenge but most municipalities curbed this momentous change in legislation and are moving forward with great strides.

Risk Champions are involved in the identification of risk and the input of controls within their respective departments. Full circle communication is yet to be established and the communication gap with the mitigation of risks within LDM is still a problem.

2.6 ANTI-CORRUPTION AND FRAUD

Section 83(c) of the Municipal Systems Act (MSA) refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), Section 112(1) (m) (i) identifies supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) (b) of the MFMA further states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system, to minimize the likelihood of corruption and fraud.

2.6.1 LDM ANTI-FRAUD AND ANTI-CORRUPTION STRATEGY

Lejweleputswa has established its own Anti -fraud and Corruption which is handled by Risk Management Section in the Office of the Accounting Officer. The policies and Plans for Anti -Corruption and Fraud were reviewed by municipal Council in 2020/21.

2.7 SUPPLY CHAIN MANAGEMENT

- Lejweleputswa District Municipality's supply chain maturity has evolved to become more stringent to statutory financial compliance and this can be clearly witnessed in the Municipal Audit report. In the Fiscal period under review Lejweleputswa's supply Chain Management has serious issues with the municipality getting an Unqualified Audit Opinion. It is a norm that financial maladministration issues such unauthorised expenditure, irregular and wasteful expenditure and fruitless expenditure emanate from supply Chain. Lejweleputswa District municipality has taken a stance in supply chain management in ascertaining that goods procured are in a manner that's fair, equitable and cost effective.
- Developed internal Control systems by our Internal Audit section, ranging from sourcing of quotations to facilitation of procurement through a variety of tender processes played a very important role.
- Supply chain management personnel were capacitated to enable them to execute their responsibilities appropriately and in accordance to supply chain management rules and regulations. Free State National Treasury played a major role not only in training but through securing very competent service providers in executing these function.
- 2022/23 financial year has seen new reforms being introduced and implemented, a good indication that supply chain management is continuously evolving and keeping in line with international trends on good corporate governance.
- The effectiveness use of the National Treasury's Central Supplier Database, an exciting innovation that is intended to reduce the burden of doing business between Public Sector and Private Sector. Government initially had placed the responsibility of Maintenance of a supplier or vendor database with each and every individual institution and that meant for any entity that had services to offer it had to register on the individual databases of each institution. The process was not just cumbersome in itself but redundant and costly as the same documents had to be lodged with each institution. Any amendment in those details had to undergo the same process. Central Supplier Database has done away with such and provided the business sector one entry point to the entire government. This initiative has been

seen as a milestone in government interventions and innovations and not only has it reduced the cost and administrative process but it has provided the business fraternity an exponential exposure to all of government business.

- In addition to the National Treasury Central Database, was the introduction of e-tender portal, all public institution are now required to publish all their tenders on e-tender, thus making it easy and accessible to all service providers. Not only is it making publication of tenders to be easily accessible to all at one central location, but it also save the public the cost and time of having to go through various publications to identify potential business. We trust that such innovations can only increase the level of satisfaction and public trust in dealing with government.

2.7.1 SUMMARY OF BEE COMPANIES DIFFERENTIATING BETWEEN CAPITAL AND NON-CAPITAL ITEMS FOR FORMAL TENDERS

| Capital projects exceeding R 1 000 000 | | | | |
|--|--|---|--|---------------------------------------|
| Type | Total number of tenders awarded for the year | Total No. of companies with BEE Certificates to whom tenders were awarded | Total No. of companies without BBE Certificates to whom tenders were awarded | Percentage of BEE Certified Companies |
| GOODS | 5 | 5 | 0 | 100% |

| Capital projects less than R 1 000 000 | | | | |
|--|---|---|---|------|
| GOODS | 1 | 1 | 0 | 100% |

| Non-Capital Projects (Less than R 1 000 000) | | | | |
|--|--|---|--|---------------------------------------|
| Type | Total number of tenders awarded for the year | Total No. of companies with BEE Certificates to whom tenders were awarded | Total No. of companies without BBE Certificates to whom tenders were awarded | Percentage of BEE Certified Companies |
| GOODS | 3 | 3 | 0 | 100% |

2.7.2 THE WAY FORWARD

Section 217 of the Constitution of the Republic of South Africa, 1996, When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective. Subsection 1 does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for, categories of preference in all allocation of contracts and the protection of advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

Supply Chain Management is no longer just about procurement, it has evolved to become a key strategic tool to any public sector entity that seeks to realise much more than just goods and services. Supply Chain Management within public sector remains at the heart of much discussion whether as a key driver for economic empowerment, transformation or under the scrutiny of public as a fertile ground for corruption and maladministration. Proper strategic planning has to be embedded in public sector practise to ensure that government can live up to the promises of section 217 of the constitution of the South African Republic.

Economic empowerment, sustainable development and growth will not take place if all sectors of society do not share in the same vision. The revision of the Preferential Procurement Regulation 2011 to 2017, can only translate that regulations and institution need to actively participate in the economic and empowerment process willingly without government enforcing stricter reforms to achieving these objectives.

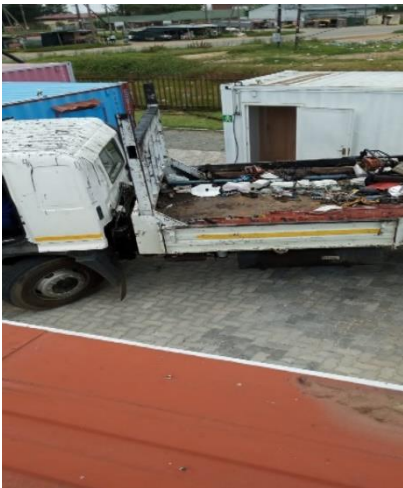
Council endeavours to create an economic buzz in this region that will ensure growth and sustainability in the long term. Having a Policy and system that enforces fairness, equitability, transparency, competitiveness and cost effectiveness as a means for obtaining value for money and local economic development is an objective we seek to achieve. Public confidence in the manner that Council executes its mandate is of paramount importance and council will ensure through its financial systems that Lejweleputswa District Municipality is forever synonymous with excellent corporate governance.

2.8 MUNICIPAL WEBSITE

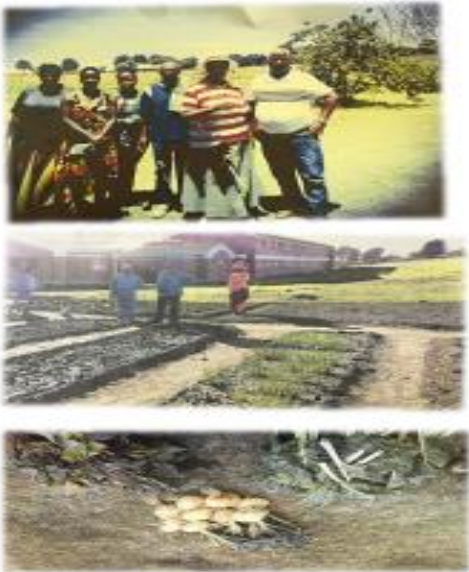
| Section 75 of the Municipal Finance Management Act requires municipalities to place key documents and information on their website, including the IDP, the | Yes/No |
|--|------------------|
| Current annual and adjustments budgets and all budget-related documents (2022/23) | No |
| All current budget-related policies for the 2022/23 budget | Yes |
| The annual report for 2022/23 | Yes |
| The annual report for 2022/23 to be published | March 2024 |
| All performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2022/23) and resulting scorecards | Yes |
| All supply chain management contracts above a prescribed value | Yes |
| An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1 | Nothing disposed |
| Contracts agreed in Year 1 to which subsection (1) of section 33 apply, subject to subsection (3) of that section | Yes |
| Public-private partnership agreements referred to in section 120 made in Year 1 | No |
| All quarterly reports tabled in the council in terms of section 52 (d) during Year 1 | Yes |

LEJWELEPUTSWA DISTRICT HIGHLIGHTS 2022/23

Business Corners In Matjhabeng



Food Gardens



Moral Regeneration



ELECTRIFICATION OF HOUSEHOLD IN MASILONYANA



EHS - Highlights

- Drinking water samples are taken on a monthly basis to audit water quality provided by Municipalities. Cases of non-compliance are given immediate notices for correction measures. Poor water quality in Tokologo and Masilonyana LM's have been corrected by these corrective measures, thus protecting human health against water-borne diseases.
- Continuous implementation of Operation Hlasela and Fiela Food Inspection Campaigns in co-operation with sector departments SAPS, Home Affairs to visit informal food shops to inspect poor quality food sold and adherence to food legislative requirements, those in non-compliance are closed down.
- Quarterly assessment report from all landfill sites and waste collection services enhance effective service delivery and disposal of waste. Non-compliance reports are sent to the relevant LM's and to DEA. This intervention actions has motivate for the upgrading of the Matjhabeng – Welkom Municipal Landfill site with funding from DEA. This Upgrading Project is still on-going
- During the national outbreak of Listeriosis food samples were taken from different food outlets and milk sellers. The continuous sampling ensured that cases of Listeriosis were identified soon after the outbreak. Sampling and swift corrective action prevented the cases to the minimal. EHPs were actively involved in removing contaminated food products from shelves and destroy it safely.
- In the National MHS Audit of 2019 the LDM obtained an audit mark of 84.7%.

Challenges:

- Increase budget needed to improve water sampling especially to monitor sewerage spillages close to residential households, public swimming pools and open water sources/pans used by communities for recreational or washing purposes
- Increase budget needed to improve frequency of food sampling during public events, informal food sector and hawkers. The outbreak of Listeriosis emphasized the importance of frequent food sampling as to protect the community against food outbreaks
- The Review of the Integrated Waste Management Plan is of critical importance
- Intergovernmental (IGR) platforms must be used to create awareness on the importance to prioritize waste management.
- An Environmental Management Inspectorate is need to ensure swift and accurate law enforcement
- The current ratio of LDM is 1 EHP for every 65 000 of the population in comparison to the National required ratio of 1 EHP for every 10 000 people in the community in order to ensure that all the above facilities are regular inspected and to protect human health against disease
Inadequate Environmental Health Practitioners to ensure the frequent, regular and diligent execution of inspections of food premises, child care centers, nursing homes, maternity homes, old age homes, schools ,accommodation establishments, beauty salons, swimming pools, dry cleaning establishments, clinics and hospitals, funeral undertakers, prisons, industrial premises, offensive trades, public gatherings and caterings.

- An Environmental Health Bylaw is critically needed and in the process of development
- An Air Quality Monitoring Station is urgently needed to ensure effective monitoring of air pollution from emitters and to apply polluter-pays principle
- Inadequate human resources – An Air Quality Officer is needed to monitor and audit emitters.
- The Review of the Integrated Air Quality Management Plan is of critical importance
- The development of an Environmental Management Plan is of critical importance

Disaster Management Center

The Lejweleputswa District Disaster Management got the nod from the National Disaster Management to host to supporting events for the commemoration of the International Day of Disaster Risk Reduction which is commemorated on the 13 October every year. The LDMDM hosted two events:

- A workshop for councillors on 15 June 2023;
- A workshop for ward committees on 22 June 2023.

The two events were well attended and were pronounced by the National Disaster Management Centre as very success full.

Challenges:

The Disaster Management Centre still have issues budgetary constraints. The department still have problems with emergency supplies such as:

- Salvage screens to cover the roofs of victims houses during and/or in the aftermath of strong winds and thunderstorm incidents;
- Emergency procurement measures for urgent assistance of victims if and when necessary.

CHAPTER 3
SERVICE DELIVERY PERFORMANCE
(PERFORMANCE REPORT PART 1)

1. OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION.

Municipal Performance management system is a tool used to measure the implementation of Organisational strategies. It is a planning tool used to monitor, measure and review set municipal indicators in order to ascertain effectiveness, efficiency and service delivery impact by the Municipality.

Performance management provides mechanism to measure whether strategic targets set by an organisation and employees are met.

The Constitution of South Africa 1996, Section 152 which deals with the objectives of Local Government flags on Accountable Government as a requirement. These upsurges the principle of Section 195 (i) which are linked to performance management which are as follows:

- Promotion of efficient , economic and effective usage of resources
- Accountable public administration
- Promotion of Transparency through provision of information
- To be responsive to needs of own community
- Through facilitation of public service culture and accountability amongst staff members.

Municipal systems act 2000 requires municipalities to establish a Performance management system and Municipal Finance Management Act requires proper alignment between municipal budget and its integrated development plan and encourages monitoring of performance of budget against IDP through Service Delivery budget Implementation plan.

In addition , Regulation 7(I) Of Local Government : Municipal planning and Performance management regulations, 2001 states that a municipality management system entails a framework which deals on how a municipality 's cycle and processes of performance planning , monitoring, measurement, review, reporting and improvement will be conducted including determining roles of different role players. Relevance of Performance is not only on the municipality it extends to municipal employees, external service providers and municipal entities like our own LDA.

The municipality adopted its own Framework which was approved by Council in September 2008. Lejweleputswa reviewed its policy on 15 June 2015.

1.1 LEGISLATIVE REQUIREMENTS

This Annual Performance Report has been compiled in compliance with the requirements of section 46 (1) of the Local Government: Municipal Systems Act, 2000; which stipulates as follows:

- (1) A municipality must prepare for each financial year a performance report reflecting—
 - (a) the performance of the Municipality and each external service provider during that financial year;
 - (b) a comparison of the performance referred to in paragraph (a) with targets set for performance in the previous financial year; and
 - (c) Measures taken to improve performance

1.2 ORGANISATION PERFORMANCE

This Report reflects actual performance of the Municipality as measured against the performance indicators and targets in its Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for 2022/2023.

The format of the report will reflect the Municipality's Key Performance Indicators (KPI) per Municipal Key Performance Area. Each Key Municipal KPA has a number as set out in municipal IDP which was deliberately designed by the Lejweleputswa District Municipality to focus its development initiatives in a more coherent and organised manner. This report will also endeavour to report to Council the Municipality's performance in terms of the five (5) National Government's Strategic key Performance Areas for local government mentioned below

1. Good Governance and Public Participation
2. Basic Service Delivery
3. Local Economic Development
4. Municipal Financial Viability and Management and
5. Municipal Institutional Transformation and Development

1.3 FOLLOWED PERFORMANCE SYSTEM FOR 2022/23

The municipality followed its adopted Framework which was approved by Council in September 2008 which was reviewed in December 2020.

1.4 THE IDP AND BUDGET

The IDP was reviewed for 2022/23 and the Budget was approved by Council in June 2022. Municipal’s strategic goals and objectives are linked to the budget through the SDBIP. The SDBIP serves as management performance tool and forms part of Lejweleputswa’s performance management system.

The Municipality endeavoured during the development of the Top Layer as well as with the development of its SDBIP that the “SMART” principle was adhered to in the setting of indicators and objectives. Emphasis was placed on ensuring that targets were specific and time bound, thus making it measurable.

The IDP was developed for 2022-2027.

Performance Management Checklist

| | Performance Management Framework | All MSA s57/56 Performance contracts signed | Audit Committee | Municipal Public Accounts Committee (MPAC) | Quarterly Performance Reporting to Council | Annual Reporting to Council |
|-----------|----------------------------------|---|-----------------|--|--|-----------------------------|
| In Place? | Yes | Yes | Yes | Yes | Yes | Yes |

1.5 The Service Delivery and Budget Implementation Plan

The organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the Service Delivery Budget Implementation Plan (SDBIP) at departmental levels.

The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality is implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and Budget.

The MFMA Circular No.13 prescribes that:

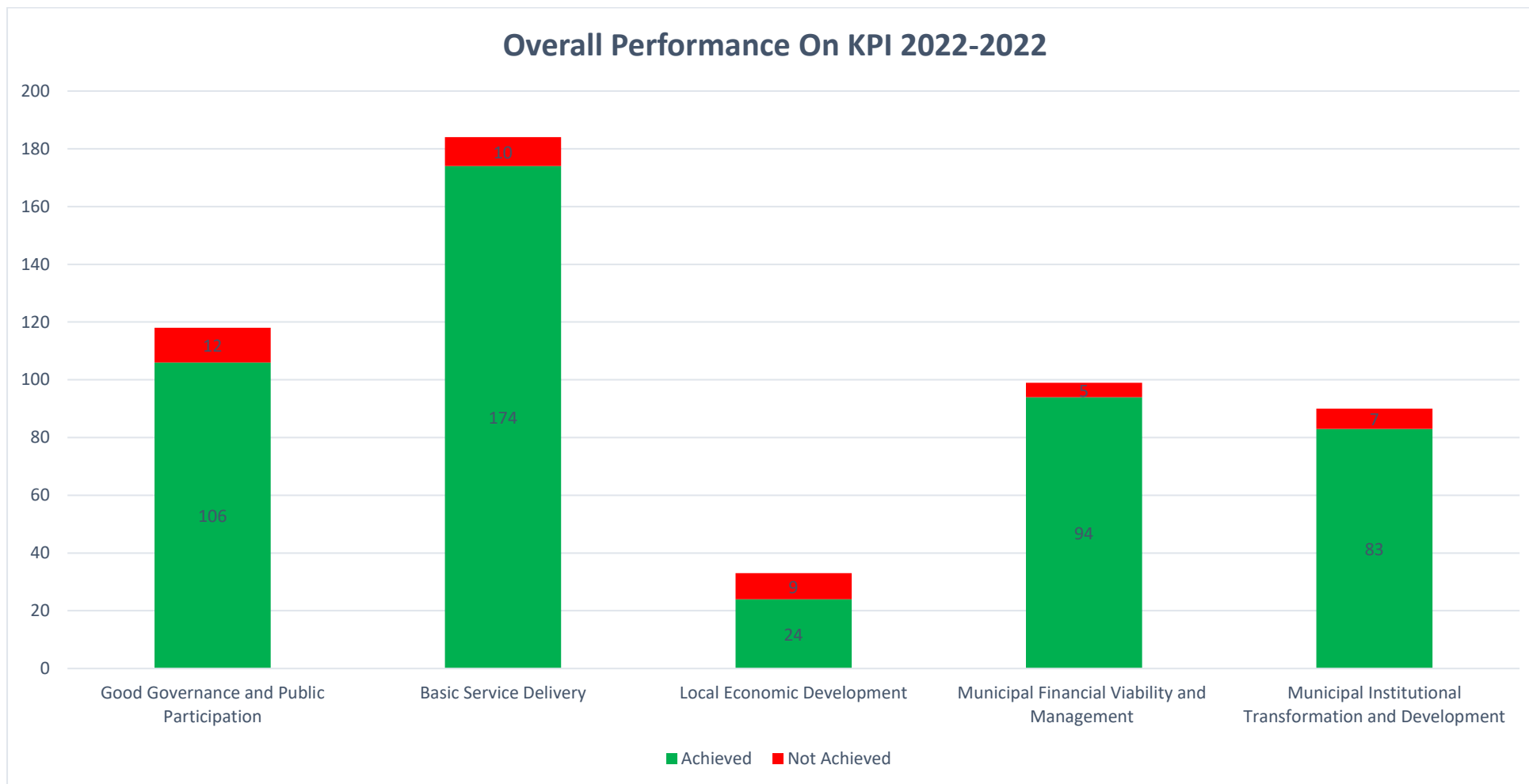
- The IDP and budget must be aligned
- The budget must address the strategic priorities
- The SDBIP should indicate what the municipality is going to do during next 12 months
- and The SDBIP should form the basis for measuring the performance against goals set during the budget /IDP processes.

The overall assessment of actual performance against targets set for the Key Performance Indicators as documented in the SDBIP is illustrated in terms of the following assessment methodology:

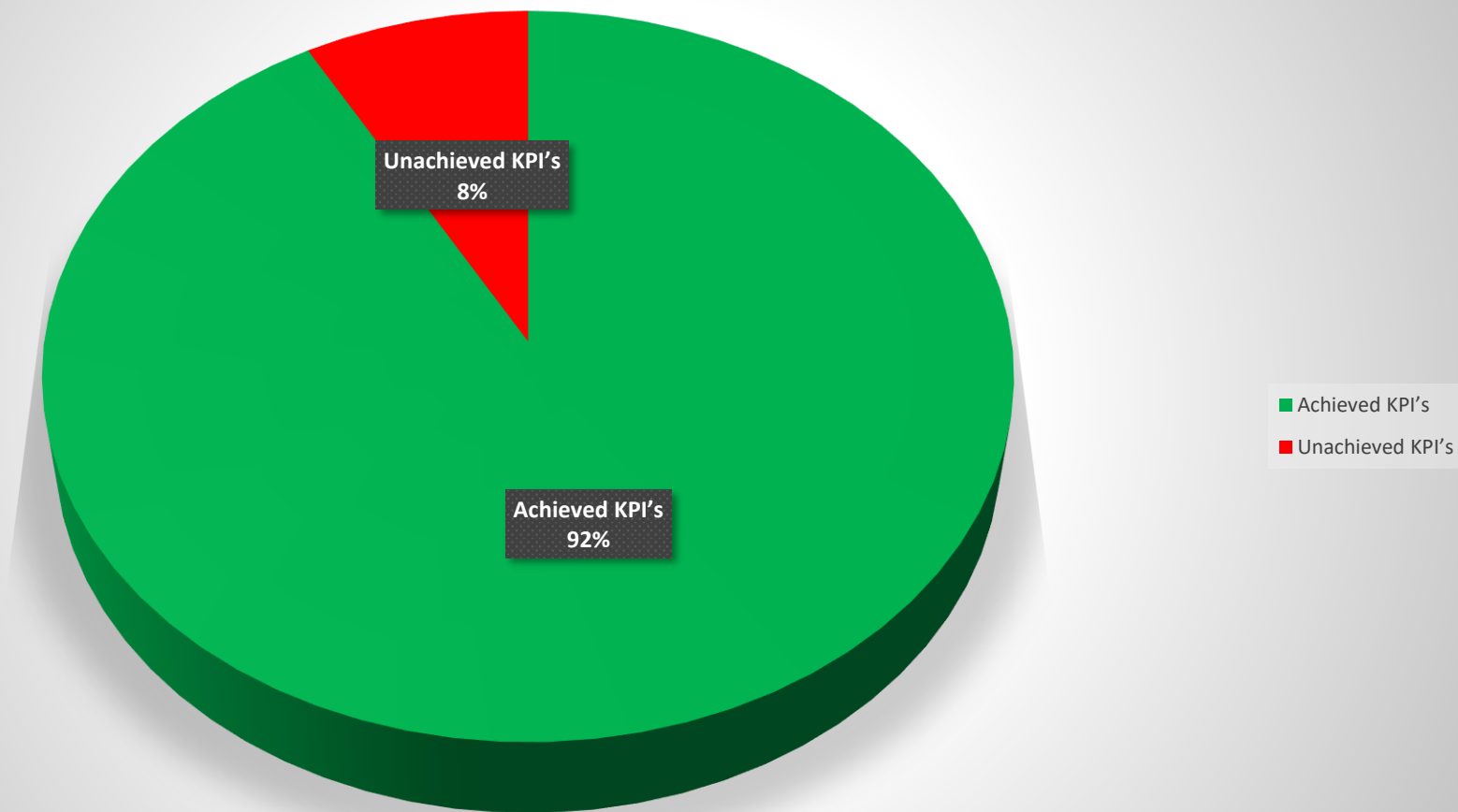
| Color | Category | Explanations |
|-------|---------------------|----------------------------|
| | | |
| | Kpi not met | Target not achieved |
| | Kpi well met | Target achieved |

PLANNED TARGETS VS ACTUAL RESULTS FOR THE 2022/2023 FINANCIAL YEAR (JULY 2022 - JUNE 2023)

| Lejweleputswa District Municipality | | Key Performance Areas | | | | |
|-------------------------------------|------------|--|------------------------|----------------------------|--|--|
| | | Good Governance and Public Participation | Basic Service Delivery | Local Economic Development | Municipal Financial Viability and Management | Municipal Institutional Transformation and Development |
| Achieved KPI's | 481 | 106 | 174 | 24 | 94 | 83 |
| Unachieved KPI's | 43 | 12 | 10 | 9 | 5 | 7 |
| Total KPI's | 524 | 118 | 184 | 33 | 99 | 90 |



Overall Performance on KPA's 2022-2023



| KPA 1 Good Governance: Office of Executive Mayor | | | | | | | | | | | | |
|---|----------------------|--|---|--|---|--------------------|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| 1.1 | IDP Rep Forum | To ensure development of legally compliant and credible IDPs in the district & local municipalities within the district | Ensure that the municipality's IDP is aligned with the IDPs of local municipalities within the district, and that all IDPs incorporate communities and stakeholders' views and inputs and that they are prepared in accordance with the prescribed framework. | 3 IDP Rep Forum Meetings by 30 June 2023. | Number of IDP Rep Forum Meetings by 30 June 2023. | IDP Rep Forum | 3 | 2 | 3 | 5 Achieved | Achieved | |
| 1.2 | Moral regeneration | To promote ethical behavior & social values & principles enshrined in the country's constitution among the communities within the District | Engage communities through various special programs of the municipality in pursuance of promotion of ethical behaviour and values. | 6 moral regeneration awareness campaigns in the district targeting, gangsterism and drug abuse learners by 30 June 2023. | Number of moral regeneration awareness campaigns in the district targeting learners, gangsterism and drug abuse held by 30 June 2023. | Moral regeneration | 4 | 4 | 6 | 6 Achieved | Achieved | |

| KPA 1 Good Governance: Office of Executive Mayor | | | | | | | | | | | | |
|--|--|--|---|--|---|---|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| 1.3 | Elderly, Women, Disability, and Children's Programme | To strengthen a meaningful community participation and interaction program. | Develop and implement annual community participation and interaction program. | Community awareness campaigns in the district targeting the interest of designated groups i.e. elderly, women, and people with disabilities and children by 30 June 2023 | Number of community awareness campaigns in the district targeting the interests of designated groups 'i.e. elderly, Women, People with disabilities and Children by 30 June 2023. | Targeted Campaigns A.Elderly, B.Women, C. People with disabilitiesand D. Children | 1 | 1 | 1 | 1 | Achieved | |
| | | | | | | | 1 | 2 | 1 | 1 | Achieved | |
| | | | | | | | 1 | 2 | 1 | 1 | Achieved | |
| | | | | | | | 1 | 1 | 1 | 1 | Achieved | |
| 1.4 | Mandela day | To participate in the67minutes Mandeladay in July. | Celebrate Mandela day | 1 Mandela Day held by 30 June 2023 | Number of Mandela day heldby 30 June 2023 | Mandeladay | 1 | 1 | 1 | 1 | Achieved | |
| 1.5 | HIV & AIDS | To raise awareness towards the reduction in the prevalence of HIV/AIDS in the district | In collaboration with the District Department of Healthand all stakeholders work with HIV/AIDS profile HIV/AIDS awareness campaignsand promote regular HIV testing & disclosure amongst | 4 HIV/AIDS awareness campaigns in the district targeting youth, men and women schools held by 30 June 2023 | Number of HIV/AIDS awareness campaigns in the district targeting youth, men, women and schools held by 30 June 2023 | HIV andAIDS awareness campaigns | 4 | 4 | 4 | 4 | Achieved | |

| KPA 1 Good Governance: Office of Executive Mayor | | | | | | | | | | | | |
|---|----------------------------------|--|--|--|--|-------------------------|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| | | | Communities within the District. | | | | | | | | | |
| 1.6 | Functional District AIDS council | To promote functionality of DAC | Coordinate District Aids Council meetings | Coordinate 4 District Aids Council meetings by 30 June 2023 | Number of DAC meetings coordinated by 30 June 2023 | DAC | 4 | 3 | 4 | 4 Achieved | Achieved | |
| 1.7 | Youth development | To ensure that the needs of young people are catered for | Organize youth activities in the District | 2 Youth activities organized by 30 June 2023 | Number of youth development activities organized by 30 June 2023 | Youth development | 2 | 3 | 2 | 2 Achieved | Achieved | |
| 1.8 | Grant -in -Aid | To provide assistance to destitute family members | Assist destitute family members during times of need | Prepare 4 quarterly reports in assisting destitute families in times of need by 30 June 2023 | Number of reports generated on families assisted by 30 June 2023 | Grant -in – Aid | 4 | 6 | 4 | 4 Achieved | Achieved | |
| 1.9 | OR Tambo Games | To plan, coordinate & support sports amongst the youth | Ensure exposure of youth to new opportunities in sports. | Host 1 annual OR Tambo Games by 30 June 2023 | Number of annual OR Tambo Games hosted by 30 June 2023 | OR Tambo games | 1 | 0 | 1 | 1 Achieved | Achieved | |
| 1.10 | National Campaign | Ensure coordination of Freedom Day celebration | Coordinate Freedom Day celebration | Coordinate 1 Freedom Day celebration by 30 June 2023 | Number of Freedom Day celebration coordinated by 30 June 2023 | Freedom Day celebration | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 1.11 | 16 Days of Activism | Ensure coordination of 16 days of activism | Raise awareness campaign of 16 days of | Convene one campaign on 16 days of activism | Number of campaigns on 16 days of activism | 16 Days of activism | 1 | 1 | 1 | 1 Achieved | Achieved | |

| KPA 1 Good Governance: Office of Executive Mayor | | | | | | | | | | | | |
|--|--------------------------------------|--|--|---|--|-------------------------------|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| | | against women and children abuse in the district | activism against women and children abuse | against women and children abuse by 30 June 2023 | against women and children launched 30 June 2023 | | | | | | | |
| 1.12 | Grade 12 motivation Programme | To motivate grade 12 learners to pass with better results | Conduct motivational talk | 1 Motivational talk by 30 June 2023 | Number of motivational talks conducted by 30 June 2023 | Grade 12 motivation Programme | 1 | 1 | 1 | 2 Achieved | Achieved | |
| 1.13 | Poverty Alleviation | To Address the plight of indigent households in our District | Coordinate four food Gardens within the District | 4 Food Gardens Coordinated within the District by 30 June 2023 | Number of Food Gardens Coordinated within the District by 30 June 2023 | Poverty Alleviation | 4 | 5 | 4 | 4 Achieved | Achieved | |
| 1.14 | GBV | To reduce gender base violence in our communities (District) | Convene Gender Base Violence awareness campaigns in the District | Conduct Gender based violence awareness campaigns by 30 June 2023 | Number of Gender Based Violence Campaigns conducted by 30 June 2023 | Gender Base Violence | New | | 1 | 1 Achieved | Achieved | |
| 1.15 | Departmental Skills Development Plan | Identification of skills shortages and training needs in the institution and the development of qualifications | A Skilled Workforce and Communities | Develop a Departmental Skills Development Plan and submit by 30 June 2023 | Departmental Skills Development Plan submitted by June 2023 | Skills Development Plan | New | | 1 | 0 Not Achieved | Not Achieved | To be aligned with staff regulation once skills analysis and job evaluations have taken place. Remedial Action: Appointment of Corporate service director and prioritise this objective |
| 1.16 | External student | Roll out support to indigent students with | Allocate bursaries to | Provided bursary opportunities to students in the | Report on bursaries by 30 June 2023 | Student Bursaries Report | 1 | 1 | 1 | 1 Achieved | Achieved | |

| KPA 1 Good Governance: Office of Executive Mayor | | | | | | | | | | | | |
|---|----------------------|---|--------------------------|--------------------------|---------------------|--------------|------------------|--|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| | assistance programme | bursaries to register and attend tertiary institutions in pursuit of post matric qualifications | students in the district | districtby 30 June 2023. | | | | | | | | |

| KPA 1 Good Governance: Office of the Speaker | | | | | | | | | | | | |
|---|----------------------|-----------------------------------|------------------------------|--|--|-----------------|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| 1.17 | Social Cohesion | To revive morality andgood values | Develop and implement annual | 1 Boys and men GVB & Femicide dialogue | 1GBV & Femicide dialogue by 30 June 2023 | Social Cohesion | 1 | 1 | 1 | 2 Achieved | Achieved | |

| KPA 1 Good Governance: Office of the Speaker | | | | | | | | | | | | |
|--|--|---|--|--|---|--|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| | | | community participation and interaction programme aimed at reviving morals and values. | | | | | | | | | |
| 1.18 | Back to School | To address poverty challenges | Identify needy learners in the district to assist with uniform. | 1 program by 30 June 2023. | 1 program by 30 June 2023 | Back to School | New | | 1 | 1 Achieved | Achieved | |
| 1.19 | Facilitate access to ID document and other related documents | Mobilizing community members to access departmental facilities | By mobilizing community members in local municipalities | 4 Outreach programs in local municipalities by 30 June 2023 | Number of outreach programme coordinated by 30 June 2023 | Facilitate access to ID document and other related documents | 5 | 2 | 4 | 4 Achieved | Achieved | |
| 1.20 | Public Participation | Outreach and community involvement. | Reach out to communities in local municipalities | 1 Community Outreach by 30 June 2023 | 1 Community Outreach by 30 June 2023 | Public Participation | | | 1 | 0 Not Achieved | Not Achieved | Was due to unavailability of funds. Remedial Action: Duplication of programs, will be taken out in the new year. |
| 1.21 | Enhance public participation | Create an opportunity for public to attend the council meetings | Hold a meeting to allow communities to attend council meetings | 1 Council meeting held at local municipalities by 30 June 2023 | Number of council meetings held at any local municipality in the District | Enhance public participation | New | | 1 | 1 Achieved | Achieved | |

| KPA 1 Good Governance: Office of the Speaker | | | | | | | | | | | | |
|--|--|--|--|---|--|--|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| 1.22 | MPAC Meetings | To provide effective and efficient oversight through section 79 committees | Convene section 79 committees | 4 MPAC Meetings convened by 30 June 2023. Convene 2 MPAC performance oversight municipal visits | Number of MPAC Meetings Convened by 30 June 2023. Number of MPAC performance and oversight sessions convened | MPAC meetings Convene 2 MPAC performance oversight municipal visits | 4 | 6 | 4 | 4 Achieved | Achieved | |
| | | | | | | | New | | 2 | 2 Achieved | Achieved | |
| 1.23 | MPAC Public Participation | Provide a platform for the promotion of stakeholder participation in municipal matters affecting community members | Convene public participation in 5 local municipal. | Convene Public participation in 5 local municipalities on 2021-22 annual report by March 2023 | Number of Public Participation convened in 5 local municipalities by 30 June 2023 | MPAC Public Participation (meetings on annual report) | 5 | 5 | 5 | 5 Achieved | Achieved | |
| 1.24 | Skills Development | To enhance skills | Organize skills development workshops | Convene number of skills development skills with accredited institutions by 30 June 2023 | Number of skills development for councillors with accredited institutions by 30 June 2023 | Report on number of workshops/short courses. | 2 | 1 | 3 | 3 Achieved | Achieved | |
| 1.25 | Speakers' forum. | Provide platform of participation by all Speakers in the District. | Convene 2 Speakers forum a year | 2 Speakers forum Convened per quarter. | Number of Speakers Forums Convened by 30 June 2023. | Speakers' forum. | 4 | 3 | 2 | 1 Not Achieved | Not Achieved | Was due to unavailability of Chairperson |
| 1.26 | Enhance and strengthen the ward committee system | Create positive competition of ward Councillors & ward committees | Organize ward committee and ward Councillors good | 1 Annual ward Councillors and ward committee awards ceremony | 1 Annual ward Councillors and ward committee awards ceremony | Councillors and Ward Committee Competition | | | 1 | 1 Achieved | Achieved | |

| KPA 1 Good Governance: Office of the Speaker | | | | | | | | | | | |
|---|--|---|-------------------------|--|---|-----------------------------------|------------------|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | performance awards | | | | | | | | |
| 1.27 | Recognition of the role of women in enhancing Freedom and Democracy. | Celebrate national and special days | 1 District celebration. | Convene 1 District celebration. | 1 District women's celebration summit. | Discussions of the role of women. | New | 1 | 1 Achieved | Achieved | |
| 1.28 | Effective Way to Promote Youth Participation | To contribute to the development of government programs | Convene Youth Councils | 1 Youth Council convened by 30 June 2023 | Number of Youth Councils convened by 30 June 2023 | Youth Council | New | 1 | 1 Achieved | Achieved | |

| KPA 1 Good Governance: Office of the Municipal Manager | | | | | | | | | | | | |
|--|---|---|--|---|---|------------------------|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| 1.29 | Risk Management | To build a risk conscious culture within the organization. | Reduction of high risk levels to tolerable levels by performing regular risk assessment, updating risk registers and following up on implementation of risk treatment plans by departments | 4 quarterly risk assessment performed by 30 June 2023 and risk register and risk mitigation plans subsequently updated. | Number of quarterly risk assessment performed by 30 June 2023 and risk register and risk mitigation plans subsequently updated. | Risk Management | 4 | 4 | 4 | 4 Achieved | Achieved | |
| 1.30 | Performance Management Development System | To ensure Good Governance practices to ensure effective, functioning municipality | Fully comply with the provisions of the municipality's Performance Management System from planning to reporting. | Submit 1 signed SDBIP to Council, Cogta and Treasury for the 2022/23 budget year and | Number of signed SDBIP submitted to Council and Cogta and Treasury for the 2022/23 budget year | SDBIP | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 1.31 | Performance management | To enhance the: Achieving individual employee goals of employees | Fully comply with the provisions of the municipality's Performance Management | Signed Performance Agreements for all staff members including Section 57 Managers, and MM by July 2022 | Number of annual performance agreements signed and approved by | Performance Agreements | 5 | 5 | 5 | 5 Achieved | Achieved | Only level 2 – 4 signed the performance agreements |
| | | | | | | | | | | | | |

| KPA 1 Good Governance: Office of the Municipal Manager | | | | | | | | | | | | |
|--|---|--|--|--|---|------------------------------|------------------|---|-----------------------|---|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | Development System | along with organizational objectives. Also, enhance the skills and personal development of employees and encourage work that helps in fulfilling business goals. | Development System from planning to reporting. | | council by 14 July 2022. All Staff Performance Agreements signed by July 2022 | Staff Performance Agreements | | | All staff 1 | 0 Not Achieved | Not Achieved | regulations. Staff Job descriptions not signed. Will be done once job evaluation and alignment has been done. |
| 1.32 | Performance management Development System | To ensure Good Governance practices to ensure effective, functioning municipality | Fully comply with the provisions of the municipality's Performance Management System from planning to reporting. | Performance assessment reports for 5 senior managers (including the Municipal Manager) concluded and signed-off not later than 30 days after the end of each quarter during 2022/23 Non-formal: Quarter 1 (October) and Quarter 3 (April) assessments Formal Assessments: Midterm assessments (February /March) and Annual Assessments (November/December) | Number of performance assessment reports not later than 30 days after the end of each quarter by 30 June 2023 | Performance Assessments | 4 | 4 | 4 | 4 Achieved | Achieved | |

KPA 1 Good Governance: Office of the Municipal Manager

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|------|---|---|--|--|--|---|------------------|---|-----------------------|--|----------------------------|--|
| | | | |)After Audit Outcomes | | | | | | | | |
| 1.33 | Performance management Development System | To ensure Good Governance practices to ensure effective, functioning municipality | Fully comply with the provisions of the municipality's Performance Management System from planning to reporting, | 1 annual performance report for 2021/22 signed-off and submitted to the Auditor- General by 31 August 2022 | Number of annual performance reports by 31 August 2022. | Annual Performance Report | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 1.34 | Performance management | To ensure good Governance practices and effective functional municipality | Fully comply with the provisions of the municipality's Performance Management System from planning to reporting | Signed-off Mid-term performance report approved by council for 2021/22 | Number of Signed-off Mid-term performance report approved by council for 2021/22 | Mid-term report approved | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 1.35 | Performance management | To ensure Good Governance practices to ensure effective, functioning municipality | Fully comply with the provisions of the municipality's Performance Management System from planning to reporting, | Submit 1 audited annual report for 2021/22 to Provincial Treasury, CoGTA and National Treasury by 31 January 2023. | Number of audited annual report for 2021/22 submitted to Provincial Treasury, CoGTA and National Treasury by the end of 31 January 2023. | Performance Management /Audited annual report | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 1.36 | Performance Monitoring and evaluation | To provide an effective M&E framework which is | Fully comply with the provisions of the municipality's Performance | Submit quarterly performance monitoring & evaluation report to Council by 30 June 2023 | Number of performance monitoring and evaluation reports | Performance Monitoring and evaluation | 4 | 4 | 4 | 4 Achieved | Achieved | |

| KPA 1 Good Governance: Office of the Municipal Manager | | | | | | | | | | | | |
|--|----------------------|--|---|--|---|------------------------|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | designed to measure progress towards achievement of the overall goal and objectives. | Management System from planning to reporting. | | submitted to Council by 30 June 2023. | | | | | | | |
| 1.37 | IGR Meetings | To promote and facilitate Inter-Governmental Relations amongst stakeholders in the district. | Facilitate compliance with the principles of co-operative government and intergovernmental relations within the district. | 4 IGR Meetings (Political, Technical, CFO, DCF, CSF) convened by 30 June 2023 | Number of IGR meetings held by 30 June 2023. | IGR | 4 | 4 | 4 | 4 Achieved | Achieved | |
| 1.38 | Internal Audit | To ensure oversight over the affairs of the municipality | Provide assurance as to the effectiveness of internal controls of the municipality through Internal Audit service | Quarterly Internal Audit reports on the performance assessment of the effectiveness of the controls within the municipality submitted to the Audit – Committee by 30 June 2023 | Number of quarterly Internal Audit reports on the performance assessment of the effectiveness of the controls within the municipality submitted to the Audit – Committee by 30 June 2023. | Internal audit reports | 4 | 4 | 4 | 2 Not Achieved | Not Achieved | Appointment of Audit Committee delayed the sittings of Q3 and Q4 meetings Remedial action Appointment of Audit Committee by Council on 31 August 2023 |

KPA 1 Good Governance: Office of the Municipal Manager

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|------|-------------------------------|--|---|--|---|--|------------------|---|-----------------------|--|----------------------------|--|
| | | | | | | | | | | | | |
| 1.39 | Internal Audit | To ensure oversight over the affairs of the municipality | Submit the quarterly internally audited performance reports and the annual report to the audit Committee & MPAC | Quarterly performance reports and a draft annual report for 2021/22 internally audited and submitted to the Audit Committee & MPAC by 30 June 2023 | A. Number of quarterly performance report internally audited B. and annual report submitted to the Audit Committee & MPAC by 30 June 2023. | Internal Audit/Performance report internally audited | 4 | 4 | 4 | 2 Not Achieved | Not Achieved | Appointment of Audit Committee delayed the sittings of Q3 and Q4 meetings. |
| | | | | | | | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 1.40 | Internal audit | Improve administrative and financial capability of the municipality. | Establish and implement good governance practices in line with Treasury risk management, adequate internal controls for improved financial management, and improved overall organizational performance. | Post Audit Action Plan matters for 2021/22 relating to leadership, predetermined objectives and other matters addressed by 30 June 2023 | Post Audit Action Plan matters for 2021/22 relating to leadership, predetermined objectives and other matters addressed by 30 June 2023. | Post Audit Action Plan | 2 | 2 | 1 | 0 Not Achieved | Not Achieved | Audit Action completed – IAU await, on the web-portal (NT), the approval from management to conclude the process. Remedial Action. Appointment of Corporate Services Director on the . Non – performance is due to the Unavailability of Director Corporate Services |
| 1.41 | Municipal signage and banners | Ensure effective branding of LDM activities | Procure signage and banners for a municipality | Municipal signage and banners procured by 30 June 2023. | Number of municipal signage and banners procured by 30 June 2023. | Municipal signage and banners | 1 | 1 | 1 | 1 Achieved | Achieved | |

| KPA 1 Good Governance: Office of the Municipal Manager | | | | | | | | | | | | |
|--|--------------------------------------|--|--|---|---|---|------------------|---|-----------------------|--|----------------------------|---|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| 1.42 | Adverts in the Media | Ensure effective branding of LDM and Communication with its stakeholders | Reflect quarterly Communication of Achievements of the Municipality through newsletters, print or electronic Data | Advertise in various media sources by 30 June 2023. | Number of Adverts in the Media by 30 June 2023. | Adverts in the Media | 4 | 4 | 10 | 17 Achieved | Achieved | |
| 1.43 | Departmental Skills Development Plan | Identification of skills shortages and training needs in the institution and the development of qualifications | A Skilled Workforce and Communities | Develop a Departmental Skills Development Plan and submit by 30 June 2023 | Departmental Skills Development Plan submitted by June 2023 | Skills Development Plan | New | | 1 | 0 Not Achieved | Not Achieved | To be aligned with staff regulation once skills analysis and job evaluations have taken place. Remedial Action: Appointment of Corporate service director and prioritise this objective |
| 1.44 | Implementation of Staff Regulation | | To establish a coherent government regime that will ensure adequate checks and balances including enforcement of compliance with the legislation | Quarterly progress reports on the implementation of Staff Regulations | Number of progress reports on the implementation of Staff Regulations | Implementation of Staff Regulations (Internal Audit Report) | New | | 4 | 2 Not Achieved | Not Achieved | Non appointment of senior managers and non-cooperation has delayed the reporting on the progress of staff regulation. Remedial Action: Appointment of the Senior Managers by 31 August. |

Key Performance Area 2 : Basic Service Delivery And Infrastructure Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | Annual Target 2022/23 | Annual Target 2022/23 Achieved/Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|---------------------------|--|--|--|--|--|--|------------------|-----------------------|---|----------------------------|--|
| TECHNICAL PROJECTS | | | | | | | | | | | |
| 2.1 | Assessment of road conditions | To assess the condition of roads in the District | Prepare and submit reports on conditions of roads in the District | Reports on roads conditions submitted by 30 June 2023. | Number of roads assessments reports by 30 June 2023 | Road infrastructure Assessment | 1 | 1 | 1 | 1 Achieved | Achieved |
| 2.2 | Acquisition of Yellow Fleet | To ensure maintenance of gravel roads in the District | Maintenance of gravel roads in the district | Reports on roads maintenance submitted by 30 June 2023 | Number of roads maintenance reports by 30 June 2023 | Yellow Fleet | 1 | 0 | 1 | 0 Not Achieved | Not Achieved Yellow Fleet was going to be replaced by Vehicles but the MSCoA does not allow the transfer of funds. Remedial Action Proper Planning and timeous submission of projects. |
| 2.3 | Convention Centre | To ensure that a Convention Centre is built within a District | Building of A Convention Centre in the District (Feasibility study) | One Convention Centre built by 30 June 2023 | Number of Convention Centre Build by 30 June 2023 | Building Convention Centre | | | 1 | 0 Not Achieved | Not Achieved Reason: Land ceded to the District by the Matjhabeng LM is not practically feasible to build the Convention Centre. Remedial Action Indicator Moved to the LDA |
| 2.4 | Energy Efficiency and Demand Side Management (EEDSM) | To reduce electricity consumption by optimizing their use of energy. | To reduce electricity consumption by promoting energy efficient practices. | Quarterly reports on Energy Efficiency and Demand Side | Number of reports on Energy Efficiency and Demand Side | Energy Efficiency and Demand Side Management (EEDSM) | New | | 1 | 1 | Achieved |

Key Performance Area 2 : Basic Service Delivery And Infrastructure Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|---------------------|---------------------------|---|--|--|--|--------------------------|------------------|-----|-----------------------|--|----------------------------|---|
| | | | | | | | | | | | | |
| | | | | Management (EEDSM) by 30 June 2023 | Management (EEDSM) | | | | | | | |
| 2.5 | EPWP | To facilitate the creation of jobs for unemployed | Create temporary jobs for 110 | Employ 110 people from | A. Number of jobs created by 30 June 2023 | EPWP – Cleaning Services | 80 | 111 | 110 | 118 Achieved | Achieved | |
| | | communities. | unemployed communities | Communities by 30 June 2023 | B. Quarterly reports | EPWP | 4 | 4 | 4 | 4 Achieved | Achieved | |
| EHP PROJECTS | | | | | | | | | | | | |
| 2.6 | Municipal health services | To provide Municipal Health Services effectively & equitably in the district. | Ensure equitable allocation and distribution of Municipal Health Services resources across the District to ensure fair and equitable health services within the District by June 2023. | Monthly Water Quality reports on the status of water in the 5 local municipalities submitted by 30 June 2023 | Number of Monthly Water Quality reports on the status of water in the 5 local municipalities submitted by 30 June 2023 | Water Quality Monitoring | 12 | 12 | 12 | 8 Not Achieved | Not Achieved | Samples were collected by Health practitioners as per sampling schedule, however laboratory services account was suspended due to non-payment by SCM. Remedial Action Submit Sampling and Testing schedule to the SCM/Finance department so that they note the frequency of the sampling period and dates. |
| 2.7 | Municipal health services | To provide Municipal Health Services effectively | Ensure equitable allocation and distribution of | Monthly reports on compliance of food selling | Number of monthly reports on compliance of | Food Quality Monitoring | 12 | 12 | 12 | 12 | Achieved | |

Key Performance Area 2 : Basic Service Delivery And Infrastructure Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|-----|---------------------------|--|--|---|---|-----------------------|------------------|----|-----------------------|--|----------------------------|---|
| | | | | | | | | | | | | |
| | | & equitably in the district. | Municipal Health Services resources across the District to ensure fair and equitable health services within the district | outlets in the 5 Local Municipality submitted by 30 June 2023. | food selling outlets in the 5 Local Municipality submitted by 30 June 2023. | | | | | Achieved | | |
| 2.8 | Municipal health services | To provide Municipal Health Services effectively & equitably in the District. | Ensure equitable allocation and distribution of Municipal Health Services resources across the District to ensure fair and equitable health services within the District | Monthly reports on food sampling in the 5 Local Municipalities by 30 June 2023. | Number of monthly reports on food sampling in the 5 Local Municipalities by 30 June 2023. | Food sampling | 12 | 12 | 12 | 9 Not Achieved | Not Achieved | Samples were collected by Health practitioners as per sampling schedule, however laboratory services account was suspended due to non-payment by SCM. Remedial Action Submit Sampling and Testing schedule to the SCM/Finance department so that they note the frequency of the sampling period and dates. |
| 2.9 | Municipal health services | To enhance accountability in rendering adequate compliance to legal requirements | To organize, plan, control and monitor the design and implementation of Record of decisions, through the establishment of a | Develop an EHS Monitoring system by 30 June 2023 | A status report on the EHS Monitoring System Implementation by 30 June 2023 | EHS Monitoring System | New | | 1 | 1 Achieved | Achieved | The EHS senior Management and Portfolio Committee Members conducted a benchmark exercise in Mpumalanga (Enhlanzeni District Municipality) prior implementation of the EHS Monitoring system. |

Key Performance Area 2 : Basic Service Delivery And Infrastructure Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|------|---------------------------|---|--|--|--|--|------------------|---|-----------------------|--|----------------------------|--|
| | | | | | | | | | | | | |
| | | | cloud based EHS system | | | | | | | | | The Portfolio committee resolved to implement the system in-house as it is more cost effective and re-prioritise the budget. |
| 2.10 | Municipal health services | To provide Municipal Health Services effectively & equitably in the District. | Ensure equitable allocation and distribution of Municipal Health Services resources across the District to ensure fair and equitable health services within the District | 4 reports on environmental awareness campaigns in the District by 30 June 2023 | Number of reports submitted on environmental awareness campaigns in the District by 30 June 2023 | Environmental Health awareness campaigns | 4 | 4 | 4 | 13 Achieved | Achieved | |
| 2.11 | Municipal health services | To provide Municipal Environmental Services effectively and equitably in the District | Ensure equitable allocation and distribution of Air Quality Management resources across the District to ensure fair and equitable health | 4 Reports on air quality management in the District submitted by 30 June 2023 | Number of Reports on air quality management in the District submitted by 30 June 2023 | Air Quality Management | 4 | 4 | 4 | 7 Achieved | Achieved | |

Key Performance Area 2 : Basic Service Delivery And Infrastructure Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|-----------------------------------|---|--|---|---|--|---|------------------|---|-----------------------|--|----------------------------|--|
| | | | | | | | | | | | | |
| 2.12 | Exhumation | Ensure that exhumation processes are followed as per legislation | By conducting exhumation as per legislation | 1 Report on Exhumation by 30 June 2023 | Number of exhumation reports by 30 June 2023 | Exhumation | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 2.13 | Environmental Management Service | To provide Municipal Environmental Services effectively & equitably in the District. | Ensure equitable allocation and distribution of Municipal Health Services resources across the District to ensure fair and equitable health | 4 reports on waste management compliance submitted in the District by 30 June 2023 | Number of reports on waste management compliance submitted in the District by 30 June 2023 | Waste management Audits | 4 | 4 | 4 | 4 Achieved | Achieved | |
| DISASTER MANAGEMENT CENTRE | | | | | | | | | | | | |
| 2.14 | Disaster Management response and recovery | To ensure effective & efficient disaster management response and recovery in the district. | Coordinate an effective and efficient response to incidents and disasters throughout the district by 30 June 2023 | 4 Reports on Coordination of rapid and efficient response to disasters and post-disaster recovery and rehabilitation 30 June 2023 | Number of responses to incidents and disasters 30 June 2023. | Disaster Relief: Fire Floods Earth Subsidence | 4 | 4 | 4 | 4 Achieved | Achieved | |
| 2.15 | Disaster Management | To ensure effective & efficient disaster | Conduct disaster awareness | Quarterly disaster awareness campaigns in | Number of quarterly disaster awareness | Disaster awareness campaigns | 4 | 4 | 4 | 4 | Achieved | |

Key Performance Area 2 : Basic Service Delivery And Infrastructure Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|---------------------------|--|--|--|---|--|------------------------------------|------------------|---|-----------------------|--|----------------------------|--|
| | | | | | | | | | | | | |
| | | management services in the district. | campaigns in 5 local municipalities by 30 June 2023 | schools and communities in the district by 30 June 2023. | campaigns in vulnerable communities conducted in the district by 30 June 2023. | | | | | Achieved | | |
| 2.16 | Disaster Management Forum Meetings | To promote and facilitate IGR stakeholders in the District | Facilitate 4 Disaster Management Forum Meetings by 30 June 2023 | 4 District Management Forum meetings held by 30 June 2023 | Number of District Management Forum meetings held by 30 June 2023 | Disaster Management Forum meetings | 4 | 4 | 4 | 4 Achieved | Achieved | |
| 2.17 | To ensure effective & efficient fire safety management services in the district. | Organize fire safety awareness in all local municipalities in the District | 4 fire safety awareness campaigns in all local municipalities in the District by 30 June 2023. | 4 fire safety awareness campaigns in the district conducted by 30 June 2023 | Number of Fire Safety awareness campaigns conducted by 30 June 2023 | Fire Safety awareness campaigns | 4 | 4 | 4 | 14 Achieved | Achieved | |
| 2.18 | Disaster Management | Attendance of Provincial Advisory Forum Meetings | Attendance of 4 Provincial Advisory Forum meetings | 4 Provincial Advisory Forum meetings attended by 30 June 2023 | Number of Provincial Advisory Forum meetings attended by 30 June 2023 | Provincial Advisory Forum meetings | 4 | 4 | 4 | 4 Achieved | Achieved | |
| Community Services | | | | | | | | | | | | |
| 2.19 | Waste Campaign | To provide Municipal Environmental | Ensure equitable Allocation and distribution of | 4 reports on waste management | Number of reports on waste management | Waste Campaign: • Capacity | 4 | 4 | 4 | 7 | Achieved | |

Key Performance Area 2 : Basic Service Delivery And Infrastructure Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|------|--------------------------------------|--|---|---|--|---|------------------|---|-----------------------|--|----------------------------|---|
| | | | | | | | | | | | | |
| | | Services effectively & equitably in the District | Environmental Management Services resources across the District to ensure fair and equitable health | campaigns in the District by 30 June 2023 | campaigns in the District by 30 June 2023 | building and training <ul style="list-style-type: none"> • Waste SMME - Support • Cleaning of illegal Dumping sites | | | | Achieved | | |
| 2.20 | Environmental Management Service | To provide environmental sustainability throughout the District by planting trees | Planting of trees in the District by 30 June 2023 | Reports on tree planting submitted by 30 June 2023 | Number of reports on tree planting submitted by 30 June 2023 | Presidential good green deeds | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 2.21 | Departmental Skills Development Plan | Identification of skills shortages and training needs in the institution and the development of qualifications | A Skilled Workforce and Communities | Develop a Departmental Skills Development Plan and submit by 30 June 2023 | Departmental Skills Development Plan submitted by June 2023 | Skills Development Plan | New | | 1 | 0 Not Achieved | Not Achieved | To be aligned with staff regulation once skills analysis and job evaluations have taken place. Remedial Action: Appointment of Corporate service director and prioritise this objective |

| Key Performance Area 3 : Local Economic Development & Planning | | | | | | | | | | | | |
|--|--|--|--|--|---|---|------------------|---|-----------------------|---|----------------------------|---|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| LED Section | | | | | | | | | | | | |
| 3.1 | SMME development support. | To ensure SMMEs development and support | To offer development support to SMMEs and Cooperatives | 1 SMME/ Cooperatives workshop convened by 30 June 2023 | Number of SMME/ Cooperatives workshop convened | SMME and Cooperatives Workshop convened | New | | 1 | 1 Achieved | Achieved | |
| 3.2 | SMME development support. | To ensure SMMEs development and support | To offer development support to SMMEs and Cooperatives | 10 SMME/ Cooperatives supported by 30 June 2023 | A report on the number of SMME/ Cooperatives assisted | SMME and Cooperatives supported | 6 | 0 | 10 | 6 Not Achieved | Not Achieved | Reason: The other RFP did not go through, it was referred back for re-advert by Bid Adjudication Committee Remedial Action: Will be implemented in the 1 st quarter of 2023-2024 financial year |
| 3.3 | Stakeholders Relations development and support | To ensure development and support | To strengthen Stakeholder Relations | LDM LED Business Forum | Number of LDM LED Business Forum Meetings convened | LDM LED Business Forum Meeting | New | | 1 | 1 Achieved | Achieved | |
| Tourism Section | | | | | | | | | | | | |
| 3.4 | Tourism Development and Support | Support programme for Tourism development and growth | Enhance capacity for tourism promotion | 1 Flower Festival show supported by 30 June 2023 | Number of Flower festival event supported | Flower Festival | | | 1 | 0 Not Achieved | Not Achieved | Province cancelled the event. Remedial Action Plan Independently and not rely on Stakeholders. |

Key Performance Area 3 : Local Economic Development & Planning

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|-----|---------------------------------|--|---|--|--|---|------------------|---|-----------------------|--|----------------------------|---|
| | | | | | | | | | | | | |
| 3.5 | Tourism Development and support | Support programme for Tourism development & growth | Enhance capacity for tourism development and growth | Support 30 Matjhabeng LM Youth SMME Tourism Business Corners in Matjhabeng LM with Electrification | A report on number of Matjhabeng Tourism Youth SMME Youth Business Corners Supported | Tourism Youth SMME Business Corners supported | 2 | 0 | 1 | 0 Not Achieved | Not Achieved | The implementation of this project is in progress and the expected completion date is 30 September 2023 Remedial Action Department should avoid planning achievement of Targets in Q4. |
| 3.6 | Tourism Development and Support | Support programme for Tourism Development & growth | Enhance capacity for tourism development and growth | 1 Lejweleputswa Tourism Kae Kapa event hosted by 30 June 2023 | Number of Lejweleputswa Kae Kapa Kae events hosted | Lejweleputswa Tourism Kae Kapa Kae | New | | 1 | 1 Achieved | Achieved | |
| 3.7 | Tourism development and support | Support Programme for tourism development and growth | Enhance capacity for tourism promotion | 1 Tourism awareness campaign convened by 30 June 2023 | Number of tourism awareness campaign undertaken | Tourism awareness campaign | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 3.8 | Tourism development and support | Support programme for tourism development and growth | Enhance capacity for tourism promotion | 1 Tourism Indaba show attended by 30 June 2023 | Number of Tourism Indaba shows attended | Tourism Indaba show | | | 1 | 1 Achieved | Achieved | |
| 3.9 | Tourism development and support | Support programme for tourism development and growth | To offer support to tourism SMMEs / Cooperatives | 1 report on Tourism SMMEs/Cooperatives supported by 30 June 2023 | A report on the number of tourism SMME/Cooperatives supported | Tourism SMMEs/Cooperatives support | | | 1 | 0 Not Achieved | Not Achieved | |

IDP Section

| Key Performance Area 3 : Local Economic Development & Planning | | | | | | | | | | | | |
|--|-----------------------------|---|--|--|--|--------------------------------|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| 3.10 | District IDP Managers Forum | To facilitate and coordinate District IDP Managers forum meetings | Facilitate and Coordinate District IDP Managers forum Meetings. | 3 District IDP Managers Forum Meetings coordinated by 30 June 2023 | Number of District IDP Managers Forum Meetings coordinated | District IDP Managers Forums | 3 | 3 | 3 | 3 Achieved | Achieved | |
| 3.11 | IDP Steering committee | To facilitate and coordinate District IDP Steering Committee meetings | Facilitate and Coordinate District IDP Steering Committee meetings. | 4 IDP Steering committee Meetings coordinated by 30 June 2023 | Number of IDP Steering committee Meetings coordinated | IDP Steering committee meeting | 4 | 3 | 4 | 4 Achieved | Achieved | |
| 3.12 | District IDP Framework. | Ensure implementation of a Districtwide integrated planning process | To review District IDP framework to inform Process Plans of all local municipalities. | District IDP Framework reviewed by 30 June 2023 | Number of Framework Plans reviewed | District IDP Framework. | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 3.13 | District IDP Process plan. | Ensure implementation of a District wide integrated planning process | Facilitate the development of both the District IDP process plan and 5 local municipal IDP process plans to guide development of IDP's by 30 June 2023 | Number of process plans reviewed by 30 June 2023 | District and Local municipalities' IDP process plans | District IDP Process Plan. | 6 | 6 | 6 | 5 Not Achieved | Not Achieved | Did not receive process plan from Masilonyana LM Remedial Action Non-compliance by Local Municipalities to be sent to MM Technical AGR for their attention. |

Key Performance Area 3 : Local Economic Development & Planning

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|------|--------------------------------------|---|-------------------------------------|---|---|-------------------------|------------------|-----------------------|--|----------------------------|---|
| 3.14 | Departmental Skills Development Plan | Identification of skills shortages and training needs in the institution and the development of qualifications. | A Skilled Workforce and Communities | Develop a Departmental Skills Development Plan and submit by 30 June 2023 | Departmental Skills Development Plan submitted by June 2023 | Skills Development Plan | New | 1 | 0 Not Achieved | Not Achieved | To be aligned with staff regulation once skills analysis and job evaluations have taken place. Remedial Action: Appointment of Corporate service director and prioritise this objective |

| Key Performance Area 4: Municipal Financial Viability | | | | | | | | | | | | |
|---|---|---|---|---|--|------------------------|------------------|----|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| 4.1 | Submission Performance Management reports | To ensure Performance Management Practice that reports timeously and accurately on Municipal Objectives | Development and submission of departmental Performance Reports Monthly. | 12 Monthly Performance management Reports submitted on time by 30 June 2023 | Number of Reports Developed and submitted on Time by 30 June 2023 | Performance reports | 12 | 12 | 12 | 12 Achieved | Achieved | |
| 4.2 | Internal audit | Improve administrative and financial capability of the municipality. | Establish and implement good governance practices in line with Treasury risk management, adequate internal controls for improved financial management, and improved overall organizational performance Regulations. | Post Audit Action Plan matters for 2021/22 relating to leadership, predetermined objectives and other matters addressed by 30 June 2023 | Post Audit Action Plan matters for 2021/22 relating to leadership, predetermined objectives and other matters addressed by 30 June 2023. | Post Audit Action Plan | 2 | 2 | 1 | 1 Achieved | Achieved | |
| 4.3 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated | 100% cash-backed approved budget for 2023/24 financial year. | 100% cash-backed approved budget for 2023/24 financial year | Funded Annual Budget | 1 | 1 | 1 | 1 Achieved | Achieved | |

| Key Performance Area 4: Municipal Financial Viability | | | | | | | | | | | | |
|---|-----------------------------|---|---|---|---|--------------------------|------------------|----|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| | | requirements of MFMA & other relevant legislation in order to achieve a clean audit. | regulations and prescribed accounting norms and standards | | | | | | | | | |
| 4.4 | Municipal Investments | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order to achieve a clean audit. | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | 12 Return on Investment report Submitted by 30 June 2023 | Number of Investments reports developed and submitted on time | Investments reports | 12 | 12 | 12 | 12 Achieved | Achieved | |
| 4.5 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other | Plan, implement, monitor and report Financial management activities in accordance with MFMA, its associated regulations and | 4 Budget related policies reviewed, updated and approved by Council by 30 June 2023 | Number of Budget related policies reviewed, updated and approved by Council by 30 June 2023 | Reviewed Budget policies | 4 | 4 | 4 | 4 Achieved | Achieved | |

| Key Performance Area 4: Municipal Financial Viability | | | | | | | | | | | | |
|---|-----------------------------|---|---|---|--|--------------------|------------------|----|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| | | relevant legislation in order to achieve a clean audit. | prescribed accounting norms and standards | | | | | | | | | |
| 4.6 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order to achieve a clean audit. | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | Suppliers and service providers paid within 30 days of receipt of valid invoice, with no disputed delivery of goods / services throughout 2022/23. | Number of days it takes to pay suppliers and service providers after receipt of valid invoice, with no disputed delivery of goods / services throughout 2022/23. | 30 Days Compliance | 12 | 12 | 12 | 12 Achieved | Achieved | |
| 4.7 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | Prepare 4 reports on payment vouchers and accompanying supporting documents of filed, registered and kept in safe custody Quarterly throughout 2022/23 financial years. | Number of reports on payment vouchers and accompanying supporting documents of filed, registered and kept in safe custody Quarterly throughout 2022/23 financial year. | Payments reports | 4 | 4 | 4 | 4 Achieved | Achieved | |

| Key Performance Area 4: Municipal Financial Viability | | | | | | | | | | | | |
|---|-----------------------------|---|---|--|---|---------------------|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| | | to achieve a clean audit. | | | | | | | | | | |
| 4.8 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order to achieve a clean audit. | Plan, implement, monitor and Report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | 2 biannual assets verification performed and asset registers updated with all assets movements, and report any damaged / missing items by 30 June 2023 | Number of biannual assets verification performed and asset registers updated with all assets movements, and report any damaged / missing items by 30 June 2023 | Assets Verification | 2 | 2 | 2 | 2 Achieved | Achieved | |
| 4.9 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order to achieve a clean audit. | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | Review and sign-off one (1) Audit File and Audit File schedule respectively for 2021/22 financial year that is compliant with Annexure A of MFMA Circular 50 | Number of reviewed and signed-off audit file schedule and the actual Audit file for 2021 /22 financial year that is compliant with Annexure A of MFMA Circular 50 | Audit File | 1 | 1 | 1 | 1 Achieved | Achieved | |

| Key Performance Area 4: Municipal Financial Viability | | | | | | | | | | | | |
|---|-----------------------------|---|---|---|--|-----------------------------|------------------|---|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| 4.10 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order to achieve a clean audit. | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | 2021/22 signed-off Annual Financial Statements prepared in accordance with the South African Standards of Generally Recognized Accounting Practices (GRAP) and section 122 of MFMA by 31 August 2022. | Auditor-General's Report on the 2021/22 Annual Financial Statements (AFS) with no paragraph relating to AFS not being compiled in accordance with GRAP and section 122 of MFMA. | Annual Financial Statements | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 4.11 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order to achieve a clean audit. | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | Nil / Zero amount of unauthorized, irregular and fruitless & wasteful expenditure incurred due to non-compliance to the municipality's Supply Chain Management Policy, Supply Chain Management | Amount of unauthorized, irregular and fruitless & wasteful expenditure incurred due to non-compliance to the municipality's Supply Chain Management Policy, Supply Chain Management Regulations, 2005 and the MFMA by 30 June 2023 | Internal Controls/UIFW | 4 | 4 | 4 | 3 Not Achieved | Not Achieved | Unachieved due to identified various instances due to non-compliance with SCM. Remedial Action: Adoption of PP Policy and ensure compliance |

| Key Performance Area 4: Municipal Financial Viability | | | | | | | | | | | | |
|---|-----------------------------|---|---|---|--|-------------------------------|------------------|----|-----------------------|--|----------------------------|--|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| | | | | Regulations, 2005 and the MFMA by 30 June 2023 | | | | | | | | |
| 4.12 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order to achieve a clean audit. | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | 12 signed-off monthly budget statement reports (Section 71 of MFMA), quarterly financial reports (Section 52 (d) of the MFMA) for 2022/23 produced and submitted to the Executive Mayor by 30 June 2023 | Number of signed-off monthly budget statement reports (Section 71 of MFMA), quarterly financial reports (Section 52 (d) of the MFMA), for 2022/23 produced and submitted to the Executive Mayor by 30 June 2023. | Monthly and Quarterly Reports | 12 | 12 | 12 | 12 | Achieved | |
| | | | | | | | 4 | 4 | 4 | 4 | | |
| 4.13 | Implement financial control | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | 12 signed-off monthly bank reconciliation statements of all bank accounts by 30 June 2022. | Number of signed-off monthly bank reconciliation statement of all bank accounts by 30 June 2022. | Bank Reconciliation | 12 | 12 | 12 | 12 | Achieved | |

| Key Performance Area 4: Municipal Financial Viability | | | | | | | | | | | | |
|---|---|---|---|---|---|-------------------------|------------------|----|-----------------------|--|----------------------------|---|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | | | | | | | | | | | |
| | | to achieve a clean audit. | | | | | | | | | | |
| 4.14 | Audit Report | To ensure financial management practices that enhances viability & compliance with the requirements of MFMA & other relevant legislation in order to achieve a clean audit. | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards | Quarterly reviews and updating of financial management related internal controls based on the quarterly Internal Audit reports by 30 June 2023. | Number of quarterly reviews and updating of financial management related internal controls based on the quarterly Internal Audit reports by 30 June 2023. | Update on Audit report | 4 | 4 | 4 | 0 Not Achieved | Not Achieved | Report received late due to unavailability of audit committee. Remedial Action: Will investigate and implement |
| 4.15 | Render effective and efficient ICT services | To provide information through the available ICT platforms to the municipality and to improve the corporate image of the municipality | Ensure that the municipality's information is regularly updated on the municipality's website and other digital communication platforms of the municipality. | 12 updates (i.e. 1 per month) of the municipality's website performed by 30 June 2023. | Number of updates of the municipality's website performed by 30 June 2023. | ICT Service | 12 | 12 | 12 | 12 Achieved | Achieved | |
| 4.16 | Departmental Skills Development Plan | Identification of skills shortages and training needs in the | A Skilled Workforce and Communities | Develop a Departmental Skills Development | Departmental Skills Development Plan submitted by June 2023 | Skills Development Plan | New | | 1 | 0 Not Achieved | Not Achieved | To be aligned with staff regulation once skills analysis and job |

| Key Performance Area 4: Municipal Financial Viability | | | | | | | | | | | |
|---|----------------------|---|------------|---------------------------------|---------------------|--------------|------------------|-----------------------|--|----------------------------|---|
| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
| | | institution and the development of qualifications | | Plan and submit by 30 June 2023 | | | | | | | evaluations have taken place. Remedial Action: Appointment of Corporate service director and prioritise this objective |

Key Performance Area 5: Municipal Transformation and Organizational Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|-----|------------------------------|--|--|---|---|------------------------------|------------------|----|-----------------------|--|----------------------------|--|
| | | | | | | | | | | | | |
| 5.1 | Portfolio committee meetings | To adhere to administrative responsibilities | Develop and distribute signed portfolio committee agendas and minutes | 16 Portfolio committee meetings by 30 June 2023 | Number of signed portfolio committee agendas and minutes developed and distributed by 30 June 2023 | Portfolio committee meetings | 16 | 16 | 16 | 13 Not Achieved | Not Achieved | Unachieved was due to unavailability of Chairperson. Remedial Action: Will ensure meetings take place as planned. |
| 5.2 | MAYCO Meetings | To adhere to administrative responsibilities | Develop and distribute signed MAYCO agendas and minutes | 4 MAYCO meetings by 30 June 2023. | Number of signed MAYCO agendas and minutes by 30 June 2023. | MAYCO meetings | 4 | 6 | 4 | 7 Achieved | Achieved | |
| 5.3 | Council Meetings | To adhere to administrative responsibilities | Develop and distribute signed council agendas and minutes | 4 Council meetings by 30 June 2023 | Number of signed council agendas and minutes by 30 June 2023. | Council meetings | 4 | 10 | 4 | 7 Achieved | Achieved | |
| 5.4 | Audit Report | To ensure Staff Management and Institutional Development | Plan, implement, monitor and report staff related activities in accordance with HR policies and its associated regulations | A report on reviews and updating of staff management related internal controls based on the quarterly Internal Audit reports by 30 June 2023. | Number of reviews and updating of staff management related internal controls based on the quarterly Internal Audit reports by 30 June 2023. | Update on Audit report | New | | 1 | 1 Achieved | Achieved | |

Key Performance Area 5: Municipal Transformation and Organizational Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|-----|--|--|--|---|---|--|------------------|----|-----------------------|--|----------------------------|--|
| | | | | | | | | | | | | |
| 5.5 | Local Labour Forum | To ensure functional LLF in order to promote sound labour relations in the workplace | Ensure compliance with Collective Agreements, Basic Conditions of Employment Act, Labour Relations and Institutional policies pertaining to labour relations | Convene 4 quarterly LLF meetings by 30 June 2023 for the promotion of sound labour relations in the workplace. | Number of LFF meetings convened towards the promotion of sound labor relations in the workplace by 30 June 2023 | LLF meetings | 4 | 3 | 4 | 3 Not Achieved | Not Achieved | Labor did not have items for discussions so did the employer. Remedial Action: Will make sure meetings take place as planned. |
| 5.6 | Experiential training | To give experiential training to students at tertiary institutions to complete their qualifications. | Placement of students within the district for experiential training. | Place 10 students within the district for experiential training by 30 June 2023 | Number of students successfully placed for experiential training by 30 June 2023. | Experiential training and Learnerships | 10 | 14 | 10 | 15 Achieved | Achieved | |
| 5.7 | Workplace Skills Plan (WSP) And Annual Training Report (ATR) | To upgrade the skills of the staff members | Compile a WSP and ATR for submission to LG SETA | Submit Workplace Skills Plan (WSP) by 30 April 2022. , Annual Training Report (ATR), to LG SETA by 30 June 2023 | Number of WSP and ATR submitted by 30 June 2023 | WSP and ATR | 1 | 1 | 1 | 1 Achieved | Not Achieved | |
| | | | | | | | 12 | 12 | 12 | 11 Not Achieved | | |

Key Performance Area 5: Municipal Transformation and Organizational Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|------|--------------------------------|---|--|---|---|-------------------------------|------------------|----|-----------------------|--|----------------------------|--|
| | | | | | | | | | | | | |
| 5.8 | Skills Development for Staff | To upgrade the skills of the staff members | Enroll employees of the municipality with accredited institutions to improve their skills in a form of short courses | 10 employees enrolled with accredited institutions by 30 June 2023 | Number of employees enrolled with accredited institutions by 30 June 2023 | Skills Development | 10 | 25 | 10 | 23 Achieved | Achieved | |
| 5.9 | Study Assistance for employees | To roll out support to staff members to further their qualifications. | Provide financial assistance to staff members of the LDM to further their studies | Provide financial assistance to at least 5 employees in a form of internal bursary to employees of the LDM by 30 June 2022. | Number of LDM employees provided with internal bursaries to further their studies by 30 June 2023 | Study Assistance. | 5 | 6 | 5 | 11 Achieved | Achieved | |
| 5.10 | Employee Wellness Programme | Conduct employee wellness programs | Conduct employee wellness programs for the LDM. | Conduct quarterly employee-wellness Programmes by 30 June 2023 | Number of employee wellness Programmes conducted by 30 June 2023 | Employee wellness | 4 | 5 | 4 | 3 Not Achieved | Not Achieved | There is no dedicated official to do wellness. |
| 5.11 | Employment Equity plan | To ensure that the municipality achieves progress | Review Employment Equity Plan and submit | Review 5 year Employment Equity Plan to | 5 year Employment Equity Plan Reviewed and | Employment Equity plan Report | 1 | 1 | 1 | 1 Achieved | Achieved | |

Key Performance Area 5: Municipal Transformation and Organizational Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|------|--------------------------------------|---|--|--|---|--------------------------------------|------------------|----|-----------------------|--|----------------------------|--|
| | | | | | | | | | | | | |
| | | towards employment equity in the workplace, develop, review and submit Employment Equity report to the Department of Labour | Employment Equity report annually to the Department of Labour. | align with staff regulations and Submit Employment Equity report annually to the Department of Labour by 30 June 2023. | 1 employment equity report submitted to the Department of Labour by 30 June 2023. | | 1 | 1 | 1 | 1 Achieved | Achieved | |
| 5.12 | Security Management | Create a safe environment within the institution | Develop security management plan for the LDM and prepare consolidated security reports | Prepare 12 months consolidated security reports for the LDM by 30 June 2023 | Number of monthly security reports by 30 June 2023. | Security Management | 12 | 12 | 12 | 12 Achieved | Achieved | |
| 5.13 | Occupational health and safety (OHS) | To ensure a healthy and safe environment in the workplace | Implementation of the OHS policy | Submission of quarterly reports on incidents and inspections by 30 June 2023 | Number of reports on incidents and inspections by 30 June 2023 | Occupational health and safety (OHS) | 4 | 4 | 4 | 4 Achieved | Achieved | |
| 5.14 | Departmental Skills Development Plan | Identification of skills shortages and training needs in the institution and the development of qualifications | A Skilled Workforce and Communities | Develop a Departmental Skills Development Plan and submit by 30 June 2023 | Departmental Skills Development Plan submitted by June 2023 | Skills Development Plan | New | | 1 | 0 Not Achieved | Not Achieved | Planned to be aligned with staff regulation once skills analysis and job evaluations have taken place. |

Key Performance Area 5: Municipal Transformation and Organizational Development

| ID | Municipal Focus Area | IDP Strategic Objective | Strategies | KPI | Unit of Measurement | Project Name | Baseline 2021/22 | | Annual Target 2022/23 | Annual Target 2022/23 Achieved/ Not Achieved | Comments by Internal Audit | Remedial Action and Reasons for Over/Under Achievement |
|------|-------------------------------------|--|--|---|---|-------------------------------------|------------------|---|-----------------------|--|----------------------------|---|
| | | | | | | | | | | | | |
| 5.15 | Implementation of Staff Regulation | | To establish a coherent government regime that will ensure adequate checks and balances including enforcement of compliance with the legislation | Quarterly progress reports on the implementation of Staff Regulations | Number of progress reports on the implementation of Staff Regulations | Implementation of Staff Regulations | New | | 4 | 1 Not Achieved | Not Achieved | Non appointment of senior managers and non-cooperation has delayed the reporting on the progress of staff regulation. Remedial Action: Appointment of the Senior Managers by 31 August. |
| 5.16 | Refurbishment of municipal Building | To ensure that Municipal Building is refurbished | Refurbishment of Municipal Building | Refurbished Municipal Building by 30 June 2023 | Number of Municipal Building refurbished by 30 June 2023 | Municipal Building Refurbishment | 1 | 0 | 1 | 1 Achieved | Achieved | |
| 5.17 | Upgrading of Security System | To ensure adequate security system | Upgrading security system of the municipality | Report on the Upgrading of security system by 30 June 2023 | 1 report on the upgrading of security system by 30 June 2023 | Upgrading of security system | New | | 1 | 1 Achieved | Achieved | |

CHAPTER 4

ORGANISATIONAL DEVELOPMENT PERFORMANCE (PART I)

1 NATIONAL KPI'S – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL

DEVELOPMENT

The following table indicates the Municipality's performance in terms of the National KPI's required in terms of the Local Government: Municipal Planning and the Performance Management Regulations of 2001 and Section 43 of the MSA. These KPI's are linked to the National Key Performance Area – Municipal transformation and Organisational development.

| KPA and Indicators | Municipal | |
|--|-----------|---------|
| | 2021/22 | 2022/23 |
| The number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan | 2 | |
| The percentage of a municipality's budget actually spent on implementing its workplace skills plan | 75 | |

4.2 INTRODUCTION TO THE MUNICIPAL WORKFORCE

The Lejweleputswa District Municipality currently employs 133 permanent officials as at 30 June 2023, who individually and collectively contribute to the achievement of Municipality's objectives. The primary objective of Human Resource Management is to render an innovative HR service that addresses both skills development and an administrative function.

4.2.1 EMPLOYMENT EQUITY

The Employment Equity Act (1998) Chapter 3, Section 15 (1) states that affirmative action measures are measures designed to ensure that suitable qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational categories and levels in the workforce of a designated employer. The national performance indicator also refers to: "Number of people from employment equity target groups employed in the three highest levels of management in compliance with a municipality's approved employment equity plan"

a) Occupational levels - Race

The table below categories the number of employees by race within the occupational levels:

| Occupational Levels | Male | | | | Female | | | | Total |
|---------------------|------|---|---|---|--------|---|---|---|-------|
| | A | C | I | W | A | C | I | W | |
| Top Management | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Senior management | 5 | 1 | 0 | 2 | 1 | 0 | 0 | 0 | 9 |

| Occupational Levels | Male | | | | Female | | | | Total |
|---|-----------|----------|----------|----------|-----------|----------|----------|----------|------------|
| | A | C | I | W | A | C | I | W | |
| Professionally qualified and experienced specialists and mid- management | 6 | 1 | 0 | 2 | 7 | 0 | 0 | 0 | 16 |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 15 | 1 | 0 | 1 | 17 | 0 | 0 | 1 | 35 |
| Semi-skilled and discretionary decision making | 23 | 0 | 0 | 0 | 31 | 2 | 0 | 0 | 56 |
| Unskilled and defined decision making | 9 | 0 | 0 | 0 | 7 | 0 | 0 | 0 | 16 |
| Total permanent | 59 | 3 | 0 | 5 | 63 | 2 | 0 | 1 | 133 |
| Non- permanent employees | 2 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 5 |
| Grand total | 61 | 3 | 0 | 5 | 66 | 2 | 0 | 1 | 138 |

b) Departments - Race

The following table categories the number of employees by race within the different departments:

| Department | Male | | | | Female | | | | Total |
|---------------------------------|-----------|----------|----------|----------|-----------|----------|----------|----------|------------|
| | A | C | I | W | A | C | I | W | |
| Office of the Municipal Manager | 7 | 2 | 0 | 1 | 5 | 0 | 0 | 0 | 15 |
| Corporate Services | 16 | 0 | 0 | 1 | 25 | 0 | 0 | 0 | 42 |
| Financial Services | 6 | 0 | 0 | 0 | 15 | 0 | 0 | 0 | 21 |
| LED | 4 | 0 | 0 | 0 | 4 | 1 | 0 | 0 | 9 |
| Basic Service Delivery | 17 | 1 | 0 | 4 | 22 | 1 | 0 | 1 | 46 |
| Total permanent | 50 | 3 | 0 | 6 | 71 | 2 | 0 | 1 | 133 |
| Non- permanent | 2 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 5 |
| Grand total | 52 | 3 | 0 | 6 | 74 | 2 | 0 | 1 | 138 |

c) Vacancy rate

The approved organogram for the Municipality had 133 posts for the financial year. The actual positions filled are indicated in the tables below by post level and by functional level. Posts were vacant at the end of resulting in a vacancy .

Below is a table that indicates the vacancies within the Municipality:

| Per Post Level | | |
|---|--------|--------|
| Post level | Filled | Vacant |
| MM & MSA section 57 & 56 | 1 | 4- |
| Middle management/Professionals | 25 | - |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 35 | - |
| Unskilled and defined decision making/General Workers | 16 | - |
| Semi-Skilled | 56 | - |

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| Per Post Level | | |
|--------------------------------|------------|------------|
| Post level | Filled | Vacant |
| Total | 133 | 4 - |
| Per Functional Level | | |
| Functional area | Filled | Vacant |
| Municipal Manager | 15 | - |
| Corporate Services | 42 | - |
| Financial Services | 21 | - |
| LED | 9 | - |
| Basic Services Delivery | 46 | - |
| Total | 133 | 4 - |

d) Employee turnover rate

A high employee turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/Organisational knowledge. Below is a table that shows the employee turnover rate within the Municipality for the past two financial years:

| Financial year | Total no appointments at the end of each financial year | New appointments | Terminations during the year | Turn-over rate |
|----------------|---|------------------|------------------------------|----------------|
| 2022/23 | 133 | 18 | 12 | |

4.3 MANAGING THE MUNICIPAL WORKFORCE

Managing the municipal workforce refers to analyzing and coordinating employee behavior.

4.3.1 INJURIES

An occupational injury is a personal injury, disease or death resulting from an occupational accident. Compensation claims for such occupational injuries are calculated according to the seriousness of the injury/disease and can be costly to a municipality. Occupational injury will influence the loss of man hours and therefore financial and productivity performance.

The table below indicates the total number of injuries within the different departments:

| Department | 2021/22 | 2022/23 |
|--|----------|---------|
| Office of the Municipal Manager | 0 | 0 |
| Corporate Services | 0 | 4 |
| Financial Services | 0 | 0 |
| LED | 0 | 0 |
| Basic Services Delivery | 0 | 1 |
| Total | 0 | 5 |

4.3.2 SICK LEAVE

The number of days' sick leave taken by employees has service delivery and cost implications. The monitoring of sick leave identifies certain patterns or trends. Once these patterns are identified, corrective action can be taken. The total number of employees that have taken sick leave during the 2022/23 financial year shows a increase when comparing it with the 2021/22 financial year.

The table below indicates the total number sick leave days taken within the different directorates:

| Department | 2021/22 | 2022/23 |
|---------------------------------|---------|---------|
| Office of the Municipal Manager | 37 | 227 |
| Corporate Services | 543 | 837 |
| Financial Services | 145 | 368 |
| LED | 117 | 97 |
| Basic Services Delivery | 351 | 820 |
| Total | 1193 | 2349 |

4.3.3 HR POLICIES AND PLANS

Policies and plans provide guidance for fair and consistent staff treatment and a consistent approach to the managing of staff.

The table below shows the HR Policies and Plans that are approved:

| Approved policies | |
|--|--------------------|
| Name of policy | Council resolution |
| Labor Relations & Harassment Policy | C29/10/15 |
| Leave Encashment Policy | C18/05/18 |
| Payroll Management and Administration Policy | C29/10/15 |
| Employee Bursary Policy | C29/10/15 |
| Private work Policy | C29/10/15 |
| Remuneration and allowance Policy | C29/10/15 |
| Training and Development Policy | C29/10/15 |
| Vehicle and Equipment Policy | C29/10/15 |
| Working Hours Policy | C29/10/15 |
| Dress Code Policy | C29/10/15 |
| OHS Policy | C29/10/15 |
| Sexual Harassment Policy | C29/10/15 |
| Resignation Policy | C29/10/15 |
| EAP Policy | C29/10/15 |
| Legal Services Policy | C18/05/18 |
| Recruitment, Selection and Appointment Policy | C29/10/15 |
| Substance Abuse Policy | C29/10/15 |
| Smoking Policy | C29/10/15 |
| Job Evaluation Policy | C30/10/17 |
| Scarce Skills Policy | C29/10/15 |
| HR Policy | C29/12/20 |
| Disciplinary Procedure | C29/12/20 |
| Leave Policy | C29/12/20 |
| Cell-phone Allowance Policy under Remuneration and reward Policy | C29/12/20 |
| Transport Allowance Policy | C29/12/20 |

The HR department submits policies to the Local Labor Forum on a regular basis for review purposes.

4.3.4 INDIVIDUAL PERFORMANCE AND REWARDS

In accordance with Municipal Planning and Performance Regulations 32 (2001 & 2006), a performance bonus, based on affordability, may be paid to an employee, after -

- The annual report for the financial year under review has been tabled and adopted by the municipal council;
- an evaluation of performance in accordance with the provisions of regulation 23; and
- Approval of such evaluation by the municipal council as a reward for outstanding performance.

4.4 CAPACITATING THE MUNICIPAL WORKFORCE

Section 68(1) of the MSA states that a municipality must develop its HR capacity to a level that enables it to perform its functions and exercise its powers in an economical, effective, efficient and accountable way. For this purpose, the HR capacity of a municipality must comply with the Skills Development Act (SDA), 1998 (Act No. 81 of 1998), and the Skills Development Levies Act, 20 1999 (Act No. 28 of 1999).

| Type of learning intervention | Name of training intervention | Number of Trained Employees |
|-------------------------------|---|-----------------------------|
| Learnership | Local Government Accounting (LGAC) | 0 |
| Learnership | Local Government Advance Accounting (LGAAC) | 0 |
| Learnership | Fire Fighter I | 0 |
| Learnership | Fire Fighter II | 0 |
| Skills Program | Customer Care | 0 |
| Skills Program | Project Management | 0 |
| Skills Program | SAMTRAC | 0 |
| Skills Program | Dangerous Goods Refresher | 0 |
| Skills Program | OHS Representative Training | 0 |
| Skills Program | First Aid Training | 0 |
| Skills Program | Basic Supervisor | 0 |
| Skills Program | Certificate in Labour Dispute Resolution | 0 |
| Skills Program | Councillor Training | 2 |
| Skills Program | PAYDAY Training | 0 |
| Skills Program | Employment Equity | 7 |
| Skills Program | Fleet Management | 0 |
| Skills Program | Registration & Archives | 7 |
| Skills Program | Municipal Performance Management Training | 8 |
| Total | | 24 |

4.4.1 SKILLS DEVELOPMENT TRAINING

The Skills Development Act (1998) and the MSA, (2000), require employers to supply employees with the necessary training to develop its HR capacity. Section 55(1)(f) states that as head of administration, the Municipal Manager is responsible for the management, utilization and training of staff.

The table below indicates the training that was provided to various levels of staff:

| Occupational categories | Gender | Training provided within the reporting period (2022/3) | | | | | |
|--|--------|--|--------|---|--------|--------|--------|
| | | Learnership | | Skills programs and other short courses | | Total | |
| | | Actual | Target | Actual | Target | Actual | Target |
| MM and S57 | Female | | | 1 | 2 | 1 | 2 |
| | Male | | | 0 | 2 | 0 | 2 |
| Legislators, senior officials and managers | Female | | | 1 | 1 | 1 | 1 |
| | Male | | | 0 | 1 | 0 | 1 |
| Professionals | Female | | | 0 | 0 | 0 | 0 |
| | Male | | | 0 | 0 | 0 | 0 |
| Technicians and associate professionals | Female | | | 0 | 0 | 0 | 0 |
| | Male | | | 1 | 1 | 1 | 1 |
| Clerks | Female | | | 1 | 2 | 1 | 2 |
| | Male | | | 2 | 2 | 2 | 2 |
| Service and sales workers | Female | | | 2 | 2 | 2 | 2 |
| | Male | | | 0 | 0 | 0 | 0 |
| | Male | | | 0 | 0 | 0 | 0 |
| Sub total | Female | | | 5 | 7 | 5 | 7 |
| | Male | | | 3 | 7 | 3 | 6 |

*Skills development training***4.4.2 SKILLS DEVELOPMENT BUDGET ALLOCATION**

The table below indicates the budget allocated and total spent on skills development:

| Total personnel budget | Total allocated | Total spent | % Spent |
|------------------------|-----------------|-------------|---------|
| | | | |

Budget allocated and spent on skills development

4.4.3 MFMA COMPETENCIES

In terms of Section 83 (1) of the MFMA, the accounting officer, senior managers, the chief financial officer, nonfinancial managers and other financial officials of a municipality must meet the prescribed financial management competency levels that are key to the successful implementation of the MFMA. National Treasury has prescribed such financial management competencies in Government Notice 493 dated 15 June 2007.

To assist the non-compliant officials to acquire the prescribed financial competencies, National Treasury, with the collaboration of various stakeholders and role players in the local government sphere, developed an outcomes-based NQF Level 6 qualification in municipal finance management. In terms of the Government Notice 493 of 15 June 2007, "(1) No municipality or municipal entity may, with effect 1 January 2013 (exempted until 30 September 2015 as per Government Notice No. 179 of 14 March 2014), employ a person as a financial official if that person does not meet the competency levels prescribed for the relevant position in terms of these Regulations."

The table below provides details of the financial competency development progress as required by the regulation:

| Description | Total number of officials employed by municipality (Regulation 14(4)(a) and (c)) | Competency assessments completed (Regulation 14(4)(b) and (d)) | Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f)) | Total number of officials that meet prescribed competency levels (Regulation 14(4)(e)) |
|-------------------------------|--|--|--|--|
| Financial officials | | | | |
| Accounting Officer | 0 | No | 0 | 0 |
| Chief Financial Officer | 0 | No | 0 | 0 |
| Senior managers | 1 | Yes | 1 | 1 |
| Any other financial officials | 2 | Yes | 2 | 2 |
| SCM officials | | | | |
| Heads of SCM unit | 1 | YES | 1 | 1 |
| SCM senior managers | 0 | 0 | | 0 |
| TOTAL | 4 | 1 | 4 | 4 |

4.5 THE MUNICIPAL WORKFORCE EXPENDITURE

Section 66 of the MSA states that the Accounting Officer of a municipality must report to Council on all expenditure incurred by the municipality on staff salaries, wages, allowances and benefits. This is in line with the requirements of the Public Service Regulations, (2002), as well as National Treasury Budget and Reporting Regulations SA22 and SA23.

4.5.1 PERSONNEL EXPENDITURE

The percentage personnel expenditure is essential in the budgeting process as it reflects on current and future efficiency. The table below indicates the percentage of the municipal budget that was spent on salaries and allowance for the past two financial years. The Municipality is well over the national norm of between 35 to 40%:

| Financial year | Total expenditure salary and allowances | Total operating expenditure | Percentage |
|----------------|---|-----------------------------|------------|
| | (R'000) | (R'000) | |
| 2020/21 | R106,753,018 | R156,603,832 | 68.17% |
| 2021/22 | R113,029,034 | R159,150,990 | 71.02% |
| 2022/23 | R122,451,558 | R171,268,032 | 71.50% |

Operating expenditure

Note: During the 2022/23 Financial Year the calculation of total expenditure for salaries and allowances, Councilor's were included. Below is a summary of Councilor's and staff benefits for the year under review:

| Financial year | 2021/22 | 2022/23 | | |
|--|-------------------|--------------------|--------------------|--------------------|
| | Actual | Original budget | Adjusted budget | Actual |
| Description | (R'000) | | | |
| Councilor's (Political office bearers plus other) | | | | |
| Salary | R6,620,242 | R7,010,000 | R7,292,000 | R6,987,403 |
| Pension contributions/medical Aid | R816,893 | R1,191,000 | R961,000 | R965,028 |
| Motor vehicle allowance | R1,707,698 | R1,866,000 | R1,964,000 | R1,835,272 |
| Cell phone allowance | R477,790 | R606,000 | R454,000 | R544,189 |
| Housing allowance | - | - | - | - |
| Other benefits or allowances | - | - | - | - |
| In-kind benefits | - | - | - | - |
| Sub Total | R9,622,623 | R10,673,000 | R10,671,000 | R10,331,892 |
| Salary | R3,650,075 | R6,400,00 | R6,436,000 | R2,055,340 |
| Pension contributions/medical aid contribution | R686,970 | - | - | R533,389 |

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| Financial year | 2021/22 | 2022/23 | | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| Description | Actual | Original budget | Adjusted budget | Actual |
| | (R'000) | | | |
| Motor vehicle allowance | R688,119 | | | R318,901 |
| Cell phone allowance | R120,000 | R127,000 | R131,000 | R50,609 |
| Housing allowance | R313,927 | | | R137,886 |
| Performance bonus | R813,295 | R964,000 | R950,000 | R416,698 |
| Bonus 13 th cheque | R233,789 | - | - | R119,228 |
| Other benefits or allowances | R187,623 | - | - | R468,026 |
| In-kind benefits | - | - | - | - |
| Sub total | R7,013,487 | R7,491,000 | R7,516,000 | R4,100,077 |
| Other municipal staff | | | | |
| Basic Salaries and Wages | R58,938,428 | R66,196,000 | R65,350,000 | R63,810,001 |
| Pension Contributions | R9,652,763 | R12,459,000 | R12,459,000 | R10,774,345 |
| Medical Aid Contributions | R7,025,192 | R5,061,000 | R5,061,000 | R5,442,477 |
| Motor vehicle allowance | R10,656,828 | R12,971,000 | R12,771,000 | R12,017,510 |
| Cell phone allowance | R257,620 | R272,000 | R272,000 | R286,233 |
| Housing allowance | R534,289 | R878,000 | R878,000 | R534,985 |
| Overtime | R27,802 | R1,467,000 | R1,467,000 | R121,640 |
| Bonus 13 th cheque | R6,327,161 | R6,707,000 | R6,707,000 | R5,110,954 |
| Other benefits or allowances | R5,277,313 | R6,382,000 | R6,353,000 | R14,021,521 |
| Sub total | R96,392,924 | R112,394 | R111,318,000 | R112,119,666 |
| Total Municipality | R113,029,034 | R130,556,000 | R129,506,000 | R122,451,558 |

CHAPTER 5

FINANCIAL PERFORMANCE

CHAPTER 5: FINANCIAL PERFORMANCE

5.1 FINANCIAL MATTERS

| |
|---|
| COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE |
|---|

COMMENT ON FINANCIAL PERFORMANCE:

Based on the 2022/23 financial performance, the municipality made a deficit of R9 765 380 in comparison to R10 750 491 deficit in 2021/22. Overall, the municipality is in good financial health.

Note should be taken of the increase of salaries which indicate an average increase by 6.6%, compared to the Equitable Share (municipality's main income source), which only increased by 4%.

5.2 GRANTS

COMMENT ON OPERATING TRANSFERS AND GRANTS:

The municipality is more than 94% dependant on grants and subsidies and are aiming to be less dependable on grants and to generate more own funds itself.

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

An asset management unit is established at Lejweleputswa District Municipality consisting of the asset manager and an official. Annual asset verification is conducting to ensure all assets are accounted for. Missing assets must be explained by the responsible person the asset is allocated to on the reasons why the assets are missing.

When assets are transferred, an asset transfer form must be completed and submitted to the asset section to update their records.

Every personnel member assets are allocated to, are responsible for the safeguarding of their assets.

Aurecon have previously been appointed to compile an asset maintenance plans for the properties.

There is an approved asset management policy approved by council in 2014 in place, this policy is reviewed annually to ensure it is aligned with GRAP requirements.

| Repair and Maintenance Expenditure 2022/23 | | | | |
|--|-----------------|-------------------|----------|-----------------|
| | Original Budget | Adjustment Budget | Actual | Budget variance |
| Repairs and maintenance expenditure | R3,531,000 | R3,531,000 | R289,287 | R3,232,713 |

The Key objectives of the asset management policy are:

- The accurate recording of essential asset information;
- The accurate recording of asset movements;
- Exercising strict physical controls over all assets;
- Treating the assets correctly in the Municipality's Financial Statements;
- Providing accurate and meaningful management information;
- Compliance with the Council's accounting policies and GRAP;
- Adequate insuring of assets;

Maintenance of Council's assets;

- Ensuring that managers are aware of their responsibilities with regard to the assets; and
- Setting out the standards of management, recording and internal controls so as to safeguard the assets against inappropriate utilization or loss.

| Details of capital expenditure 2022/2023 | | |
|--|------------------------|--------------|
| Details | Name | Actual Value |
| Asset 1 | Office Equipment | R289,063 |
| Asset 2 | Building | R573,696 |
| Asset 3 | Computer Software | R60,000 |
| Asset 4 | Motor Vehicles | - |
| Asset 5 | Emergency equipment | R4,353 |
| Asset 6 | Infrastruture | - |
| Asset 7 | Plant and equipment | R592,455 |
| Asset 8 | Furniture and fixtures | R86,414 |

COMMENT ON ASSET MANAGEMENT

Refer to previous table and comments with regards to the additions for the year.

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

There are limited funding available to allocate to repairs and maintenance. Another challenge was that there were no maintenance plans in place.

Aurecon was appointed to compile a maintenance plan for the properties, and the fleet manager compiled a fleet maintenance plan. This will be used in the future as basis for planning and budgeting purposes. The challenge still remains of funding to source the increased maintenance. The main source of income increases 3% which is not aligned to the average CPIX.

5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Liquidity ratios measure the municipality’s ability to pay its bills and are calculated by dividing the current assets, due within one year by the municipality’s current liabilities, payable within one year. The higher the ratio, the better it is for the organization.

| Ratio calculations for the month ended: | | 30 JUNE 2023 | |
|---|--|-----------------------------------|---------------------|
| Name of municipality: | | Lejweputswa District Municipality | |
| Financial Year | | 30 June 2023 | |
| | | | |
| Current ratio: Current Assets / Current Liabilities (Norm 2:1) | | | |
| | | | |
| | | 30 JUNE 2022 | 30 June 2023 |
| Current Assets | | R 113,701,108 | R110,382,951 |
| Current Liabilities | | R 22,664,421 | R24,617,164 |
| | | | |
| Current Ratio | | 5.0 | 4.4 (times) |
| Comment: The purpose of the current ratio is to determine whether the entity has the ability to pay it's short term liabilities. The norm for the current ratio is 2:1; the current ratio improved to 8.9:1, the main reasons for this was:-increase in Trade Receivables | | | |
| 2 | | | |
| Cash/ Cost Coverage Ratio: ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision Actuarial Loss, Impairment Loss and Loss on Disposal of Assets) (Norm: 1-3 months) | | | |
| | | | |
| | | 30 JUNE 2022 | 30 June 2023 |
| Cash and cash equivalents | | R 111,525,825 | R106,197,292 |
| Unspent Conditional Grants | | R 0 | R1,089,050 |
| Bank Overdraft | | R 0 | R0 |
| Short term investment | | R 0 | R0 |
| Monthly fixed operational exp. | | R 12,790,393 | R13,618,009 |
| Depreciation | | R 3,998,396 | R3,835,565 |
| Amortisation | | R122,250 | R82,629 |
| Provision for bad debts | | R0 | R0 |
| Actuarial Loss | | R-1,754,000 | -R-933,854 |
| Impairment Loss | | R 301,414 | R464,098 |
| Loss on disposal of assets | | R 753,544 | R436,923 |
| Operating expenditure | | R153,484,716 | R163,416,108 |
| Cash/ Cost Coverage | | 8.7 | 7.6 (months) |

Comment: The purpose of the cash/ cost coverage ratio is to determine the amount of cash available to pay monthly operating expenditure, which includes interest, without receiving any additional income. Ideally the municipality should be able to pay it's operating expenditure for 5 months without receiving any additional income to proof sustainability. The municipality is able to cover all operating expenditure on a monthly basis.

| Net debtor days: ((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue)) × 365 days (Norm: 30 days) | | | | | |
|---|--|--|---------------------|---------------------|--------|
| | | | 30 JUNE 2022 | 30 June 2023 | |
| Gross debtors closing balance | | | R 30,628,744 | R31,263,251 | |
| Bad debt provision Net | | | R -30,537,656 | -R-31,001,755 | (days) |

Comment: The purpose of this ratio is to determine how quick the debtors pay the municipality after being billed. The net debtor days is exceedingly more than the accepted norm and improved controls should be implemented to improve recoverability of debtors

| Grant dependency: Government grants and Subsidies / Total Revenue x 100 | | | | | |
|--|--|--|---------------------|---------------------|-----|
| | | | 30 JUNE 2022 | 30 June 2023 | |
| Total revenue | | | R 147,850,500 | R161,509,615 | |
| Government grants and Subsidies Grant | | | R 142,665,626 | R152,118,277 | |
| | | | 96.5 | 94.2 | (%) |

Comment: The purpose of this ratio is to determine how dependent the municipality is on grants. The ratios indicated that Lejweleputswa District Municipality will be 94% dependable on grants mainly due to the Equitable Share and government grants and subsidies received during 2023 financial year. The ratio decreased with 2.3% in comparison with June 2022 where the municipality were more dependable on grants.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

CAPITAL EXPENDITURE

Introduction to spending against capital budgets

| Total Capital Expenditure: 2020/21 to 2022/23 (R'000) | | | |
|---|-------------|-------------|------------|
| Detail | 2020/21 | 2021/22 | 2022/23 |
| Original Budget | R13,550,000 | R13,150,000 | R8,800,000 |
| Adjustment Budget | R14,238,700 | R13,150,000 | R8,800,00 |
| Actual | R9,963,831 | R5,447,154 | R1,605,982 |

COMMENT ON CAPITAL EXPENDITURE

The majority of the budget includes the purchase of necessary computer equipment and Office Equipments

FUNDING OF CAPITAL BUDGET: 2022/2023

The budget will be funded from own sources.

5.6. SOURCES OF FINANCE

With the current financial constraints, limited funding is available to fund capital expenditure.

5.7. CAPITAL SPENDING ON 5 LARGEST PROJECTS

The capital expenditure was spent on:

- Building
- Plant and equipment
- Furtiture:
- Motor and Office equipment
- Furniture and fixtures

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

5.8 CASH FLOW

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Refer to cash flow statement included in this report.

The municipality use to generate revenue influx from the RSC levies which were abolished in 2006. Since then it relied heavily on Grants to sustain its operations and it faced dire financial constraints. The Equitable Share Grant only increases 3% annually which is not aligned to the continuous increase in expenditure.

District Municipalities do not have any own revenue sources e.g. tariffs that can be raised. Revenue from own resources are limited. Each year, it is a cumbersome task to ensure the budget prepared is cash backed. At the moment it is only our Executive Mayor who has discussions with the Province about the impending situation and the matter needs to be escalated to National Treasury.

5.9 BORROWING AND INVESTMENTS

5.9.1 INVESTMENTS

Money is invested in short term investments (32 day deposits). Excess cash not needed for the daily operations for the next month are invested. Maximum of 25% may be invested with one institution as per the cash and investment policy.

Investments are made in accordance with the cash and investment policy. Excess funds not needed within the next 32 days are invested to generate maximum interest. Investments are limited to 25% per financial institution to diversify risk to council.

5.9.2 BORROWINGS

No new loans have been taken up in the 2022/2023 financial year. It is not envisioned that new loans will be taken up in 2023/2024.

Borrowings: No new loans have been taken up in the 2021/2022 financial year.

COMPONENT D: OTHER FINANCIAL MATTERS

5.11 SUPPLY CHAIN MANAGEMENT

Lejweleputswa District Municipality has a centralized supply chain management unit, all of council procurement is undertaken by dedicated full time Supply Chain Management Practitioners that report under the Chief Finance Officer in Financial Services. They handle all supply chain management's responsibilities which are sourcing of Goods, travel and logistics for all departments. Supply Chain Management System has been developed to ensure it caters for Logistics Management, Disposal Management, Risk Management and Performance management. All the members of the 3 Supply Chain Management Committees, Specification, Evaluation and Adjudication committees have been appointed by the Municipal Manager. Clear segregation of duties as regulated by the Supply Chain Management Regulations is effected in these committees.

Internal controls reviewed by our Internal Audit department regularly, have continuously given comfort to municipal employees and council that the system is fair, transparent and allows for competitiveness in the procurement of goods and services. Lejweleputswa District Municipality continues to pride itself with Cleanest corporate governance and some of the stringent internal control process which we continuously implement to get Clean Audit. Municipal Council will continue to ensure that the limited resources at our disposal are expended in a manner that translates in to value and growth for Lejweleputswa district Municipality.

5.12 GRAP COMPLIANCE

Currently, Lejweleputswa District Municipality has the capacity to fully produce grap Compliant Annual financial Statements

There are two GRAP steering committees:

- One committee consists of the finance personnel, chaired by the CFO. This is where the progress by the different sections are discussed, the action plans to address previous audit findings, etc. The meeting is attended by:

- Chief Account;
- Their first line of supervisors;
- The risk officer and
- Internal audit

The second committee serves as a bigger meeting for discussion of financial issues pertaining to the whole municipality and all departments. The meeting is attended by:

- CFO
- Municipal Manager;
- Head of Departments;
- Finance Deputy Managers;
- Internal Audit;

Other Role-Players

SECTION B LDA's ANNUAL REPORT



ANNUAL REPORT

2022/23

1 July 2022 to 30 June 2023.

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CHAPTER 1 EXECUTIVE MAYOR'S FOREWORD



EXECUTIVE MAYOR'S FOREWORD

As the Executive Mayor of the Lejweleputswa District Municipality, it is my privilege to present the Annual Report for the 2022/2023 financial year. The Annual Report is a comprehensive accumulation of achievements and progress made during the 2022/2023 financial Year by LDM. It also provides an opportunity to present current and future challenges the municipality continues to face.

As means to pursue this district planning, it will therefore be significant ensure proper and coherent planning processes which begins with the development of the Integrated Development Plan (IDP), budget and Service Delivery Budget Implementation Plan (SDBIP). The SDBIP is not an isolated document but an integral part of municipal planning as required by Municipal Finance Management Act (MFMA) to meet set standards. The SDBIP gives effect to the IDP. The budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan. The SDBIP therefore serves as a “contract” between the administration, council and community expressing the goals and objectives set by the council as quantifiable outcomes that can be implemented by the administration over the next twelve months. This provides the basis for measuring performance in service delivery against end-of-year targets and implementing the budget

As part of our public participation process, we have on numerous occasions had conversations with residents across the district, the purpose of which was to solicit the views of our communities and measure our service delivery progress as well as to gather information on the immediate community needs

This is a decisive moment for our country as we begin a new decade of hope and expectation, of promise and opportunity despite the many challenges we face and when many South Africans continue to endure much hardship. Notwithstanding the hardships, we face the nation remains united in its resolve to overcome the challenges of the present and realise the National Development Plan's Vision 2030

The process of implementing District Development Model is ongoing. Development will be pursued through single, integrated district plans enabled by the vision of “One District; One Plan; One Budget; One Approach”. The model has been endorsed by Cabinet, local government structures, traditional authorities and the President's Coordinating Council (PCC). The new

district-based coordination model aims to address service delivery and economic development challenges through the synchronisation of planning across all spheres of government, working alongside social partners such as business and community

Our 2022-2023 IDP and our Budget will go a long way in improving the quality of life of our community by broadening accessibility and alleviating poverty. The municipality will continue to work in collaboration with government departments and other entities to provide desired services to the communities of Lejweleputswa

Signed By :.....
CLLR VERONICA NTAKUMBANA
EXECUTIVE MAYOR

ACTING CEO'S FOREWORD



During this year, the agency has not changed in its desire to see South Africa free and well developed for the advancement of all those who live in it. Over the years, the Lejwe le putswa development agency has moved from strength to strength, after having taken time to find its feet.

In order to achieve this, the Agency seeks to look both inward and outward, and to enhance its existing capacity, and ensure that it remains relevant within our communities. To this end, the Agency has set seven strategic goals, namely:

- Economic transformation and job creation
- Education, skills and health
- Consolidating the social wage through reliable and quality basic services
- Spatial integration, human settlements and local government
- Social cohesion and safe communities
- Building a capable, ethical and developmental State
- A better Africa and World

The district is one of the areas worst hit by the poorly performing economy. The situation is exacerbated the slump of commodity prices in the primary sector, could it be in mining or agriculture. Unemployment has drastically increased with little job opportunities created. The latest quarterly labour force survey figures indicated a slight increase of 1.4% as compared to the first quarter of 2018.

The National Development Plan adopted by government in 2012, is very emphatic on the importance of the developmental state in tacking the root cause of poverty and inequality. As the agency, we also need to be cognisant of the reality that inclusive growth cannot be pursued exclusively without simultaneously building a capable state.

Supported by the only shareholder, Lejweleputswa District Municipality (LDM), we were bound to more with little we got to turn around the agency for the good of all our communities in the district. The LDA had to show its worth through successful implementation of the projects identified and put in the IDPs of municipalities in the past year.

Political leadership and guidance were crucial for the agency to enable it in achieving its objectives and mandate. The little success recorded would not have been possible without the support and cooperation of many stakeholders in the district. Local municipalities were major partners and still will be in the implementation of most of the projects. Worth mentioning was the launch of the community innovation

digital hub. It has created a platform for the youth and entrepreneurs to hone their expertise and deepen their knowledge in the digital world. Some programmes to be offered at the hub will equip participants with skills that would enable them to get work opportunities anywhere in the world.

As we sharpen and change the way we operate, indeed we all look forward to a stimulating and challenging year ahead as we break new ground in rolling out an impressive portfolio of programmes and projects. Let us seek to push boundaries, and become a strong force for change in our district towards the stimulation of our regional economy.

I would like to thank the all staff members for their commitment and diligent work to ensure that the agency kept focused in its mandate and objectives to fight the scourge of poverty, unemployment and inequality in the district.

.....
LDA ACTING CEO: Mr M Mofokeng

1. VISION, MISSION & OBJECTIVES

1.1. VISION

The promotion, creation and sustaining of a “diversified, broad based and sustainable economy”

MISSION

To create an enabling environment for development which will focus on areas considered to be major stimuli for investment and job creation in the District.

OBJECTIVES

Promote Economic Development in the District to create jobs and wealth
Promote Lejweleputswa as a commercial hub
Reduce poverty levels in the District
Create link between Public and Private sector to facilitate formation of Public Private Partnerships
Facilitate access to project finance for business and SMME development

1.2. MANDATE

The aim of Lejwe Le Putswa Development Agency is to promote sustainable economic development for the district of Lejwe Le Putswa in order to:

- Impact on:
 - Job creation;
 - Improve the quality of life of the people of LDM;
 - Wealth creation;
- Develop potential of the region;
- Implement economic development projects that benefit all municipalities in the district;

1.3. GOALS

The outcome-oriented goals of the agency are as follows:

- A stable and fully capacitated agency to deliver on its mandate efficiently and effectively
- Efficient, productive and sustainable management of land.
- Improved socio-economic benefits within LDM.

CHAPTER 2 GOVERNANCE

2. Corporate Governance

The significance of Good Corporate Governance is effective leadership which essentially requires the ability to integrate decision – making, business strategy and sustainability. It is pivotal to inclusively collaborate with stakeholder that is founded on the need for effective engagement and constant update of business affairs for decision making.

Lejweleputswa Development Agency's Board consists of a majority of non-executive directors and one executive director which is the CEO.

The Board works collectively in executing its fiduciary duties effectively and has maintained good and strong relations with the Chief Executive Officer.

2.1 Governance Structures

LDA is wholly owned and established by Lejweleputswa District Municipality with the aim of assisting LDM in promotion and implementation of the Local Economic Development Policies of Lejweleputswa District Municipality in the areas of economic production and commercial activities. LDA is registered as a Private Company under Registration --. As a local government entity LDA is committed to good governance and compliance. The Board has approved a Municipal Finance Management Act 56 of 2003 Compliance Checklist as a starting point. The next phase sees the Municipal Systems Act 32 of 2000, Companies Act 71 of 2008 and King III code covered as well.

The Board is constituted as follows:

- Five non-executive Directors
- A Councillor & an official from LDM who serve as non-participating observer members
- The Chief Executive Officer
- The Chief Financial Officer is a permanent invitee

The contribution of the Board is derived from the wide range of skills they collectively possess inter alia, business administration, finance, accounting, human resources, Public sector management etc.

The Board is the Core of the Agency's corporate governance architecture and is responsible for:

- Provides clear strategic Direction to the Agency
- Ascertains that management structures are in place to ensure day to day operations of the Agency
- Promotes culture of ethical behaviour
- Promotes sound corporate governance through an integrated governance structure; and
- Ensures compliance with all relevant laws, regulation and codes of practice

The Board of the Agency meets regularly, retains full and effective control over the entity and monitors the implementation of the entity's strategic programmes by the executive management through a structured approach to reporting and accountability. It also sets the strategic direction and monitors overall performance.

All Board Committees are chaired by independent non-executive directors. The Board met no less than six times as per the schedule of meetings below.

BOARD MEMBERS AND STATUS ATTENDANCE

| Date | Mr Reginald Mutsi (Chairperson) | Ms Mamorena Mosala | Mr Serake Leeuw | Ms Stefani Lockman | Mr Klaas Hlalele | Mr Sibongile Besani | Adv Solomon Dhlamini | Ms Reneilwe Maenetja | Dr Tsidiso Tlali | Ms Ellen Oliphant | Mr Lemmy Mule |
|------------------|---------------------------------|--------------------|-----------------|--------------------|------------------|---------------------|----------------------|----------------------|------------------|-------------------|---------------|
| 19 July 2022 | Present | Present | Present | Present | Present | | | | | | |
| 2 August 2022 | Present | - | Present | - | Present | | | | | | |
| 31 August 2022 | Present | - | - | - | Present | | | | | | |
| 1 November 2022 | Present | Present | Present | - | Present | | | | | | |
| 4 November 2022 | | | | | | Present | Present | Present | Present | Present | Present |
| 29 November 2022 | | | | | | Present | Present | Present | Present | Present | Present |
| 30 November 2022 | | | | | | Present | Present | Present | Present | Present | Present |
| 7 December 2022 | | | | | | Present | Present | Present | - | Present | Present |
| 8 December 2022 | | | | | | Present | Present | Present | Present | Present | Present |
| 17 January 2023 | | | | | | Present | Present | Present | Present | Present | Present |
| 1 March 2023 | | | | | | Present | Present | Present | Present | Present | Present |
| 16 March 2023 | | | | | | - | Present | Present | Present | Present | Present |
| 10 May 2023 | | | | | | Present | - | Present | Present | Present | Present |
| 23 May 2023 | | | | | | Present | - | Present | Present | Present | Present |
| 2 June 2023 | | | | | | Present | - | Present | Present | Present | Present |

| | | | | | | | | | | | |
|-----------------------------|---|---|---|---|---|----|---|----|----|----|----|
| Number of meetings attended | 4 | 2 | 3 | 1 | 4 | 10 | 8 | 11 | 10 | 11 | 11 |
|-----------------------------|---|---|---|---|---|----|---|----|----|----|----|

10. LEGISLATIVE REQUIREMENTS

Sections 62(1)(c)(i) and 95(c)(i) of the MFMA specifically require Accounting Officers to ensure that their municipalities and municipal entities have and maintain effective, efficient and transparent systems of risk management.

10.1 THE RISK MANAGEMENT PROCESS

The risk management process is the basic structure that guides the entire risk management unit and consists of 8 vital steps:

- Step 1: Internal Environment** the municipality’s internal environment is the base of all other components of risk management and needs to be thoroughly assessed.
- Step 2: Objective Setting** – this is a precondition to event identification, risk assessment and risk response. There must first be objectives before management can identify risks to their achievement and take necessary actions to manage the risks.
- Step 3: Event identification** – as part of event identification management recognizes that uncertainties exist, but does not know when an event may occur, or when its outcome should occur.
- Step 4: Risk Assessment** – management considers the mix of potential future events relevant to the municipality and its activities. This entails examining factors including the municipality’s size, complexity of operations and degree of regulation over its activities that shape the municipality’s risk profile and influence the methodology it uses to assess risks. Individual risks are assessed on inherent and residual levels, and on impact and likelihood of occurrence.
- Step 5: Risk Response** – this involves identifying and evaluating possible responses to the risks identified. Evaluation of likelihood and impact of risks is done then plotted on the following graph (which is used to categorize risks as low, medium or high) in order to gauge the type of response needed.

Step 6: Control Activities – three types of control activities are recognized in risk management. These are preventative controls (striving to eliminate the occurrence of certain risks), detective controls (striving to identify and bring attention to risks that have already occurred or materialized), and corrective

controls (striving to counteract the effects of risks that have already occurred or materialized).

In order for activities and operations to run effectively and efficiently LDM and LDA must optimally distribute its resources according to significance of those activities and operations.

Step 7: Information and Communication – information should be delivered to personnel in a form and timeframe that enables them to carry out their risk management and other responsibilities.

Step 8: Monitoring – risk management operates in an ever-changing and dynamic environment.

Management needs to regularly determine whether the functioning of each risk management component continues to be effective.

Graph: Risk Response required according to impact and likelihood.

Likelihood

| | |
|-------------------------------|-------------------------------------|
| Medium Risk | High Risk |
| Share (Insurance) | Avoid & Reduce (Control) |
| Low Risk | Medium Risk |
| Accept (Risk Appetite) | Reduce (Control) |

10.2. RISK MANAGEMENT: ACCOMPLISHMENTS AND THE WAY FORWARD

Risk management remains an ongoing process and an important factor in change management in Lejweleputswa DM and LDA. Also, best practices are being formulated and evaluated within the field of risk management on a provincial level on a continuous basis. The Lejweleputswa District Internal Audit and Risk Management Forum was established which includes all B Municipalities in the district. This allows all members to give constructive inputs into risk discussions that affect the whole district. mSCOA implementation for municipalities was a big challenge but most municipalities curbed this momentous change in legislation and are moving forward with great strides.

Risk Champions are involved in the identification of risk and the input of controls within their respective departments. Full circle communication is yet to be established and the communication gap with the mitigation of risks within LDM and LDA is still a problem

11. ROLES OF BOARD SECRETARY

The Board Secretary manages the process that ensures that the organisation complies with Agency's Legislative requirements.

The Board Secretary is responsible for scheduling Board and Committee meetings and ensuring the recording and implementation of Board and Committee decisions. It is also the responsibility of the Board Secretary to communicate with the stakeholders on matters dealing with governance and stakeholder reporting. A Board Secretary's duties cover a wide variety of functions, including that of statutory matters and are partly dependent on the company for which they work.

Typical work activities include:

- Organizing, preparing Board agendas for, and recording minutes of meetings;
- Dealing with correspondence, collating information, writing reports, ensuring decisions made are communicated to the relevant people;
- Contributing to meeting discussions, as and when required, and advising Board members of the legal, governance, accounting and tax implications of proposed policies
- Monitoring changes in relevant legislation and the regulatory environment, and taking appropriate action;
- Liaising with external regulators and advisers, such as lawyers and auditors etc;
- Developing and overseeing the systems that ensure the company complies with all applicable codes, as well as its legal and statutory requirements;
- Arranging the annual general meetings;

CHAPTER 3

LDA FINANCIAL HEALTH AND ESTABLISHMENT

3. Report on Establishment

3.1. FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

| Financial overview 2022/23 | | | |
|----------------------------|-----------------|-------------------|---------------|
| Details | Original Budget | Adjustment Budget | Actual Budget |
| Grants (LDM) | R7 993 741 | R7 993 741 | R 500 000 |
| Grants (IDC) | R | - | R403 946 |
| Other: | - | - | R22 400 |
| Interest received | R 400 000 | R400 000 | R442 574.32 |
| Tender documents sale | R430 000 | R430 000 | R0 |
| Commitments | R7 786 742 | R7 845 880 | R 0 |
| Sub total | R16 610 483 | R16 669 621 | R1,368 920 |
| Less Expenditure | (R16 610 483) | R16 669 621) | (R7,115 458) |
| Net total | - | - | (R5,746 538) |

| Operating Ratios | |
|--------------------------------|------------|
| Detail | |
| Employee Costs | R4,404 975 |
| Repairs and Maintenance | R0 |
| Finance Charges and Impairment | R |

COMMENT ON OPERATING RATIOS

Employee Costs

Inadequate funds to cover both Human and Capital Costs

Municipal resources were inadequate to also make provision for repairs and maintenance costs.

3.2. Governance Issues

The Lejweleputswa Development municipality Council Approved establishment Grant in 19 April 2005 from IDC for preparation of Groundwork in Launching the Agency and Council committed itself in the repayment of Tax shortfall on Pre – establishment Grant.

The LDA registered in 2005 as a Section 21 company and therefore one of the priorities in the establishment process of the agency was to ensure the conversion of this into a State - Owned Company (SOC) Ltd. This was necessitated by the evolution of the legislation since the establishment of the LDA. Furthermore, a new Board of Directors had been appointed since January 2015 and in the period under review the Board worked with the parent municipality in determining the mandate of the agency and the new Memorandum of Incorporation (MoI)

LDA was registered with Companies & Intellectual Property Commission (CIPC) and has a Bank account with NEDBANK.

3.3. Assume full responsibility of the agency operations and financial management

Since the appointment of the Board in February 2014. LDA made its Budgetary submissions to Council for approval and ascertained that its budget complied with MFMA requirements. It had always been the wish of the Board that the agency must be fully operational and be responsible for all its governance processes, including financial administration.

The information on LDA has been prepared on a going concern basis, which asserts the Agency has the ability to continue to realize its assets and discharge its liabilities and commitments in a planned manner. However, the ability to remain a going concern looks bleak since IDC has decided to minimize its own grant. Thus, minimal revenue influx to the agency may deter execution of own obligations as they become due. Currently, Lejweleputswa District Municipality as a main shareholder to the agency was coerced to augment their Funding to the Agency from R 15 598 800. It is an attempt by a parent municipality to stabilize financial situation at the agency until it realizes positive cash flows.

3.4. Organizational Establishment

(a) Strategy development

The strategic development process has taken into consideration the following sources of information:

- Audit report for the financial year 2022/23;
- Medium term strategic framework;
- The Municipal Systems Act; MFMA and Structure's Act
- LDA Business Plan;
- LDA Financial Statements 2022/23;
- IDP of the Lejweleputswa District Municipality
- Treasury guidelines for the development of the strategy

A diagnostic on the state of affairs at LDA was done. A strategy workshop facilitated by the parent Municipality LDM was held on the 21st – 22nd September 2016 to inform the development of the LDM and LDA strategy. The strategy is in line with the National treasury planning and budgeting guidelines. The guidelines were enhanced by engaging different stakeholders viz. LDA Board; provincial department representatives and LDM.

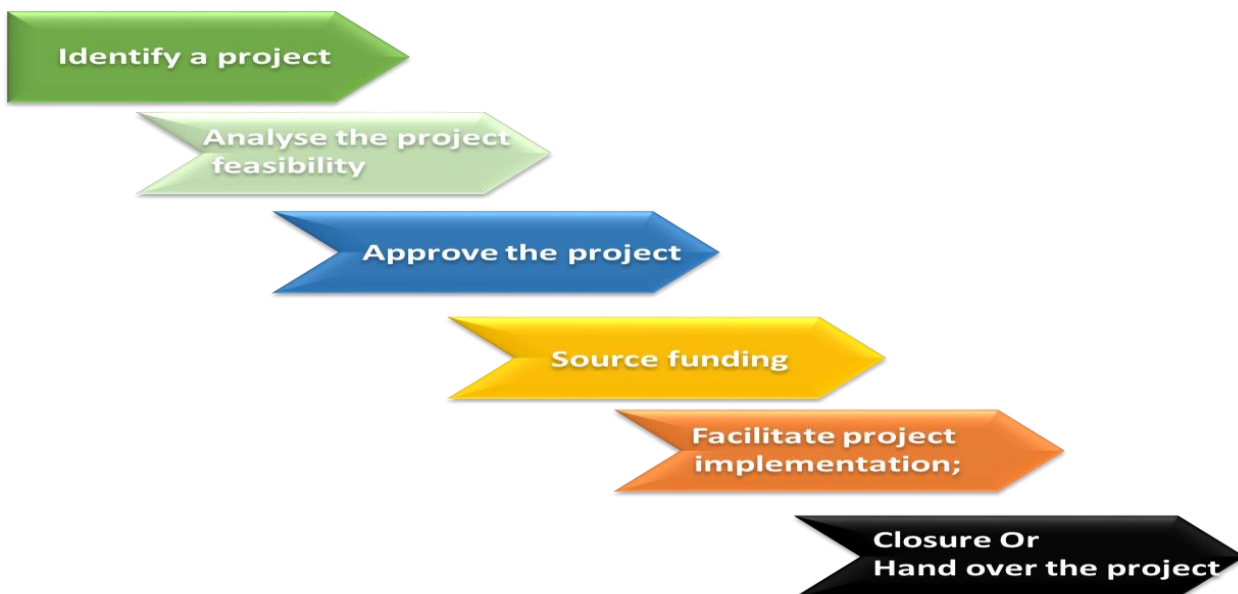
(b) Leadership

The Board recognises that having the right people in the right jobs at the right time" is critical for its successful implementation of the strategy. These employees must have the skills, competencies and tools to excel and utilize the Board's finances effectively to deliver on the customer and stakeholder requirements. This eventually translates to the achievement of the mission and vision of the Board.

(c) LDA Value Chain

The LDA Critical Success Factors are described as the key process that delivers services to the LDA beneficiaries i.e. Municipalities. The process is based on five critical components of LDA service delivery value chain i.e.

- Identify a project;
- Analyse the project feasibility;
- Approve the project;
- Source funding;
- Facilitate project implementation;
- Closure or Hand over the project



3.4.2. Development & Approval of Policies

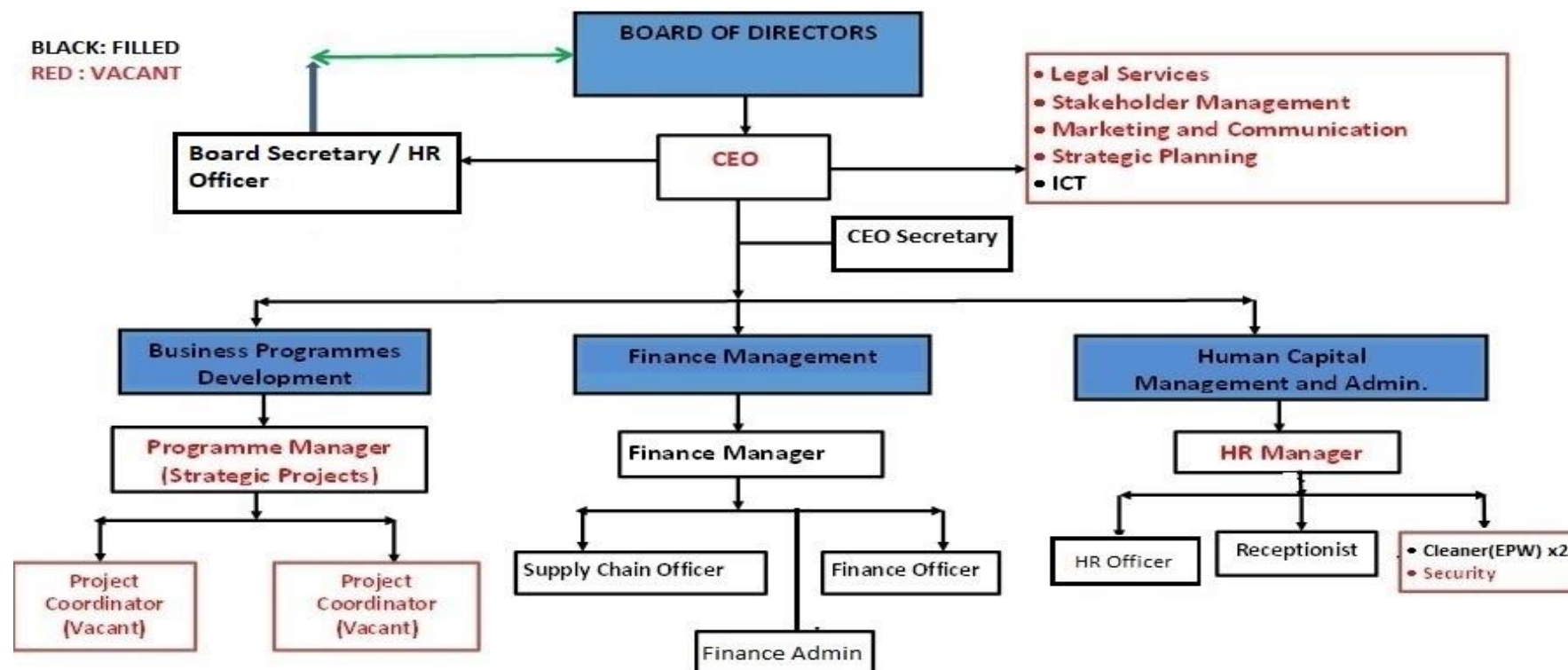
One of the key priorities in the establishment of any organization is to ascertain policy development and procedures to guide its operations. In this regard, the Board broadly accepted that in areas where the agency does not have policies, it will adopt the policies of the parent municipality to the extent where they are applicable to the agency. Below are the policies that

were developed and approved so as to ensure full operation of the agency with effect from 29 October 2015:

| No | Name of Policies | Date Approved |
|----|--|-----------------|
| 1 | Recruitment Policy | 29 October 2015 |
| 2 | Revised Employee Bursary policy | 29 October 2015 |
| 3 | Labour Relations and Harassment | 29 October 2015 |
| 4 | Leave Policy | 29 October 2015 |
| 5 | Payroll Management and Administration Policy | 29 October 2015 |
| 6 | Private Work Policy | 29 October 2015 |
| 7 | Remuneration and Allowance Policy | 29 October 2015 |
| 8 | Scarce Skills policy | 29 October 2015 |
| 9 | Smoking Policy | 29 October 2015 |
| 10 | Training and Development Policy | 29 October 2015 |
| 11 | Vehicle and Equipment Policy | 29 October 2015 |
| 12 | Working Hours Policy | 29 October 2015 |
| 13 | OHS Policy | 29 October 2015 |
| 14 | Substance Abuse Policy | 29 October 2015 |
| 15 | Dress Code Policy | 29 October 2015 |
| 16 | EAP Policy | 29 October 2015 |
| 17 | Sexual Harassment policy | 29 October 2015 |
| 18 | Resignation policy | 29 October 2015 |

3.4.3 Organizational structure

Soon after assuming duty, taking into consideration that there is no clear strategy in place, the CEO identified the need to consider the generic capacity to take the agency forward. An interim structure was developed and presented to the Board of directors for approval. In approving the second revision of the structure the Board pointed out that the CEO would have to prioritize the filling of the vacancies so as to get the agency operational within the limited financial resources available. Based on this approval, below is the interim organogram of the agency and this structure is bound to experience some adjustments in the next financial year as the operations of the agency take shape and the need for further capacity in some areas will be needed.



3.5. ANTI – CORRUPTION AND FRAUD

The LDA Fraud Prevention Strategy (2016) clearly stipulates that the Agency does not tolerate fraud, corruption, maladministration or any other dishonest activities. In addition, LDA has adopted two other policies which also provide guidance to the organization in this regard, namely the Code of Conduct and the Supply Chain Management Policy.

The Fraud Prevention Strategy provides for the controls which will assist in the prevention and detection of fraud and corruption, as well as providing guidelines as to how to respond should fraud and/or corruption be identified. Strategies for the prevention, detection, response and investigation of fraud and corruption are outlined. Employees are tasked with the responsibility to report all incidents of fraud and corruption that may come to their attention. The Code of Conduct, last reviewed in April 2014, speaks to issues of safeguarding the Agency's assets, including funds, property, information and records. It also provides guidelines with regards to nepotism and other conflicts of interest.

The Supply Chain Management Policy provides the framework within which contracts are awarded to service providers and goods are procured. The Policy covers issues of abuse of the supply chain management process and provides guidelines for ethical practice. No fraudulent or corrupt activity was identified during the period under review

3.6. SUPPLY CHAIN MANAGEMENT

LDA has adopted a Supply Chain Management Policy, which is reviewed annually, and has been designed to be fair, equitable, transparent, competitive and cost effective, it is based on the requirements of section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003) and complies with the regulatory framework for municipal supply chain management.

The policy provides for a SCM Unit under the leadership of the Manager of Finance. The Board has the final responsibility for the oversight of SCM, through the accounting officer. The policy provides for a range of supply chain management processes which includes tenders, quotations, disposals and deviations. It further specifies which process must be followed for each range of commodities. There are procedures and mechanisms in place for each type of procurement process that is required to be followed. There is flexibility in the process in cases of emergencies and if the contract is below the prescribed thresholds. The Agency also undertakes a prequalification of all bids received during a competitive bidding process.

Bid Administration is strictly adhered to when advertising, opening, registering, recording, evaluating and adjudicating tenders. The final terms of the contracts are negotiated in certain circumstances. The SCM Policy further provides the framework for ethical practices within LDA, guiding staff members with regards to issues such as favoritism, acceptance of gifts from service providers, etc. The policy further provides a clear framework within which to address and resolve disputes, objections, complaints and queries.

3.7 WEBSITES

The LDA website is being revamped to provide a more functional website, with a new look and feel. The structure of the new website will be aligned to LDA's five-year strategic plan. Not only will this site be more visually appealing and user-friendly -allowing the Lejweleputswa community and the public to interact more readily with us and with each other, it will also add great value to the LDA brand and enhance the confidence that investors have in LDA. Documents that are posted on the website include:

- Approved Budgets
- Amended Budgets Performance Reports
- Annual Reports
- Tenders
- Vacancies

CHAPTER 4

SERVICE DELEIVERY PERFORMANCE

1. INTRODUCTION

The purpose of this report is to present the Annual Performance of Lejwe Le Putswa Development Agency for 2022/23.

2. LEGAL FRAMEWORK

This Performance Report is submitted in compliance with;

- ❖ Section 52(d) of the Municipal Finance Management Act, Act 56 of 2003 which requires the Mayor to within 30 days of the end of each quarter submit a report to Council on the implementation of the budget and the financial state of affairs of the Municipality.
- ❖ Regulation 28 of the Municipal Budget and Reporting Regulations, 2009 (GN 393) which prescribes the format of the Section 52(d) Report and requires that the report be submitted to National Treasury within 5 days of it being tabled.
- ❖ Regulation 30 of the Municipal Budget and Reporting Regulations, 2009 (GN 393) which require that the Section 52(d) Report be publicized by placing it on the Municipal Website in accordance with Section 75(1)(k) of the MFMA.
- ❖ Regulation 14 of the Municipal Planning and Performance Regulations, 2001 (GN R796) (which requires the Internal Auditor to audit the Municipality's performance and submit quarterly reports thereon to the Municipal Manager and the Performance Audit Committee.
- ❖ MFMA Circular 13, which requires the Municipality to report quarterly on its Service Delivery Budget Implementation Plan (SDBIP). The Municipal Finance Management Act, Act 56 of 2003 (MFMA) defines the SDBIP as;
"a detailed plan approved by the mayor of a municipality in terms of section 53 (1) (c)(ii) for implementing the municipality's delivery of services and the execution of its annual budget and which must include (as part of the top-layer) the following:
(a) projections for each month of;
(i) revenue or
(ii) operational and capital expenditure,
(b) service delivery targets and performance indicators for each quarter

3. Performance Discussions

The SDBIP is a public document which was approved by the Executive Mayor of the district June 2022. Performance reporting on the top layer SDBIP is done to the Mayoral Committee and Council on a quarterly, half yearly (Mid-year Budget and Performance Assessment Report) and annual basis (Annual Report). Any amendments to the Top Layer SDBIP must be approved by Council following the submission of the Mid-year Budget and Performance Assessment Report and the approval of the budget

This report is based on the Top Layer SDBIP and comprises the following;

- A summary of the overall performance of the Municipality in terms of the National Key Performance Areas of Local Government for the quarter ‘
- A summary of the performance of each Directorate for the quarter
- A detailed performance review per National Key Performance Area

The overall assessment of actual performance against targets set for the Key Performance Indicators as documented in the SDBIP is illustrated in terms of the following assessment methodology:

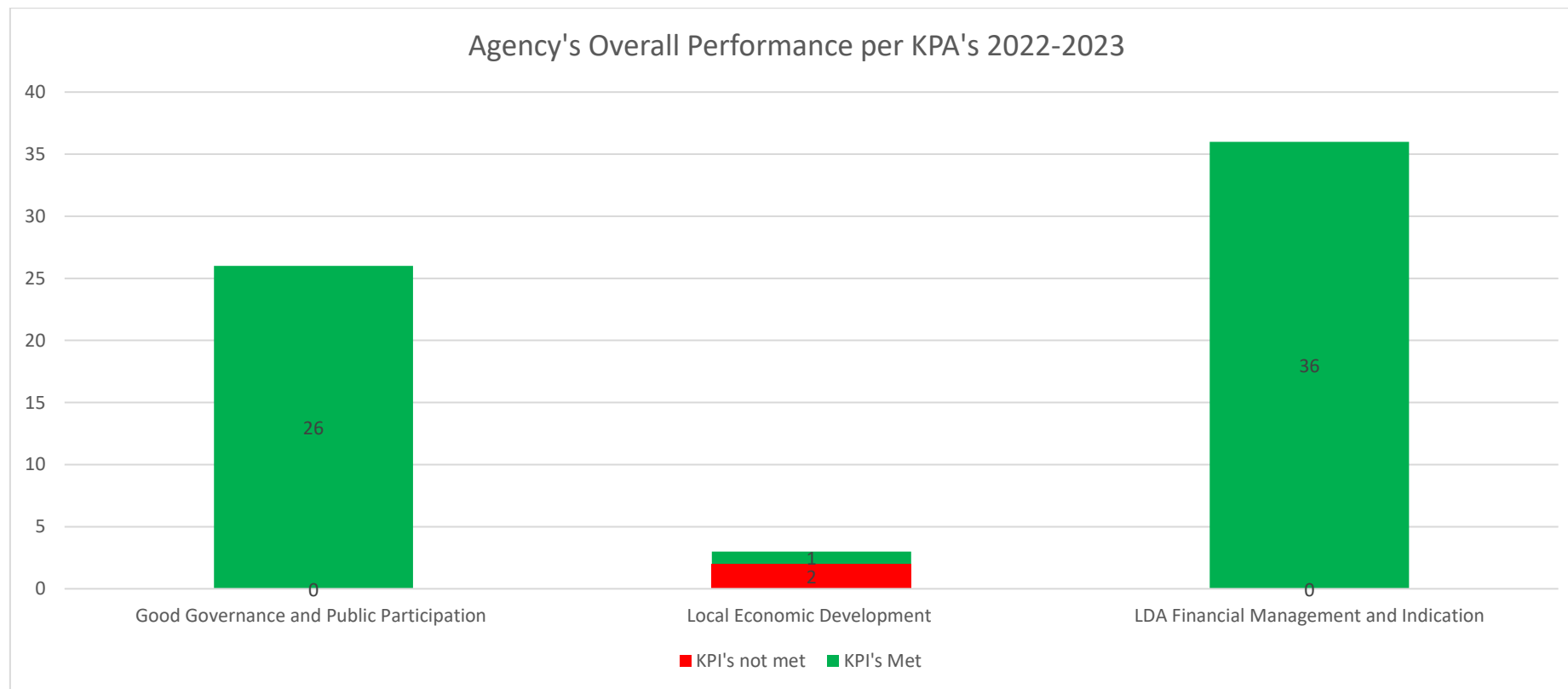
| Colour | Category | Explanations |
|--------|----------------------------------|---------------------|
| | Quarter Targets and Year Budgets | |
| | Kpi not Met | Target Not Achieved |
| | Kpi achieved | Target Achieved |

4. SUMMARY OF OVERALL PERFORMANCE OF THE AGENCY FOR THE QUARTER PER KEY PERFORMANCE AREA.

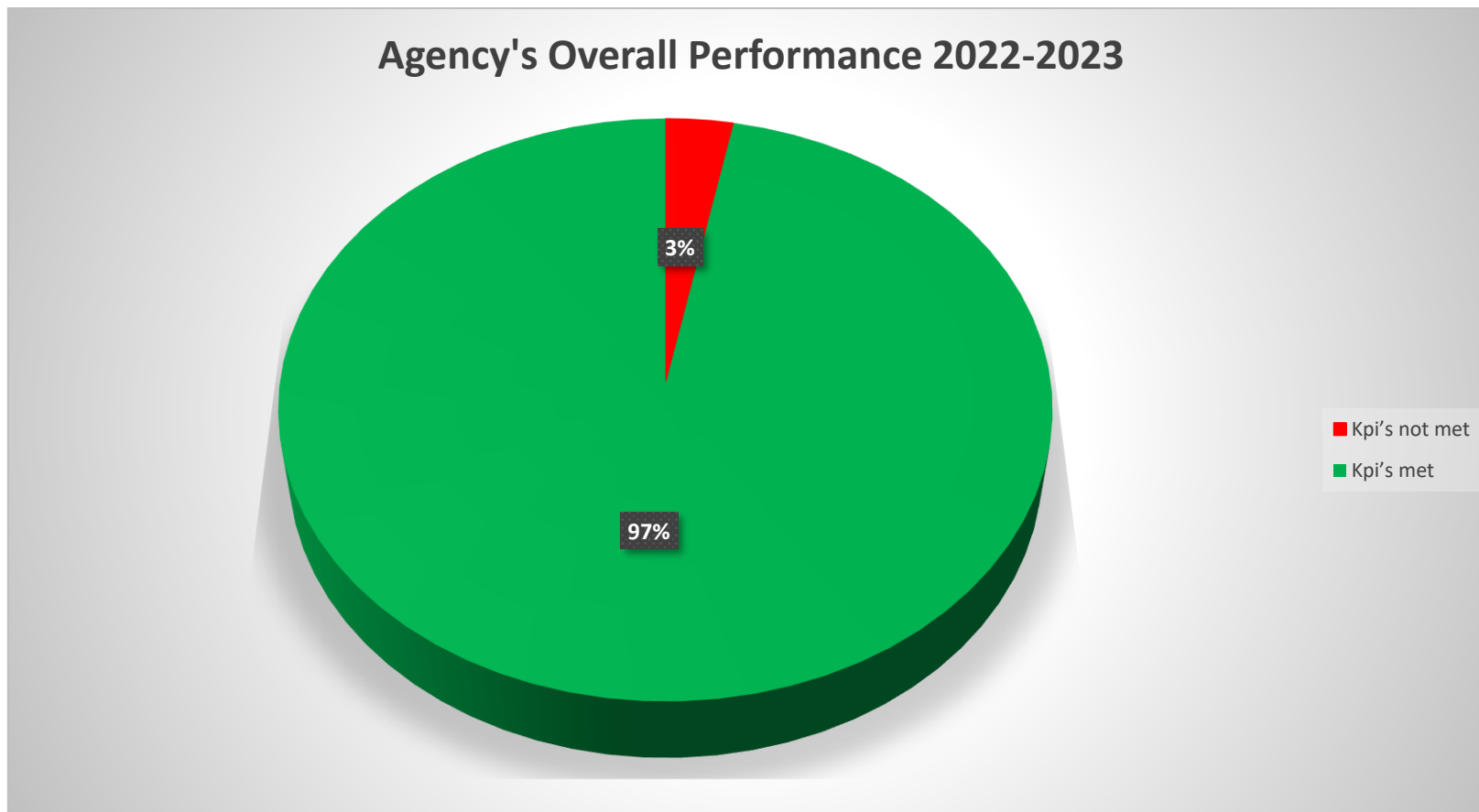
The following graph provides an overview of the performance of the Agency per Key Performance Areas (KPA) for the Year (1 July 2022 to 30 June 2023). The graph is followed by a summary which indicates both percentages and number of KPI's.

| Lejwe Le Putswa Development Agency | | National Key Performance Areas | | |
|--|-----------|--|----------------------------|---|
| | | Good Governance and Public Participation | Local Economic Development | LDA Financial Management and Indication |
| Kpi's not met | 2 | 0 | 2 | 0 |
| Kpi's met | 63 | 26 | 1 | 36 |
| | 65 | 26 | 3 | 36 |

LEJWE LE PUTSWA DEVELOPMENT AGENCY'S PERFORMANE AGAINST KPA'S



LEJWE LE LEPUTSWA DEVELOPMENT AGENCY'S OVERALL PERFORMANCE



CONSOLIDATED PERFORMANCE REPORT 2022-2023

| KEY PERFORMANCE AREA: LOCAL ECONOMIC DEVELOPMENT | | | | | | | | | | |
|--|---|--|--|---|---|---------------|----------|---------------|---------------------------------|---|
| ID | Strategic Objective | Strategies | Key Performance Indicator | Unit of Measurement | Project Name | Annual Budget | Baseline | Annual target | Achieved annual Targets 2022/23 | Reason for Non-achievement and Remedial Action |
| 1.1 | Promote local economic development and job creation. | Resuscitation of the Z R Mahabane Brick Manufacturing Plant | Prepare One (1) report on resuscitation of project ZR Mahabane by 30 June 2023. | Number of reports on resuscitation of project ZR Mahabane prepared by 30 June 2023. | 2 nd Phase Implementation of the ZR Mahabane Brick Manufacturing Plant | R2 500 000 | 1 | 1 | 1 Not achieved | Advert was placed out and will be closing on the 25 August 2023 for the supply and delivery of the bricks making machines. |
| 1.2 | Branding, Marketing and Implementation of the ICT Hub | To ensure Branding, Marketing and website implementation of the ICT Hub. | Prepare a report on Branding, Marketing and website Implementation of the ICT Hub by June 2023 | Number of reports on Branding, Marketing and Website Implementation of the ICT Hub. | Branding, Marketing and Website implementation of the ICT Hub | R 1 020 137 | New KPI | 1 | Achieved | |
| 1.3 | Hosting a Job Creation and Investment Summit | To host a Job Creation and Investment Summit by June 2023 | A report on the hosting of the Job Creation and Investment summit prepared by June 2023 | Number of reports on Hosting of the Job Creation and Investment Summit | Job creation and Investment Summit | R500 000 | New KPI | 1 | 1 Not Achieved | The LDA gave support on the investment that was organised by Matjhabeng LM Council took a resolution that moving forward this will be the responsibility of the district. |

| KEY PERFORMANCE AREA: FINANCIAL MANAGEMENT AND VIABILITY | | | | | | | | | |
|--|---|--|--|--|---------------|---|---------------|-------------------------|--|
| ID | Strategic Objective | Strategies | Key Performance Indicator | Unit of Measurement | Annual Budget | Baseline | Annual target | Annual Achieved Targets | Reason for Non achievement and Remedial Action |
| 2.1 | To ensure financial management practices that enhance viability & compliance with the requirements of MFMA & other relevant legislation | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards. | 2021/2022 signed-off AFS prepared in accordance with GRAP and section 122 of MFMA by 31 October 2022 | Auditor-General's Report on the 2021/22 AFS compliant with GRAP and section 122 of MFMA. | | 2021/22 signed-off Annual Financial Statements | 1 | 1 | Achieved |
| 2.2 | | Reduce the amount of UIF & wasteful expenditure incurred due to non-compliance to the entity's SCM Policy, SCM Regulations, and the MFMA by 30 June 2023 | A Report on UIF & wasteful expenditure incurred due to non-compliance to the entity's Supply Chain Management Policy, Supply Chain Management Regulations, 2005 and the MFMA by 30 June 2023 | 1 Report on UIF & wasteful expenditure incurred due to non-compliance to the entity's Supply Chain Management Policy, Supply Chain Management Regulations, 2005 and the MFMA by 30 June 2023 | Inhouse | A report on UIF & wasteful expenditure incurred due to non-compliance to the entity's SCM Policy and MFMA by 30 June 2023 | 4 | 4 | Achieved |
| 2.3 | | Number of days it takes to pay suppliers and service providers after receipt of valid invoice, with no disputed delivery of goods / services | Suppliers and service providers paid within 30 days of receipt of valid invoice, with no disputed delivery of goods / services throughout 2022/23 | Quarterly reports submitted to the Board for noting. | Inhouse | Suppliers and service providers paid within 30 days of receipt of valid invoice, with no dispute throughout 2022/23 | 4 | 4 | Achieved |

| KEY PERFORMANCE AREA: FINANCIAL MANAGEMENT AND VIABILITY | | | | | | | | | |
|--|---|--|--|---|---------------|--|---------------|-------------------------|--|
| ID | Strategic Objective | Strategies | Key Performance Indicator | Unit of Measurement | Annual Budget | Baseline | Annual target | Annual Achieved Targets | Reason for Non achievement and Remedial Action |
| | | throughout 2022/23 | | | | | | | |
| 2.4 | | Proper management of assets and accountability | 2 biannual assets verification performed, and asset registers updated with all assets movement reported any damage/missing items by 30 June 2023 | Number of assets verification performed, and asset registers updated with all assets movements, and report any damaged/missing item by 30 June 2023 | Inhouse | 2021/22 Annual Assets Verification | 2 | 2 | |
| 2.5 | | Have a balanced budget | Approved budget for 2023/24 financial year by June 2023 | Approved budget for 2023/24 financial by 30 June 2023 | Inhouse | 2022/23 approved Budget | 1 | 1 | Achieved |
| 2.6 | To ensure financial management practices that enhance viability & compliance with the requirements of MFMA & other relevant legislation | Submission of monthly reports as per legislation and regulation | 12 signed-off monthly budget statement reports (Sec87) for 2022/23 produced and submitted to the Accounting Officer of the LDM by 30 June 2023 | Number of signed-off monthly budget statement reports for 2022/23 produced and submitted to the Accounting Officer of the LDM by 30 June 2023. | Inhouse | 2021/22 monthly budget statements submitted. | 12 | 12 | Achieved |
| 2.7 | | Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed | 12 signed-off monthly bank reconciliation statements of all bank accounts by 30 June 2023. | Number of signed-off monthly bank reconciliation statement of all bank accounts by 30 June 2023. | Inhouse | Bank Reconciliation | 12 | 12 | Achieved |

| KEY PERFORMANCE AREA: FINANCIAL MANAGEMENT AND VIABILITY | | | | | | | | | |
|--|---------------------|--------------------------------|---------------------------|---------------------|---------------|----------|---------------|-------------------------|--|
| ID | Strategic Objective | Strategies | Key Performance Indicator | Unit of Measurement | Annual Budget | Baseline | Annual target | Annual Achieved Targets | Reason for Non achievement and Remedial Action |
| | | accounting norms and standards | | | | | | | |

| KEY PERFORMANCE AREA: GOOD GOVERNANCE& PUBLIC PARTICIPATION | | | | | | | | | |
|---|---|---|--|--|---------------|--|---------------|------------------------|--|
| ID | Strategic Objective | Strategies | Key Performance Indicator | Unit of Measurement | Annual Budget | Baseline | Annual Target | Annual Target Achieved | Reason for Non achievement and Remedial Action |
| 3.1 | To ensure Good Governance practices to ensure effective functioning of the Agency | Draft SDBIP for the 2022/23 budget year and a draft annual performance agreement for the CEO of the same period submitted to the Chairperson of the Board and Executive Mayor by 14 July 2022 | Submit 1 draft SDBIP for the 2022/23 budget year and 1draft of the annual performance agreements for the CEO of the same period to the Chairperson of the Board and the Executive Mayor by 14 July 2022. | Fully comply with the provisions of the Agency's Performance Management System from planning to reporting. | Inhouse | Submit 1 SDBIP for the 2022/23 budget year and 1 of the annual performance agreement of the same period to the Chairperson of the Board. | 1 | 1 | Achieved |
| 3.2 | | Number of signed Performance Agreements for the CEO for 2022/3 financial year concluded by 14 July 2022 | Signed Performance Agreement & Plan for the CEO of the Agency for 2022/23 financial | Signed Performance Agreement for CEO by 14 July 2022 | R60 000 | 1 Signed Performance Agreements for the CEO for 2022-23 financial year | 1 | 1 | Achieved |

KEY PERFORMANCE AREA: GOOD GOVERNANCE& PUBLIC PARTICIPATION

| ID | Strategic Objective | Strategies | Key Performance Indicator | Unit of Measurement | Annual Budget | Baseline | Annual Target | Annual Target Achieved | Reason for Non achievement and Remedial Action |
|-----|---------------------|-------------------------|--|---|---------------|--|---------------|------------------------|--|
| | | | year concluded by 14 July 2022 | | | by 31 July 2022 | | | |
| 3.3 | | Compliance with the PMS | 4 quarterly performance assessment reports for the CEO concluded and signed-off not later than 30 days after the end of each quarter during 2022/23 | Number of quarterly performance assessment reports not later than 30 days after the end of each quarter. | Inhouse | One performance plan and agreement for the CEO of the agency for the 2022-23 | 4 | 4 | Achieved |
| 3.4 | | Account for performance | 1 annual performance report for 2021/22 signed-off and submitted to the Auditor-General by 31 October 2022. | Number of annual performance reports by 31 October 2021 for 2022/23 | Inhouse | Annual performance report for 2021/22 | 1 | 1 | Achieved. |
| 3.5 | | Account for performance | Submit 1-signed-off Mid-term budget and performance assessment report for 2022/23 to the Board of Directors of the Agency and Parent Municipality by 20 January 2023 | Number of signed-off mid-term budget and performance assessment report for 2022/23 submitted to the Board of Directors of the Agency and Parent Municipality by 20 January 2023 | Inhouse | 2022/23 Mid-year budget and performance assessment report | 1 | 1 | Achieved |
| 3.6 | | | Submit 1 audited annual report for 2021/22 to the | Number of audited annual report for 2021/22 submitted to the Accounting | Inhouse | Audited Annual Report for 2021/22 | 1 | 1 | Achieved |

KEY PERFORMANCE AREA: GOOD GOVERNANCE& PUBLIC PARTICIPATION

| ID | Strategic Objective | Strategies | Key Performance Indicator | Unit of Measurement | Annual Budget | Baseline | Annual Target | Annual Target Achieved | Reason for Non achievement and Remedial Action |
|------|--|---|--|--|---------------|---|---------------|------------------------|--|
| | | Accounting for all finances and compliance to accounting policies | Accounting Officer of the Parent Municipality by 31 December 2022 | Officer of the Parent Municipality by the end of 31 December 2022 | | | | | |
| 3.7 | | | Table 1 audited annual report for 2021/22 before the Board of Directors and Council of the Parent Municipality by 31 January 2023. | Number of audited annual report for 2021/22 tabled before the Board of Directors and the Parent Municipality by 31 January 2023 | Inhouse | Audited Annual Report for 2021/22 | 1 | 1 | Achieved |
| 3.8 | To ensure Good Governance practices to ensure effective, functioning of the Agency | Compliance with Governance Structures and Legislation | 4 Board Meetings held by 30 June 2023 | Number of board meetings held by 30 June 2023 | Inhouse | 4 meetings of the board held in 2022/23 | 4 | 4 | Achieved |
| | | | 4 Mayco Meetings attended by 30 June 2023 | Number of Mayco Meetings attended by 30 June 2023 | Inhouse | 4 Mayco Meetings held by 30 June 2023 | 4 | 4 | Achieved |
| 3.9 | To provide information through the available ICT platforms of the entity and to improve its corporate image. | Number of updates of the municipality's website performed by 30 June 2023 | 4 updates of the municipality's website performed by 30 June 2023 | Ensure that the entity's information is regularly updated on the entity's website and other digital communication platforms of the agency. | Inhouse | 4 updates of the municipality's website performed by 30 June 2023 | 4 | 4 | Achieved |
| 3.10 | To ensure oversight over | Provide reasonable assurance as to | 4 Internal Audit reports on the assessment | Number of Internal Audit reports on the assessment of the | Inhouse | 4 Internal Audit reports | 4 | 4 | Achieved |

KEY PERFORMANCE AREA: GOOD GOVERNANCE & PUBLIC PARTICIPATION

| ID | Strategic Objective | Strategies | Key Performance Indicator | Unit of Measurement | Annual Budget | Baseline | Annual Target | Annual Target Achieved | Reason for Non achievement and Remedial Action |
|----|---------------------------|---|---------------------------|---|---------------|----------|---------------|------------------------|--|
| | the affairs of the agency | the effectiveness of internal controls of the municipality through Internal Audit service | | effectiveness of the controls within the municipality submitted to the Audit –Committee by 30 June 2023 | | | | | |

CHAPTER 5

ORGANISATIONAL DEVELOPMENT PERFORMANCE

5. NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL ENTITY TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

The under- mentioned table shows Municipal entity ‘s performance in terms of National Key Performance indicators as required in terms of Local Government: Municipal entity Planning and Performance management regulations of 2001 and section 43 of Municipal entity System’s act.

| KPA & IDICATORS | 2022/2023 |
|---|-----------|
| Employment Equity - Number of women employed into senior management positions | 1 |
| Percentage of a Municipality’s budget spent on implementing its Workplace skills plan | 0 |

5.1 INTRODUCTION TO MUNICIPAL ENTITY WORKFORCE

Lejweleputswa Development Agency employed 8 employees as at 30 June 2023. Who largely and actively contribute to the Municipal entity’s objectives. The primary objective of Municipal entity Human Resource is to ensure that Municipal entity Human capital is addressed in terms of skills development and administrative function.

5.1.1. EMPLOYMENT EQUITY

The Employment Equity Act 1998 Chapter 3. Section 15 (l) states that affirmative action measures are designed to ensure that suitably qualified people from designated groups have equal employment opportunities and are represented in all occupational categories and levels in the workforce of designated employer. The National performance indicator also refers to:

| Occupational Health Levels | MALE | | | | FEMALE | | |
|----------------------------|----------|----------|----------|--|----------|--------|---------|
| | African | Whites | Indians | | African | Whites | Indians |
| Senior Management | 1 | 0 | 0 | | 0 | 0 | 0 |
| Middle Management | 0 | 0 | 0 | | 1 | 0 | 0 |
| Lower Management | 0 | 0 | 0 | | 0 | 0 | 0 |
| Skilled Technical | 2 | 0 | 0 | | 5 | 0 | 0 |
| Unskilled | 0 | 0 | 0 | | 0 | 0 | 0 |
| Total Permanent | 3 | 0 | 0 | | 6 | | |

Number of people from employment equity target groups employed in the three highest levels of management in compliance with a Municipal entity’s approved employment plan.

5.1.2 Vacancy Rate

Approved Municipal entity Organogram for Lejweleputswa Development Agency had 8 employees as at 30 June 2023. Filled positions are indicated below by post Levels. The position for the CEO is still vacant.

| Post Level | Filled | Vacant |
|------------------------|----------|----------|
| Senior Management | 0 | 1 |
| Middle Management | 1 | 0 |
| Lower Management | 0 | 0 |
| Skilled Technical | 7 | 0 |
| Unskilled | 0 | 0 |
| Total Permanent | 8 | 1 |

5.1.3 SUSPENSIONS AND DISMISALS

No

Table below shows Municipal entity Entity's employees.

| Number of Employees | Resignation | Current staff |
|---------------------|-------------|---------------|
| 8 | 0 | 8 |

5.2 MANAGING MUNICIPAL ENTITY WORKFORCE

Entails analysing and coordinating employee behaviour at the Municipal entity.

INJURIES

An occupational injury is a personal injury to Municipal entity employee during the execution of his or her own responsibility at work environment. Injuries may take different forms, be it diseases, or death resulting from occupational accident. Compensation claims are made against the Municipal entity and could be costly depending on the seriousness of an injury. However, Lejwe Le Putswa Development Agency had zero incidents in the Fiscal period under – review.

5.2.2 SICK LEAVE

Number of Sick leave days taken by employee in 2022/2022 versus 2022/2023

| Directorate | 2021/22 | 2022/23 |
|-----------------------------|-----------|-----------|
| Chief Executive Officer | 0 | 0 |
| Middle Managers | 0 | 0 |
| Lower Managers | 0 | 0 |
| Skilled Technical Employees | 53 | 56 |
| Unskilled Employees | 0 | 0 |
| Total | 53 | 56 |

5.2.3 PERFORMANCE REWARDS

In accordance with regulation 32, employee performance bonus is payable to him or her based on affordability after Consideration of the following aspects

- Annual report of the year under review has been tabled and adopted by Council
- Evaluation of Performance in terms of regulation 23;
- And approval of such evaluation by Council as a reward of outstanding performance.

All the employees of the LDA signs the performance agreements but their job descriptions have not been aligned to the staff regulation and there has not been any formal assessments.

5.2.4 CAPACITATING MUNICIPAL ENTITY'S WORKFORCE

Section 68 (i) of the MSA states that a Municipal entity must develop its human resources capacity to a level which enables it to perform its functions and exercise its powers in an economical, effective and accountable way. Therefore, for these purpose Human resource capacities of a Municipal entity must comply with SDA, act no 81 of 1998 and skills development levies act 20 of 1990.

5.3 SKILLS MATRIX

Table below shows number of employees that received training during the year per Directorate

| NAME | POSITION | GENDER | EMPLOYEES IDENTIFIED FOR TRAINING | EMPLOYEES THAT RECEIVED TRAINING |
|---------------------------|--------------------|--------|-----------------------------------|----------------------------------|
| 1.Mr Mzwakhe Mofokeng | ACEO | Male | 0 | 0 |
| 2. Ms Joan Ntwana | Finance Manager | Female | 0 | 0 |
| 3. Ms Sibongile Makhubu | Board Secretary/HR | Female | 0 | 0 |
| 4.Ms Malekhesi Motsoeneng | Finance Officer | Female | 0 | 0 |
| 5.Ms Busisiwe Phungwayo | SCM Officer | Female | 0 | 0 |
| 6.Mr Octavius Kolisang | IT | Male | 0 | 0 |
| 7. Mr Fusi Molelekwa | Admin Finance | Male | 0 | 0 |
| 8.Miss Portia Matshai | Secretary CEO | Female | 0 | 0 |
| 9. Miss Jabunini Kambule | Receptionist | Female | 0 | 0 |
| Total | | | 0 | 0 |

There were no employees that attended training.

5.3.1 SKILLS DEVELOPMENT – BUDGET ALLOCATION

| Total Personnel Budget | Total Spend | % spent |
|------------------------|-------------|---------|
| 74 000 | 0 | 0 |

LDA - MFMA COMPETENCIES

In terms of Section 83 (1) of the Municipal Entity Financial Management Act, the Accounting Officer, Senior managers, the Chief Financial Officers and Non – Financial Managers and other Financial Officers of the Municipal entity must meet the prescribed financial management competency levels that are key to successful implementation of MFMA.

National treasury prescribed Financial Management Competencies in Government Notice dated 15 June 2007. National treasury and other stakeholders played a very critical role in assisting Officials to acquire the above-mentioned prescribed Financial competency.

Table below provides details of Financial Competency development at Lejweleputswa as required by Legislation.

| Description | Number of Officials employed (Regulation 14(4)(a) and (C)) | Competency Assessments completed (Regulation 14(4) b and d) | Number of Officials whose performance agreements comply with Regulation 16 (regulation (14) (4) (F)) | Total Number of Officials that meet Prescribed Competency Levels. Regulation 14 (4) (E) |
|-------------------------------|--|---|--|---|
| Financial Official | | | | |
| CEO | 0 | 0 | 0 | 0 |
| Finance Officer | 1 | 1 | 1 | 1 |
| Any other Financial Officials | 0 | 0 | 1 | 0 |
| Supply Chain Officials | 0 | 0 | 1 | 0 |
| Heads of Supply Chain | 0 | 0 | 0 | 0 |
| Supply Chain Senior Managers | 0 | 0 | 0 | 0 |
| Total | 2 | 0 | 4 | 2 |

5.3 THE MUNICIPAL ENTITY WORKFORCE EXPENDITURE

Section 66 of MSA requires the Accounting Officer of a Municipal entity to report to Municipal entity Council on all expenditure incurred by the Municipal entity on staff Salaries, wages, Allowances and benefits. This is in line with the requirements of the Public Service Regulations (2002) as well as National Treasury Budget and Reporting Regulations SA22 and SA 23

5.4 PERSONNEL EXPENDITURE

Percentage of Personnel expenditure is significant in the Budgeting process as it reflects on current and future efficiencies. The table below indicates the percentage of Municipal entity

| Financial Year | Total Expenditure Salary and allowances | Total Operating Expenditure |
|----------------|---|-----------------------------|
| 2021/2022 | R5 038 231 | R2 612 554 |
| 2022/2023 | R5 702 956 | R 3 716 144 |

budget spent on two previous Fiscal periods.

CHAPTER 6

FINANCIAL PERFORMANCE

CHAPTER 6: FINANCIAL PERFORMANCE

6.1 FINANCIAL MATTERS

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

COMMENT ON FINANCIAL PERFORMANCE:

Based on the financial statement of LDA 2022/23 financial performance, the Agency made a Surplus of R3 908 384. Overall, the Agency is in a bad financial health.

Note should be taken of the increase of salaries which indicate an average increase by 6%, compared to the Equitable Share, which only increased by 3%.

6.2 GRANTS

COMMENT ON OPERATING TRANSFERS AND GRANTS:

The Agency is 100% depending on grants and subsidies.

6.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

An asset management unit is established at Lejwe Le Putswa Development Agency consisting of the asset manager and an official. Annual asset verification is conducted to ensure all assets are accounted for. Missing assets must be explained by the responsible person the asset is allocated to on the reasons why the asset is missing.

When assets are transferred, an asset transfer form must be completed and submitted to the asset section to update their records.

Every personnel member assets are allocated to, are responsible for the safeguarding of their assets. Aurecon have previously been appointed to compile an asset maintenance plans for the properties.

There is an approved asset management policy approved by council in 2014 in place, this policy is reviewed annually to ensure it is aligned with GRAP requirements.

The key objectives of the asset management policy are:

- The accurate recording of essential asset information;
- The accurate recording of asset movements;
- Exercising strict physical controls over all assets;
- Treating the assets correctly in the Agency’s Financial Statements;
- Providing accurate and meaningful management information;
- Compliance with the Council’s accounting policies and GRAP;
- Adequate insuring of assets;
- Maintenance of Council’s assets;
- Ensuring that managers are aware of their responsibilities with regard to the assets; and
- Setting out the standards of management, recording and internal controls so as to safeguard the assets against inappropriate utilization or loss.

COMMENT ON ASSET MANAGEMENT

Refer to previous table and comments with regards to the additions for the year.

| Repair and Maintenance Expenditure 2021/22 & 2022/23 | | | | |
|--|-----------------|-------------------|--------|-----------------|
| (R'000) | | | | |
| | Original Budget | Adjustment Budget | Actual | Budget variance |
| Repairs and maintenance expenditure 2021-22 | 36 567 | 36 567 | 0 | 100% |
| 2022/23 | 0 | 0 | 0 | 0% |

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

There is limited funding available to allocate to repairs and maintenance. Another challenge was that there were no maintenance plans in place.

There are no funds for repairs and maintenance.

6.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

Liquidity ratios measure the agency's ability to pay its bills and are calculated by dividing the current assets, due within one year by the agency's current liabilities, payable within one year. The higher the ratio, the better it is for the organization.

| Ratio calculations for the month ended: | | | 30 JUNE 2023 | | |
|--|--|------------------------------------|---------------------|---------------------|---------------------|
| Name of Agency: | | Lejwe Le Putswa Development Agency | | | |
| Financial Year End: | | 30 June 2023 | | | |
| | | | | | |
| Current ratio: Current Assets /Current Liabilities (Norm 2:1) | | | | | |
| | | | | | |
| | | | 30 JUNE 2022 | 30 June 2023 | |
| Current Assets | | R | 10 234 315 | R4 275 454 | |
| Current Liabilities | | R | 1 588 815 | R1 827 034 | |
| | | | | | |
| Current Ratio | | | 6.4 | 2.3 (times) | |
| Comment: The purpose of the current ratio is to determine whether the entity has the ability to pay the short term liabilities. The norm for the current ratio is 1; the current ratio is 2.34, indicating that the agency might not be able to pay its short term liabilities. There is a decrease in current assets and a slight increase in current liabilities. | | | | | |
| - an increase in Cash and Cash Equivalents with R 5 958 861 | | | | | |
| - a decrease in Unspent Conditional Grants R 403 946 | | | | | |
| Cash/ Cost Coverage Ratio: ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term | | | | | |
| Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortization, Provision for Bad Debts, | | | | | |
| Actuarial Loss, Impairment Loss and Loss on Disposal of Assets) (Norm: 1-3 months) | | | | | |
| | | | | | |
| | | | 30 JUNE 2021 | 30 June 2022 | 30 June 2023 |
| Cash and cash equivalents | | R | 9 968 631 | R 10 154 295 | R 4 233 619 |
| Unspent Conditional Grants | | R | 1 1 034 387 | R 1 020 137 | R 616 190.58 |
| Bank Overdraft | | R | - | - | - |
| Short term investment | | R | - | - | - |
| Monthly fixed operational exp. | | R | - | - | 6 662 497 |
| Depreciation | | R | - | - | - |

| | | | | |
|--|--|-------------|----------------------|--------------------|
| Amortization | | R 263 608 | R 201 738 | R |
| Provision for bad debts | | R - | - | - |
| Actuarial Loss | | R - | - | - |
| Impairment Loss | | R - | -R 10 308 | R |
| Loss on disposal of assets | | R - | - | - |
| Employee related cost | | R 4 899 677 | R 5 038 231 | R 5 702 956 |
| Operating expenditure | | R 2 182 582 | R 2 612 554 | R |
| Cash/ Cost Coverage Ratio | | | 5.35 (months) | |
| <p>Comment: The purpose of the cash/ cost coverage ratio is to determine the amount of cash available to pay monthly operating expenditure, which includes interest, without receiving any additional income. Ideally the Agency is not able to pay for the operating expenditure to prove sustainability. The Agency is unable to cover all operating expenditure.</p> | | | | |

| | | | | | |
|--|--|---------------------|---------------------|---------------------|-----|
| Grant dependency: Government grants and Subsidies / Total Revenue x 100 | | | | | |
| | | 30 June 2021 | 30 June 2022 | 30 June 2023 | |
| Total revenue | | R 16 182 436 | R 9 938 338 | R1 346 520 | |
| Government grants and Subsidies | | R 15 919 467 | R 9 117 322 | R 903 946 | |
| Grant dependency | | 100 | 100 | 100 | (%) |
| <p>Comment: The purpose of this ratio is to determine how much does the agency/entity depends on grants. The ratios indicated that Lejwe Le Putswa Development Agency is 100% dependable on government grants and subsidies received during 2023. The entity only depends on grants</p> | | | | | |

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

6.5. CAPITAL EXPENDITURE

Introduction to spending against capital budgets

| Total Capital Expenditure: 2020/21 to 2022/23 (R'000) | | | |
|---|----------|----------|---------|
| Detail | 2020/21 | 2021/22 | 2022/23 |
| Original Budget | R243 600 | R188 310 | 254 641 |
| Adjustment Budget | R265 600 | R379 350 | 254 641 |
| Actual | R158 941 | R365 237 | 239 289 |

FUNDING OF CAPITAL BUDGET: 2022/2023

The budget will be funded from own sources.

6.6 SOURCES OF FINANCE

With the current financial constraints, limited funding is not available to fund capital expenditure.

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

6.7 CASH FLOW

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

Refer to cash flow statement included in this report.

The Municipal agency is supposed to generate its capital from prior Funded projects. Unfortunately, most projects funded haven't been able to realize any revenue. Hence, it heavily relied on Grants from IDC, DPSA and its parent municipalities to sustain its operations. The entity is facing very serious financial constraints that agency's ongoing

concern is compromised. The Agency yearly gets funding from parent municipality to finance administrative issues as well as Salaries.

COMPONENT D: OTHER FINANCIAL MATTERS

6.8. SUPPLY CHAIN MANAGEMENT

Lejwe Le Putswa Development Agency has its own supply chain management unit, but makes use of 3 Supply Chain Management Committees, Specification, Evaluation and Adjudication committees of its parent municipality which has clear segregation of duties as regulated by the Supply Chain Management Regulations is effected in these committees. Its internal controls are reviewed by the parent municipal Internal Audit department on a yearly basis, have continuously given comfort to agency employees and the board that the system is fair, transparent and allows for competitiveness in the procurement of goods and services. Lejwe Le Putswa Development Agency continues to pride itself with internal control processes which we continuously implement to get Clean Audit. Municipal Council will continue to ensure that the limited resources at our disposal are expended in a manner that translates in to value and growth for Lejweleputswa district Municipality.

6.9. GRAP COMPLIANCE

Currently, LDA lacks the capacity to fully produce GRAP Compliant Annual Financial Statements and use Consultants who assist and, also do skills transfer

Section C

LDM AFS

Lejweleputswa District Municipality
Annual Financial Statements for the year
ended 30 June 2023



Lejweleputswa District Municipality Annual Financial Statements
for the year ended 30 June 2023



Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

| | |
|--|---|
| Legal form of entity | Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act No.11 of 1998) read with section 115(1) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) |
| Nature of business and principal activities | District municipality |
| Mayoral committee from December 2021 | |
| Executive Mayor | Cllr NV Ntakumbana |
| Speaker | Cllr DJ Dikane |
| Councillors | Cllr SE Tsuinke - MMC Health Service and Disaster Management |
| Cllr MJ Meli - MMC LED, Tourism, Agriculture, Youth and SMME | Cllr BA Kabi - MMC Community Services and Special Programmes |
| Cllr MS Baleni - MMC Infrastructure | |
| Cllr PP Maleka - MMC Corporate Services | |
| Cllr KV Van Rooyen - MMC IDP, PMS, Policy Development and Monitoring | |
| Cllr D Kotzee - MMC Finance | |
| Municipal demarcation code | DC18 |
| Capacity of local authority | Low capacity |
| Grading of local authority | 4 |
| Acting Accounting Officer | Mr SJ More |
| Acting Chief Financial Officer | Mr T Tsoaeli |
| Registered office | Office of the Municipal Manager |
| Corner of Jan Hofmeyer and Tempest Road | Jim Fouche Park |
| Welkom 9459 | |
| Business address | Corner of Jan Hofmeyer and Tempest Road |
| Jim Fouche Park | |
| Welkom 9459 | |
| Postal address | P.O. Box 2163 |
| Welkom 9460 | |
| Bankers | ABSA Bank Limited |
| Auditors | Auditor-General of South Africa |

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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| | |
|------|--|
| CRR | Capital Replacement Reserve |
| GRAP | Generally Recognised Accounting Practice |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| IAS | International Accounting Standards |

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 62, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2023 and were signed on its behalf by:

SJ More
Acting Municipal Manager

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

Audit Committee Report

We are pleased to present the Audit Committee report for the financial year ended 30 June 2023 on Lejweleputswa District Municipality ("LDM").

Audit Committee Members and Attendance

The Audit Committee ("Committee") consists of five independent members. Members are appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003). During the 2022/2023 financial year six ordinary meetings and one special meeting were held. The attendance is reflected in the table below:

| Name of member | Position | Attended | Apologies | Total |
|------------------|-------------|----------|-----------|-------|
| Me G Mayisela | Chairperson | 7 | - | 7 |
| Me SPT Monosi | Member | 6 | 1 | 7 |
| Mr TA Motshoikha | Member | 7 | - | 7 |
| Me DS Nage | Member | 3 | 4 | 7 |
| Mr TJ Macholo | Member | 7 | - | 7 |

Audit Committee responsibility

The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee charter ("the Charter"). The Audit Committee charter is reviewed and tabled before the Council for approval on an annual basis. The last review was on 27 October 2022 and serves as a guide for the Audit Committee. The Audit Committee has discharged its responsibilities as contained in the Charter.

The effectiveness of internal control and risk management

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Internal Auditors of the municipality during the year under review.

Internal Audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality through their audits. Internal Audit has developed and implemented a risk-based three year strategic and annual operational audit plan.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no material unresolved issues. We are satisfied that the Auditor-General is independent of the Municipality.

Chairperson of the Audit Committee

Date: _____

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 117,948,686 and that the municipality's total assets exceed its liabilities by R 117,948,686.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Mrs PME Kaota was the accounting officer at the beginning of the year, her contract ended on 31 July 2022.

Mr Makhetha acted from 01 August 2022 to 31 October 2022, and from April 2023 to May 2023 until his contract ended on 31 May 2023.

Mr Kupiso acted from 01 November 2022 to March 2023. Mr More has been acting from 01 June 2023

4. Interest in controlled entities

Name of controlled entity

Lejwe Le Putswa Development Agency

-

Lejweleputswa District Municipality is the parent of Lejwe Le Putswa Development Agency SOC Ltd and holds 100% interest.

Details of the municipality's investment in controlled entities are set out in note 9.

5. Auditors

Auditor-General of South Africa.

Lejweleputswa District Municipality
Annual Financial Statements for the year
Statement of Financial Position as at 30 June 2023

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|--|---------|--------------------|--------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 3 | 457,829 | - |
| Cash and cash equivalents | 4 | 106,197,292 | 111,525,825 |
| Receivables from non-exchange transactions | 5 | 261,496 | 91,088 |
| VAT receivable | 6 | 3,466,334 | 2,084,195 |
| | | 110,382,951 | 113,701,108 |
| Non-Current Assets | | | |
| Property, plant and equipment | 7 | 51,998,711 | 55,226,487 |
| Intangible assets | 8 | 53,088 | 81,248 |
| Investments in controlled entities | 9 | 100 | 100 |
| | | 52,051,899 | 55,307,835 |
| Total Assets | | 162,434,850 | 169,008,943 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 10 | 22,412,441 | 21,610,421 |
| Unspent conditional grants and receipts | 12 | 1,056,723 | - |
| Long service awards | 11 | 597,000 | 723,000 |
| Employee benefit obligation | 11 | 551,000 | 331,000 |
| | | 24,617,164 | 22,664,421 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 11 | 15,577,000 | 14,371,000 |
| Long Service Awards | 11 | 4,292,000 | 4,097,000 |
| | | 19,869,000 | 18,468,000 |
| Total Liabilities | | 44,486,164 | 41,132,421 |
| Net Assets | | 117,948,686 | 127,876,522 |
| | | 117,948,686 | 127,876,522 |

Lejweleputswa District Municipality
Annual Financial Statements for the year
Statement of Financial Performance

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Proceeds from disposal of property, plant and equipment | 14 | 246,572 | 550,000 |
| Operational revenue | 15 | 398,106 | 137,650 |
| Interest earned | 16 | 8,689,197 | 5,047,223 |
| Total revenue from exchange transactions | | 9,333,875 | 5,734,873 |
| Revenue from non-exchange transactions | | | |
| Transfer revenue | | | |
| Transfer and Subsidies | 17 | 152,118,277 | 142,665,626 |
| Fines, Penalties and Forfeits | 18 | 50,500 | - |
| Total revenue from non-exchange transactions | | 152,168,777 | 142,665,626 |
| Total revenue | 13 | 161,502,652 | 148,400,499 |
| Expenditure | | | |
| Employee related cost | 19 | (112,119,666) | (105,160,412) |
| Remuneration of councillors | 20 | (10,331,892) | (9,622,623) |
| Transfers and subsidies | 21 | (7,099,563) | (12,141,777) |
| Depreciation and amortisation | 22 | (3,912,534) | (3,979,822) |
| Operating lease expenditure | 24 | (765,317) | (785,064) |
| Inventory consumed | 25 | (3,213,647) | (1,492,787) |
| Contracted services | 26 | (14,940,827) | (11,696,619) |
| Operational cost | 27 | (18,902,068) | (14,970,928) |
| Total expenditure | | (171,285,514) | (159,850,032) |
| Loss on disposal of assets and liabilities | | (452,274) | (753,544) |
| Actuarial gains/losses | 11 | 933,854 | 1,754,000 |
| Impairment loss | 23 | (464,098) | (301,414) |
| | | 17,482 | 699,042 |
| Deficit for the year | | (9,765,380) | (10,750,491) |

Lejweleputswa District Municipality
Annual Financial Statements for the year
Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|----------------------------|-------------------------|
| Balance at 01 July 2021 | 139,181,331 | 139,181,331 |
| Net income (losses) recognised directly in net assets | (554,475) | (554,475) |
| Surplus/(deficit) for the year previously stated | (10,750,491) | (10,750,491) |
| Balance at 01 July 2022 | 127,876,835 | 127,876,835 |
| Net income (losses) recognised directly in net assets | (162,769) | (162,769) |
| Surplus/(deficit) for the year | (9,765,380) | (9,765,380) |
| Total changes | (9,928,149) | (9,928,149) |
| Balance at 30 June 2023 | 117,948,686 | 117,948,686 |

Lejweleputswa District Municipality
Annual Financial Statements for the year
Cash Flow Statement

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Grants | | 153,175,000 | 142,665,626 |
| Interest income | | 8,321,853 | 4,706,907 |
| Other receipts | | 448,608 | 1,008,497 |
| | | <u>161,945,461</u> | <u>148,381,030</u> |
| Payments | | | |
| Employee costs | | (120,460,501) | (111,428,173) |
| Suppliers | | (44,230,937) | (40,139,077) |
| | | <u>(164,691,438)</u> | <u>(151,567,250)</u> |
| Net cash flows from operating activities | 30 | <u>(2,745,977)</u> | <u>(3,186,220)</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 7 | (1,545,982) | (5,995,777) |
| Proceeds from sale of property, plant and equipment | | 246,572 | 550,000 |
| Purchase of intangible assets | 8 | (60,000) | - |
| Net cash flows from investing activities | | <u>(1,359,410)</u> | <u>(5,445,777)</u> |
| Cash flows from financing activities | | | |
| Employee benefit obligation payments | | (492,119) | (240,000) |
| Movement in long service awards | | (731,027) | (823,000) |
| Net cash flows from financing activities | | <u>(1,223,146)</u> | <u>(1,063,000)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(5,328,533)</u> | <u>(9,694,997)</u> |
| Cash and cash equivalents at the beginning of the year | | 111,525,825 | 121,220,822 |
| Cash and cash equivalents at the end of the year | 4 | <u>106,197,292</u> | <u>111,525,825</u> |

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments amounts | Final Budget on comparable basis | Actual | Difference between final budget and actual | Reference |
|--|----------------------|---------------------|----------------------------------|----------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Proceeds from disposal of property, plant and equipment | - | - | - | 246,572 | 246,572 | |
| Operational revenue | 262,000 | 25,500 | 287,500 | 398,106 | 110,606 | X1 |
| Interest received - investment | 2,800,000 | 2,500,000 | 5,300,000 | 8,689,197 | 3,389,197 | X2 |
| Total revenue from exchange transactions | 3,062,000 | 2,525,500 | 5,587,500 | 9,333,875 | 3,746,375 | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 156,966,000 | (4,031,000) | 152,935,000 | 152,118,277 | (816,723) | X3 |
| Fines, Penalties and Forfeits | - | 50,000 | 50,000 | 50,500 | 500 | |
| Total revenue from non-exchange transactions | 156,966,000 | (3,981,000) | 152,985,000 | 152,168,777 | (816,223) | |
| Total revenue | 160,028,000 | (1,455,500) | 158,572,500 | 161,502,652 | 2,930,152 | |
| Expenditure | | | | | | |
| Employee remuneration | (119,884,691) | 1,050,000 | (118,834,691) | (112,119,666) | 6,715,025 | X4 |
| Remuneration of councillors | (10,671,632) | - | (10,671,632) | (10,331,892) | 339,740 | X5 |
| Transfers and Subsidies | (15,040,333) | 3,857,000 | (11,183,333) | (7,099,563) | 4,083,770 | X6 |
| Depreciation and amortisation | (5,871,349) | - | (5,871,349) | (3,912,534) | 1,958,815 | X7 |
| Impairment loss/ Reversal of impairments | - | - | - | (464,098) | (464,098) | |
| Operating lease expenditure | (1,155,429) | 51,241 | (1,104,188) | (765,317) | 338,871 | X9 |
| Inventory consumed | (2,945,826) | (100,000) | (3,045,826) | (3,213,647) | (167,821) | X10 |
| Contracted services | (19,914,611) | (468,065) | (20,382,676) | (14,940,827) | 5,441,849 | X11 |
| Operational cost | (22,650,525) | (576,736) | (23,227,261) | (18,902,068) | 4,325,193 | X12 |
| Total expenditure | (198,134,396) | 3,813,440 | (194,320,956) | (171,749,612) | 22,571,344 | |
| Operating deficit | (38,106,396) | 2,357,940 | (35,748,456) | (10,246,960) | 25,501,496 | |
| Loss on disposal of assets and liabilities | - | - | - | (452,274) | (452,274) | |
| Actuarial gains/losses | - | - | - | 933,854 | 933,854 | |
| | - | - | - | 481,580 | 481,580 | |
| Deficit before taxation | (38,106,396) | 2,357,940 | (35,748,456) | (9,765,380) | 25,983,076 | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (38,106,396) | 2,357,940 | (35,748,456) | (9,765,380) | 25,983,076 | |

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|---------------------|--------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | - | - | - | 457,829 | 457,829 | |
| Receivables from non-exchange transactions | 3,670,542 | (1,330,259) | 2,340,283 | 261,496 | (2,078,787) | X13 |
| VAT receivable | - | - | - | 3,466,379 | 3,466,379 | |
| Cash and cash equivalents | 75,305,808 | (6,881,043) | 68,424,765 | 106,197,292 | 37,772,527 | X14 |
| | 78,976,350 | (8,211,302) | 70,765,048 | 110,382,996 | 39,617,948 | |
| Non-Current Assets | | | | | | |
| Property, plant and equipment | 56,577,332 | 343,241 | 56,920,573 | 51,998,711 | (4,921,862) | X15 |
| Intangible assets | 1,500,542 | (238,634) | 1,261,908 | 53,088 | (1,208,820) | X16 |
| Investments in controlled entities | 100 | - | 100 | 100 | - | |
| | 58,077,974 | 104,607 | 58,182,581 | 52,051,899 | (6,130,682) | |
| Total Assets | 137,054,324 | (8,106,695) | 128,947,629 | 162,434,895 | 33,487,266 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Payables from exchange transactions | (1,108,054) | 18,177,075 | 17,069,021 | 22,412,441 | 5,343,420 | X17 |
| Unspent conditional grants and receipts | - | - | - | 1,056,723 | 1,056,723 | |
| Provisions | 14,468,250 | (13,414,250) | 1,054,000 | - | (1,054,000) | |
| Long service awards | - | - | - | 597,000 | 597,000 | |
| Employee benefit obligation | - | - | - | 551,000 | 551,000 | X20 |
| | 13,360,196 | 4,762,825 | 18,123,021 | 24,617,164 | 6,494,143 | |
| Non-Current Liabilities | | | | | | |
| Employee benefit obligation | - | - | - | 15,577,000 | 15,577,000 | X22 |
| Provisions | 20,903,716 | (2,435,716) | 18,468,000 | - | (18,468,000) | |
| Long Service Awards | - | - | - | 4,292,000 | 4,292,000 | X23 |
| | 20,903,716 | (2,435,716) | 18,468,000 | 19,869,000 | 1,401,000 | |
| Total Liabilities | 34,263,912 | 2,327,109 | 36,591,021 | 44,486,164 | 7,895,143 | |
| Net Assets | 102,790,412 | (10,433,804) | 92,356,608 | 117,948,731 | 25,592,123 | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 102,790,412 | (10,433,804) | 92,356,608 | 117,948,731 | 25,592,123 | |

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

A summary of the significant accounting policies are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment testing

The recoverable (service) amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Lejweleputswa District Municipality

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1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Lejweleputswa District Municipality

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1.4 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|--|---------------------|---------------------|
| Land | Straight line | Not depreciated |
| Buildings and paving | Straight line | 30-45 years |
| Plant and machinery | Straight line | 5-20 years |
| Furniture and fixtures | Straight line | 5-15 years |
| Motor vehicles | Straight line | 7-14 years |
| Office equipment (including computers) | Straight line | 4-9 years |
| Emergency equipment | Straight line | 5-10 years |
| Other property, plant and equipment | Straight line | 5-10 years |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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1.5 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|-------------------|---------------------|---------------------|
| Computer software | Straight line | 3 years indefinite |

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.6 Investments in controlled entities

In the municipality's separate annual financial statements, investments in controlled entities are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

Lejweleputswa District Municipality

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1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from the municipality's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the municipality estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Lejweleputswa District Municipality

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1.7 Financial instruments (continued)

Liquidity risk is the risk encountered by the municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of the entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of the entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of the entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

1.7 Financial instruments (continued) Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|--|--|
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Receivables from non-exchange transactions | Financial asset measured at amortised cost |

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|-------------------------------------|--|
| Payables from exchange transactions | Financial liability measured at amortised cost |

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability, other than those subsequently measures at fair value, initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures all other financial assets and financial liabilities initially at fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Lejweleputswa District Municipality

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1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility in the case of a financial asset.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

Lejweleputswa District Municipality

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1.7 Financial instruments (continued)

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Lejweleputswa District Municipality

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1.7 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 - derecognises the asset; and
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Lejweleputswa District Municipality

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1.7 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

Lejweleputswa District Municipality

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Statutory receivables (continued)

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.8 Leases

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.9 Inventories

The municipality constructs infrastructure projects, which will subsequently be transferred to local municipalities in its area of jurisdiction at no cost when the project is completed. Projects still in progress and not yet completed are disclosed as inventory. Inventory is measured at the actual costs.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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1.10 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.10 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a prorata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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1.11 Impairment of non-cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

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1.12 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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1.12 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Lejweleputswa District Municipality

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1.12 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating expenditure.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Interest and investment income

Revenue arising from the use by others of municipality assets yielding interest or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Investment income is recognised on a time-proportion basis using the effective interest method.

Interest charged on debtor accounts are limited to the principal debt as prescribed by the National Credit Act.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

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Annual Financial Statements for the year ended 30 June 2023

1.15 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

1.15 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 33 for detail.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

1.22 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.23 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.24 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.25 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2023

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

1.28 VAT

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods and services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

Lejweleputswa District Municipality
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 ended 30 June 2023

| Notes to the Annual Financial Statements | 2023 | 2022 |
|---|-------------|-------------|
|---|-------------|-------------|

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

| Standard/ Interpretation: Years beginning on or after | Effective date: | Expected impact: |
|---|----------------------------------|--|
| <ul style="list-style-type: none"> • GRAP 25 :Employee benefits | To be determined | Unlikely there will be a material impact |
| <ul style="list-style-type: none"> • GRAP 104 (amended): Financial Instruments | 1 April 2023 | Unlikely there will be a material impact |
| <ul style="list-style-type: none"> • IGRAP 7 The limit on a defined benefit, minimum funding and their interaction (revised) | To be determined material impact | Unlikely there will be a material impact |
| <ul style="list-style-type: none"> • IGRAP 21 on the effect of past decisions on materiality | 1 April 2023 | Unlikely there will be a material impact |
| <ul style="list-style-type: none"> • Guideline on Accounting for landfill sites | 1 April 2023 | Unlikely there will be a material impact |

3. Inventories

| | | |
|------------------|---------|---|
| Work in progress | 457,829 | - |
|------------------|---------|---|

Lejweleputswa District Municipality
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ended 30 June 2023

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4. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------------|--------------------|--------------------|
| Cash on hand | 6,293 | 6,000 |
| Bank balances | 75,915,821 | 111,519,825 |
| Short-term deposits | 30,275,178 | - |
| | 106,197,292 | 111,525,825 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2021 | 30 June 2023 | 30 June 2022 | 30 June 2021 |
| ABSA Bank - cheque account - 134000017 | 76,212,103 | 111,485,994 | 44,238,518 | 75,922,114 | 111,490,041 | 44,228,214 |
| ABSA Bank - call account - 4094767743 | - | - | 23,300,079 | - | - | 23,300,079 |
| ABSA Bank - call account - 9356355225 | - | - | 53,686,529 | - | - | 53,686,529 |
| STANDARD BANK - Fixed deposit - 24 853 881 0- 024 | 30,000,000 | - | - | 30,275,178 | - | - |
| Total | 106,212,103 | 111,485,994 | 121,225,126 | 106,197,292 | 111,490,041 | 121,214,822 |

5. Receivables from non-exchange transactions

| | | |
|--------------------------------|----------------|---------------|
| Council receivables | 31,263,251 | 30,628,744 |
| Less: Allowance for impairment | (31,001,755) | (30,537,656) |
| | 261,496 | 91,088 |

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

| | | |
|------------------|---------|--------|
| 1 month past due | 261,496 | 91,088 |
|------------------|---------|--------|

Reconciliation of allowance for impairment

| | | |
|--------------------------|---------------------|---------------------|
| Opening balance | (30,537,656) | (30,236,242) |
| Provision for impairment | (464,098) | (301,414) |
| | (31,001,754) | (30,537,656) |

6. VAT receivable

| | | |
|-----|-----------|-----------|
| VAT | 3,466,334 | 2,084,195 |
|-----|-----------|-----------|

The carrying amount of VAT receivable approximates fair value due to its short term nature. The municipality reports to SARS on a cash basis and the amount receivables represent creditors/accruals owed by the municipality being more than VAT payable on cash receipts from customers. The input tax is claimed upon the cash payment to creditors. Output tax is paid upon cash receipts from debtors.

Lejweleputswa District Municipality
Annual Financial Statements for the year
ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

| | 2023 | | | 2022 | | |
|------------------------|---------------------|---|-------------------|---------------------|---|-------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 1,140,000 | - | 1,140,000 | 1,140,000 | - | 1,140,000 |
| Buildings | 76,231,446 | (35,202,231) | 41,029,215 | 76,008,101 | (32,832,586) | 43,175,515 |
| Plant and equipment | 5,134,890 | (530,841) | 4,604,049 | 4,544,426 | (311,120) | 4,233,306 |
| Furniture and fixtures | 6,688,905 | (5,088,306) | 1,600,599 | 6,679,883 | (4,826,998) | 1,852,885 |
| Motor vehicles | 2,189,412 | (327,541) | 1,861,871 | 3,337,272 | (735,210) | 2,602,062 |
| Office equipment | 7,471,144 | (5,723,666) | 1,747,478 | 7,722,582 | (5,515,430) | 2,207,152 |
| Emergency equipment | 58,797 | (43,298) | 15,499 | 54,443 | (38,876) | 15,567 |
| Total | 98,914,594 | (46,915,883) | 51,998,711 | 99,486,707 | (44,260,220) | 55,226,487 |

Reconciliation of property plant and equipment - 2023

| | Opening balance | Additions | Disposals | Disposal Depreciation | Depreciation | Total |
|------------------------|--------------------|------------------|--------------------|--------------------------|--------------------|-------------------|
| Land | 1,140,000 | - | - | - | - | - 1,140,000 |
| Buildings | 43,175,515 | 573,696 | (350,351) | 145,260 | (2,514,630) | 41,029,215 |
| Plant and equipment | 4,233,306 | 592,455 | (1,991) | 1,448 | (221,169) | 4,604,049 |
| Furniture and fixtures | 1,852,885 | 86,414 | (77,393) | 58,861 | (320,169) | 1,600,599 |
| Motor vehicles | 2,602,062 | - | (1,147,861) | 549,145 | (141,471) | 1,861,875 |
| Office equipment | 2,207,153 | 288,628 | (540,501) | 419,906 | (628,043) | 1,747,477 |
| Emergency equipment | 15,566 | 4,354 | - | - | (4,422) | 15,498 |
| | 55,226,487 | 1,545,547 | (2,118,097) | 1,174,620 | (3,829,904) | 51,998,712 |

Lejweleputswa District Municipality
Annual Financial Statements for the year
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Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

| | Opening balance | Additions | Disposals | Disposal Depreciation | Depreciation | Total |
|------------------------|--------------------|------------------|--------------------|--------------------------|--------------------|-------------------|
| Land | 1,140,000 | - | - | - | - | 1,140,000 |
| Buildings | 45,456,458 | 239,995 | - | - | (2,520,937) | 43,175,515 |
| Plant and equipment | 628,218 | 3,736,854 | - | - | (131,765) | 4,233,306 |
| Furniture and fixtures | 2,180,027 | 46,508 | (63,536) | 48,546 | (358,661) | 1,852,885 |
| Motor vehicles | 2,449,301 | 1,530,072 | (1,731,447) | 528,072 | (173,936) | 2,602,062 |
| Office equipment | 2,516,101 | 442,348 | (406,315) | 323,135 | (668,116) | 2,207,153 |
| Emergency equipment | 19,722 | - | - | - | (4,156) | 15,566 |
| | 54,389,828 | 5,995,777 | (2,201,298) | 899,753 | (3,857,571) | 55,226,487 |

Expenditure incurred to repair and maintain property, plant and equipment

**Expenditure incurred to repair and maintain property, plant and equipment
included in Statement of Financial Performance**

| | | |
|---------------------|---------|---------|
| Contracted services | 298,287 | 399,408 |
|---------------------|---------|---------|

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Lejweleputswa District Municipality
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Notes to the Annual Financial Statements

Figures in Rand

8. Intangible assets

| | 2023 | | | 2022 | | |
|-------------------|---|----------------|------------------|---|----------------|--------|
| Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | |
| Computer software | 1,648,459 | (1,595,371) | 53,088 | 1,596,459 | (1,515,211) | 81,248 |

Reconciliation of intangible assets - 2023

| | Opening balance | Additions | Disposals | Disposal amortisation | Amortisation | Total |
|-------------------|-----------------|-----------|-----------|-----------------------|--------------|--------|
| Computer software | 81,248 | 60,000 | (8,000) | 2,469 | (82,629) | 53,088 |

Reconciliation of intangible assets - 2022

| | Opening balance | Disposals | Disposal Amortisation | Amortisation | Total |
|-------------------|-----------------|-------------|-----------------------|--------------|--------|
| Computer software | 282,512 | (1,554,993) | 1,475,979 | (122,250) | 81,248 |

9. Investments in controlled entities

| Name of company | Held by | % holding 2023 | % holding 2022 | Carrying amount 2023 | Carrying amount 2022 |
|------------------------------------|-------------------------------------|----------------|----------------|----------------------|----------------------|
| Lejwe le Putswa Development Agency | Lejweleputswa District Municipality | 100.00 % | 100.00 % | 100 | 100 |

Lejweleputswa District Municipality
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10. Payables from exchange transactions

| | | |
|-------------------|-------------------|-------------------|
| Trade payables | 4,564,423 | 4,805,203 |
| Accrued leave pay | 12,620,800 | 11,910,853 |
| Accrued bonus | 4,263,083 | 4,476,973 |
| Retention | 964,135 | 417,392 |
| | 22,412,441 | 21,610,421 |

11. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates as unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by ZAQ Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- * Bonitas
- * Hosmed
- * Keyhealth
- * LA Health
- * Samwumed

The members of the post-employment health care benefit plan are made up as follows:

| | | |
|--|------------|------------|
| In service member (employees) | 126 | 125 |
| In service members (employees) non-members | 9 | 7 |
| | 135 | 132 |

Long service awards

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by ZAQEN Consultants and Actuaries. The projected unit credit funding method has been used to determine the past - service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. We have converted the awarded leave days into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

Lejweleputswa District Municipality
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11. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value

| | | |
|---|-------------------|-------------------|
| Employee benefit obligation (non-current portion) | 15,577,000 | 14,371,000 |
| Employee benefit obligation (current portion) | 551,000 | 331,000 |
| Long service awards (non-current portion) | 4,292,000 | 4,097,000 |
| Long service awards (current portion) | 597,000 | 723,000 |
| | 21,017,000 | 19,522,000 |

Changes in the present value of the defined benefit obligation are as follows:

| | | |
|---------------------------|-------------------|-------------------|
| Opening balance | 14,702,000 | 14,246,000 |
| Current service cost | 791,000 | 785,000 |
| Interest cost | 1,766,000 | 1,548,000 |
| Actuarial (gain) / losses | (858,881) | (1,637,000) |
| Benefits paid | (272,119) | (240,000) |
| | 16,128,000 | 14,702,000 |

Changes in the present value of the long service award obligation are as follows:

| | | |
|---------------------------|------------------|------------------|
| Opening Balance | 4,820,000 | 4,766,000 |
| Current service cost | 517,000 | 484,000 |
| Interest cost | 484,000 | 510,000 |
| Actuarial (gain) / losses | (74,973) | (117,000) |
| Benefits paid | (857,027) | (823,000) |
| | 4,889,000 | 4,820,000 |

Key assumptions used

Assumptions used at the reporting date:

| | | |
|------------------------------------|--|--|
| Discount rates used | Yield curve | Yield curve |
| Consumer price inflation | Difference between nominal and yield curve | Difference between nominal and yield curve |
| Medical aid contribution inflation | CPI+1% | CPI+1% |
| Net effective discount rate | Yield curve based | Yield curve based |

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|------------------|----------|
| LG Seta Grant | 27,020 | - |
| Rural Roads Asset Management Systems Grant | 636,985 | - |
| Local Government Financial Management Grant | 392,718 | - |
| | 1,056,723 | - |

Lejweleputswa District Municipality
Annual Financial Statements for the year
ended 30 June 2023

Notes to the Annual Financial Statements

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12. Unspent conditional grants and receipts (continued)

Movement during the year

| | | |
|--------------------------------------|------------------|----------|
| Balance at the beginning of the year | - | 26,882 |
| Additions during the year | 9,131,000 | - |
| Income recognition during the year | (8,074,277) | (26,882) |
| | 1,056,723 | - |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 17 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

13. Revenue

| | | |
|---|--------------------|--------------------|
| Proceeds from disposal of property, plant and equipment | 246,572 | 550,000 |
| Operational revenue | 398,106 | 137,650 |
| Interest received | 8,689,197 | 5,047,223 |
| Transfers and subsidies | 152,118,277 | 142,665,626 |
| Fines, Penalties and Forfeits | 50,500 | - |
| | 161,502,652 | 148,400,499 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|---|------------------|------------------|
| Proceeds from disposal of property, plant and equipment | 246,572 | 550,000 |
| Operational revenue | 398,106 | 137,650 |
| Interest received | 8,689,197 | 5,047,223 |
| | 9,333,875 | 5,734,873 |

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

| | | |
|-------------------------------|--------------------|--------------------|
| Transfers and subsidies | 152,118,277 | 142,665,626 |
| Fines, Penalties and Forfeits | 50,500 | - |
| | 152,168,777 | 142,665,626 |

14. Proceeds from disposal of property, plant and equipment

Proceeds from disposal of property, plant and equipment

| | | |
|--|---------|---------|
| Trade-in allowance and sale of property, plant and equipment | 246,572 | 550,000 |
|--|---------|---------|

15. Operational revenue

| | | |
|---------------------|----------------|----------------|
| Commission received | 120,513 | 66,796 |
| Sale of Goods | - | 1,409 |
| Insurance claim | 39,360 | 21,199 |
| Sundry income | 238,233 | 48,246 |
| | 398,106 | 137,650 |

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16. Interest revenue

Interest revenue

Interest received - investment and cash and cash equivalents

8,321,853

4,706,906

Interest received - trading

367,344

340,317

8,689,197

5,047,223

Lejweleputswa District Municipality
Annual Financial Statements for the year
ended 30 June 2023

| Notes to the Annual Financial Statements | 2023 | 2022 |
|---|-------------|-------------|
|---|-------------|-------------|

17. Transfers and subsidies

Operating grants

| | | |
|--|---------------------------|---------------------------|
| Equitable Share | 144,044,000 | 138,020,000 |
| Expanded Public Works Programme Grant | 1,265,000 | 1,178,000 |
| Local Government Financial Management Grant | 607,282 | 1,000,000 |
| Rural Roads Asset Management Systems Grant | 1,804,015 | 2,332,000 |
| LG SETA Grant | 397,980 | 135,626 |
| Energy Efficiency Demand Side Management Grant | 4,000,000 | - |
| | <u>152,118,277</u> | <u>142,665,626</u> |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|---------------------------|---------------------------|
| Conditional grants received | 8,078,277 | 4,645,626 |
| Unconditional grants received | 144,040,000 | 138,020,000 |
| | <u>152,118,277</u> | <u>142,665,626</u> |

Lejweleputswa District Municipality
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17. Transfers and subsidies (continued)

Energy Efficiency and Demand-Side Management Grant

| | | |
|---|-------------|----------|
| Current-year receipts | 4,000,000 | - |
| Conditions met - transferred to revenue | (4,000,000) | - |
| | <u>-</u> | <u>-</u> |

The purpose of the EEDSM Grant is to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Expanded Public Works Programme Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 1,265,000 | 1,178,000 |
| Conditions met - transferred to revenue | (1,265,000) | (1,178,000) |
| | <u>-</u> | <u>-</u> |

The purpose of the grant is, to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.

LG SETA Grant

| | | |
|---|---------------|----------|
| Current-year receipts | 425,000 | - |
| Conditions met - transferred to revenue | (397,980) | - |
| | <u>27,020</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to facilitate growth and performance of the local government sector. Expand employment opportunities in the local government sector to adapt to changes in the economy and needs of the country through skills development.

Rural Roads Asset Management Systems Grant

| | | |
|---|----------------|-------------|
| Current-year receipts | 2,441,000 | 2,332,000 |
| Conditions met - transferred to revenue | (1,804,015) | (2,332,000) |
| | <u>636,985</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is, to assist district municipalities to set up rural roads asset management systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa.

Local Government Financial Management Grant

| | | |
|---|----------------|-------------|
| Current-year receipts | 1,000,000 | 1,000,000 |
| Conditions met - transferred to revenue | (607,282) | (1,000,000) |
| | <u>392,718</u> | <u>-</u> |

Conditions still to be met - remain liabilities (see note 12).

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|---|-------------|-------------|
|---|-------------|-------------|

17. Transfers and subsidies (continued)

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

18. Fines, Penalties and Forfeits

| | | |
|--------------|---------------|----------|
| Sundry Fines | <u>50,500</u> | <u>-</u> |
|--------------|---------------|----------|

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2022

19. Employee related costs

| | | |
|--|--------------------|--------------------|
| Bargaining council | 20,174 | 18,531 |
| Basic | 63,810,001 | 58,938,428 |
| Bonus - 13th cheque | 5,110,954 | 6,327,160 |
| Cellphone allowance | 286,233 | 257,620 |
| Contribution to pension and provident fund | 10,774,345 | 9,652,762 |
| Post retirement benefits | 2,557,000 | 2,475,473 |
| Group life insurance | 1,537,579 | 923,718 |
| Housing benefits and allowances | 534,985 | 534,290 |
| Leave pay provision charge | 3,686,281 | 1,579,772 |
| Long-service awards | 1,001,000 | 748,934 |
| Medical aid - company contributions | 5,442,477 | 4,720,720 |
| Overtime payments | 121,640 | 27,802 |
| Standby allowance | 774,464 | 950,938 |
| Travel allowance | 12,017,510 | 10,656,828 |
| UIF | 344,946 | 333,947 |
| Senior management | 4,100,077 | 7,013,489 |
| | 112,119,666 | 105,160,412 |

Remuneration of Ms PME Kaota - Municipal Manager

| | | |
|---|----------------|------------------|
| Annual Remuneration | 112,205 | 831,982 |
| Car Allowance | 19,246 | 238,929 |
| Performance Bonuses | 16,420 | 194,129 |
| Contributions to UIF, Medical and Pension Funds | 14,198 | 162,394 |
| Cellphone Allowance | 3,000 | 36,000 |
| Housing Allowance | 7,000 | 84,000 |
| Acting Allowance and other payments | 281,003 | 82,098 |
| Bonus - 13th Cheque | 5,778 | 69,332 |
| 13th cheque provision | - | 63,554 |
| | 458,850 | 1,762,418 |

Me Kaota's contracted expired on 31 July 2022.

Mr Makhetha acted from 1 August 2022 to 31 October 2022. Mr Makhetha acted from April 2023 until May 2023

Mr Kupiso acted from November 2022 to March 2023

Remuneration of Mr PK Pitso - Chief Finance Officer

| | | |
|---|----------------|------------------|
| Annual Remuneration | 470,892 | 850,097 |
| Car Allowance | 33,349 | 67,365 |
| Performance Bonuses | 80,533 | 158,685 |
| Contributions to UIF, Medical and Pension Funds | 108,333 | 216,001 |
| Cellphone Allowance | 15,000 | 30,000 |
| Acting Allowance and other payments | 80,481 | 20,039 |
| | 788,588 | 1,342,187 |

Mr Pitso's contract expired on 31 December 2022

Me Memane acted from December 2022 to April 2023

Mr Tsoaeli has been acting from June 2023

Remuneration of Ms Mahlangu - Manager Corporate Services

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19. Employee related costs (continued)

| | | |
|---|----------------|------------------|
| Annual Remuneration | 153,522 | 674,583 |
| Car Allowance | 20,000 | 120,000 |
| Cellphone Allowance | 3,000 | 18,000 |
| Contributions to UIF, Medical and Pension Funds | 30,233 | 166,785 |
| Housing Allowance | 15,886 | 109,927 |
| Performance Bonuses | 26,844 | 158,685 |
| Acting Allowance and other payments | 93,561 | 13,250 |
| Bonus | 9,446 | 56,673 |
| 13th Cheque Provision | - | 51,950 |
| | 352,491 | 1,369,853 |

Me Mahlangu resigned in August 2022

Mr Petersen acted from November 2022 to March 2023

Me Malapane has been acting from April 2023

Remuneration of Mr Kupiso - Manager Environmental Health and Disaster Management

| | | |
|---|------------------|------------------|
| Annual Remuneration | 653,663 | 613,336 |
| Car Allowance | 116,367 | 117,453 |
| Performance Bonuses | 145,258 | 143,112 |
| Contributions to UIF, Medical and Pension Funds | 191,771 | 180,326 |
| Cellphone Allowance | 13,109 | 18,000 |
| Housing Allowance | 60,000 | 60,000 |
| Bonus | 42,699 | 51,111 |
| 13th Cheque Provision | 8,646 | 8,519 |
| | 1,231,513 | 1,191,857 |

Remuneration of Mr Makhetha - Manager LED

| | | |
|---|------------------|------------------|
| Annual Remuneration | 665,058 | 680,078 |
| Car Allowance | 129,939 | 144,373 |
| Performance Bonuses | 147,643 | 158,685 |
| Contributions to UIF, Medical and Pension Funds | 188,854 | 192,339 |
| Cellphone Allowance | 16,500 | 18,000 |
| Housing Allowance | 55,000 | 60,000 |
| Bonus | 52,659 | 56,673 |
| Acting Allowance | 12,804 | 8,687 |
| 13th Cheque Provision | - | 28,337 |
| | 1,268,457 | 1,347,172 |

Mr Makhetha's contract expired on 31 May 2023

Mr Musapelo has been acting from June 2023

20. Remuneration of councillors

| | | |
|---------------------------|-------------------|------------------|
| Mayoral committee members | 4,423,831 | 4,219,599 |
| Speaker | 726,785 | 721,122 |
| Executive mayor | 963,092 | 896,063 |
| Councillors | 4,218,184 | 3,785,839 |
| | 10,331,892 | 9,622,623 |

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20. Remuneration of councillors (continued)

| Executive Mayor | | Basic | Cellphone Allowance | Pension and Medical Aid | Total | |
|----------------------------------|------------------|------------------|---------------------|------------------------------|-------------------------|-------|
| Cllr Ntakumbana | | 778,198 | 42,438 | 142,455 | 963,091 | |
| Speaker | | Basic | Cellphone Allowance | Pension and Medical Aid | Total | |
| Cllr Leeto | | 449,364 | 40,045 | 72,052 | 561,461 | |
| Cllr Dikane | | 143,031 | 7,805 | 14,487 | 165,323 | |
| Total | | 592,395 | 47,850 | 86,539 | 726,784 | |
| Mayoral committee members | | Basic | Travel Allowance | Cellphone Allowance | Pension and Medical Aid | Total |
| 7 Members | 2,773,675 | 1,057,909 | 183,404 | 408,843 | 4,423,831 | |
| | - | - | - | - | - | |
| Total | 2,773,675 | 1,057,909 | 183,404 | 408,843 | 4,423,831 | |
| Part time councillors | | Basic+ PAYE | Travel Allowance | Cellphone and data allowance | Pension and Medical Aid | Total |
| 15 Members | 2,015,909 | 777,363 | 270,496 | 327,191 | 3,390,959 | |
| Session allowances | 827,226 | - | - | - | 827,226 | |
| | 2,843,135 | 777,363 | 270,496 | 327,191 | 4,218,185 | |

21. Transfers and subsidies

| | | |
|--|------------------|-------------------|
| Allocation in kind: Development Agency | 30,400 | 711,488 |
| Allocation in kind: Households | 2,185,735 | 1,698,109 |
| Allocation in kind: Local Municipalities | 3,996,212 | - |
| Allocation in kind: Private enterprises | 387,217 | 629,108 |
| Monetary allocation: Development Agency | 500,000 | 9,103,072 |
| | 7,099,564 | 12,141,777 |

22. Depreciation and amortisation

| | | |
|------------------------------|------------------|------------------|
| Property plant and equipment | 3,829,905 | 3,857,572 |
| Intangible assets | 82,629 | 122,250 |
| | 3,912,534 | 3,979,822 |

23. Impairment of assets

| | | |
|-----------------------------|---------|---------|
| Impairments | | |
| Trade and other receivables | 464,098 | 301,414 |

24. Operating lease expenditure

| | | |
|---------------------|---------|---------|
| Equipment | | |
| Contractual amounts | 765,317 | 785,064 |

25. Inventory Consumed

| | | |
|---|-----------|-----------|
| Printing, stationery, personal protective equipment and cleaning material | 3,213,647 | 1,492,787 |
|---|-----------|-----------|

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26. Contracted Services

Outsourced Services

| | | |
|------------------------------------|-----------|-----------|
| Administrative and Support Staff | 350,000 | 371,000 |
| Cleaning Services | 588,858 | 20,724 |
| Litter Picking and Street Cleaning | 2,874,994 | 1,889,376 |

Consultants and Professional Services

| | | |
|-----------------------------|-----------|-----------|
| Business Advisory Services | 822,300 | 2,017,181 |
| Infrastructure and Planning | 1,804,015 | 2,332,000 |
| Laboratory Services | 107,598 | 275,587 |
| Legal Cost | 3,425,815 | 1,900,356 |

Contractors

| | | |
|---|-----------|-----------|
| Artists and Performers | 27,500 | - |
| Catering Services | 2,859,255 | 1,179,294 |
| Employee Wellness | 62,211 | 50,750 |
| Event Promoters | 32,000 | - |
| Photographer | - | 1,500 |
| Maintenance of Buildings and Facilities | 135,860 | 253,266 |
| Maintenance of Equipment | 162,427 | 146,143 |
| Plants, Flowers and Other Decorations | 75,488 | 152,325 |
| Transportation | 936,872 | 568,912 |
| Safeguard and Security | 675,634 | 538,205 |

14,940,827

11,696,619

27. Operational cost

| | | |
|-----------------------------------|-----------|-----------|
| Advertising and Marketing | 642,712 | 667,613 |
| Auditors Remuneration | 2,902,236 | 3,473,896 |
| Bank charges | 93,245 | 80,579 |
| Bursaries | 574,756 | 149,940 |
| Cleaning Services | - | 1,080 |
| Communication | 211,559 | 227,509 |
| Entertainment | 445,663 | 348,630 |
| External Computer Services | 1,282,136 | 1,076,000 |
| Fuel and oil | 694,940 | 416,633 |
| Hire | 2,450,449 | 829,700 |
| Insurance | 951,882 | 705,321 |
| Learnership and internships | 1,887,689 | 1,839,444 |
| Licences | 62,639 | 21,108 |
| Licences and Permits | - | 1,218 |
| License and Registration Fees | 130 | - |
| Municipal Services | 878,159 | 675,584 |
| Printing and publications | - | 28,000 |
| Registration fees | 172,368 | 126,316 |
| Skills Development Levy | 1,110,533 | 1,032,318 |
| Subscriptions and Membership fees | 1,134,903 | 1,087,928 |
| Travel and Subsistence | 2,848,758 | 1,632,331 |
| Uniforms | 11,054 | - |
| Workmen's Compensation Fund | 546,257 | 549,780 |

18,902,068

14,970,928

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28. Related parties

Relationships

Controlled entities

Refer to note 9

Related party balances

Investments

Lejwe Le Putswa Development Agency (SOC) Ltd

100

100

Transfers

Lejwe Le Putswa Development Agency (SOC) Ltd

500,000

9,103,072

Remuneration of management

Management class: Councillors

Refer to note "Remuneration of councillors"

Management class: Executive management

*Refer to note "Employee related costs"

29. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

| | At amortised cost | Total |
|--|----------------------|--------------------|
| Other receivables from non-exchange transactions | 261,496 | 261,496 |
| Cash and cash equivalents | 106,197,292 | 106,197,292 |
| | 106,458,788 | 106,458,788 |

Financial liabilities

| | At amortised cost | Total |
|---|----------------------|------------|
| Trade and other payables from exchange transactions | 22,115,817 | 22,115,817 |

2022

Financial assets

| | At amortised cost | Total |
|--|----------------------|--------------------|
| Other receivables from non-exchange transactions | 91,088 | 91,088 |
| Cash and cash equivalents | 111,525,825 | 111,525,825 |
| | 111,616,913 | 111,616,913 |

Financial liabilities

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2022

29. Financial instruments disclosure (continued)

| | At amortised cost | Total |
|---|-------------------|------------|
| Trade and other payables from exchange transactions | 21,327,975 | 21,327,975 |

30. Cash used in operations

| | | |
|--|--------------------|--------------------|
| Deficit | (9,765,380) | (10,750,491) |
| Adjustments for: | | |
| Depreciation and amortisation | 3,912,534 | 3,979,822 |
| Gains or loss on sale of assets | 452,274 | 753,544 |
| Non-cash:Net income (losses) recognised directly in net assets | 162,769 | (554,475) |
| Impairment | 464,098 | 301,414 |
| Movements in retirement benefit assets and liabilities | 1,426,000 | 456,000 |
| Movement in long service awards | (69,000) | 54,000 |
| Non-cash journals | 829,163 | - |
| Interest received: non cash | 367,344 | 326,858 |
| Current service cost | (1,308,000) | (1,269,000) |
| Actuary gain or loss | 933,854 | 1,754,000 |
| Changes in working capital: | | |
| Inventories | (457,829) | - |
| Other receivables from non-exchange transactions | (170,408) | 413,578 |
| Payables from exchange transactions | 802,020 | 456,564 |
| VAT | (1,382,139) | 891,966 |
| Taxes and transfers payable (non-exchange) | 1,056,723 | - |
| | (2,745,977) | (3,186,220) |

31. Commitments

Authorised expenditure

Already contracted for but not provided for

| | | |
|----------------------------------|-------------------|------------------|
| • Komatsu | - | 1,397,250 |
| • Phatsimo Management Consultant | - | 988,329 |
| • KKMT Construction | 264,800 | - |
| • Trisch | 230,000 | - |
| • Calandra Trading | 3,180,176 | - |
| • Awali Engineering | 6,398,025 | - |
| • Pokomane Trading | 1,109,403 | - |
| • Kunene Makopo Risk Solutions | 454,082 | - |
| • Down N12 Trading | 76,798 | - |
| • Phenyoy and Boitumelo Projects | 421,651 | - |
| | 12,134,935 | 2,385,579 |

Total commitments

| | | |
|---|------------|-----------|
| Already contracted for but not provided for | 12,134,935 | 2,385,579 |
|---|------------|-----------|

Total commitments

Total commitments

| | | |
|------------------------|------------|-----------|
| Authorised expenditure | 12,134,935 | 2,385,579 |
|------------------------|------------|-----------|

This committed expenditure relates to plant, equipment and services and will be financed by existing cash resources, funds internally generated.

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32. Contingencies

Litigation is in process where a claim for damages was instituted against Lejweleputswa District Municipality in respect of damages to their vehicle resulting from a pothole. The potential liability is R36 182.

An application was received from the Department of Labour for non-compliance with the Employment Equity Act. The potential liability is R1 300 000

Litigation is in process for defamation of character. The potential liability is R400 000.

Two employees are claiming overtime. The potential liability is R 431 318.

Litigation is in process where a claim for damages was instituted against Masilonyana Local Municipality and Lejweleputswa District Municipality in respect of damages resulting from a fire. LDM is being sued as a second defendant. The potential liability is R579 783

Litigation is in process where a claim for unpaid invoice. The potential liability is R500 000.

A civil matter was raised against the Agency, the District municipality is to defend the Agency. The potential liability is R1 000 000.

Nature of litigation

| | | |
|-------------------------|------------------|------------------|
| Labour claims | 431,318 | 3,165,515 |
| Public liability claims | 1,579,783 | 536,182 |
| | 2,011,101 | 3,701,697 |

33. Prior-year adjustments

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by prior-year adjustments:

Statement of financial position

2022

| | Note | As previously reported | Correction of error | Restated |
|-------------------------------------|------|------------------------|---------------------|------------|
| Property, plant and equipment | 7 | 55,172,582 | 53,905 | 55,226,487 |
| Payables from exchange transactions | 10 | 21,327,975 | 282,463 | 21,610,438 |

Statement of financial performance

2022

| | Note | As previously reported | Correction of error | Reclassification | Restated |
|-------------------------------|------|------------------------|---------------------|------------------|--------------|
| Depreciation and Amortisation | 22 | (4,033,727) | 53,905 | - | (3,979,822) |
| Contracted services | 26 | (11,105,105) | (192,106) | (399,408) | (11,696,619) |
| Operational cost | 27 | (15,279,979) | (90,357) | 399,408 | (14,970,928) |

Errors

Property, plant and equipment:

Accumulated depreciation was restated due to correction of depreciation charge in the prior period

Payables from exchange transactions:

Invoices received after the AFS were finalised and had to be accounted for in the period they occurred in

Lejweleputswa District Municipality

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33. Prior-year adjustments (continued)

Depreciation and amortisation

Restated due to correction of asset useful life in the prior period

Contracted services

Reclassified expenditure to the correct nature. Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

Operational expenditure

Reclassified expenditure to the correct nature. Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

34. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Cash and cash equivalents and investments - the municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa. The municipality does not expect any counterparty to fail to meet its obligation.

Receivables from non-exchange transactions - management evaluated credit risk relating to customers on an ongoing basis. If there is no independent rating, risk control assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

Market risk Interest

rate risk

The municipality has significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The risk is managed on an on-going basis.

35. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus of R 117,948,686 and that the municipality's total assets exceed its liabilities by R 117,948,686.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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36. Unauthorised expenditure

| | | |
|--|------------------|------------------|
| Opening balance as previously reported | 2,912,252 | 2,912,252 |
| Opening balance as restated | 2,912,252 | 2,912,252 |
| Add: Expenditure identified - current | - | - |
| Closing balance | 2,912,252 | 2,912,252 |

The municipality did not incur unauthorised expenditure during the financial year

37. Irregular expenditure

| | | |
|---|-------------------|-------------------|
| Opening balance | 6,046,903 | 10,949,679 |
| Opening balance | 6,046,903 | 10,949,679 |
| Add: Irregular Expenditure - current | 18,693,897 | 5,966,166 |
| Less: Amount written off - prior period | - | (10,868,942) |
| Closing balance | 24,740,800 | 6,046,903 |

Incurred during the year

The municipality incurred irregular expenditure as a result of non-compliance with the supply chain management processes.

Irregular expenditure is disclosed inclusive of VAT

38. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 1,070,621 | 1,040,323 |
| Amount paid - current year | (1,070,621) | (1,040,323) |
| | - | - |

Audit fees

| | | |
|---------------------------------|----------------|----------------|
| Opening balance | 274,204 | - |
| Current year subscription / fee | 2,902,236 | 3,473,896 |
| Amount paid - current year | (2,687,664) | (3,199,692) |
| Amount paid - previous years | (274,204) | - |
| | 214,572 | 274,204 |

Unpaid fees for prior year and current year due to the municipality receiving the invoices after the financial year was closed

PAYE, SDL and UIF

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 22,642,146 | 20,865,934 |
| Amount paid - current year | (22,642,146) | (20,865,934) |
| | - | - |

Pension and medical aid deductions

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 28,133,210 | 25,324,519 |
| Amount paid - current year | (28,133,210) | (25,324,519) |
| | - | - |

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38. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

| | | |
|----------------|-----------|-----------|
| VAT receivable | 3,466,334 | 2,976,161 |
|----------------|-----------|-----------|

VAT output payables and VAT input receivables are shown in note 6.

All VAT returns have been submitted by the due date throughout the year.

Supply Chain Management Regulations

In terms of Regulation 45 of the Municipal Supply Chain Management Regulations, awards above R2 000 were made to the below companies whose directors have spouses, children or parents in service of the state.

Incident

| | | |
|---|----------------|------------------|
| Chav 814-Solutions (The father of the director works for the state) | - | 92,305 |
| Finger Attorneys (Spouse of the director works for the state) | 786,788 | 2,689,340 |
| | 786,788 | 2,781,645 |

39. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Reason for deviation

| | 2023 | 2022 |
|---|----------------|----------------|
| (i) An emergency | - | 243,750 |
| (ii) Goods and services are produced by sole supplier | 147,620 | - |
| (v) Exceptional circumstance where it was impractical or impossible to follow the procurement process | 59,682 | 288,730 |
| | 207,302 | 532,480 |

Lejweleputswa District Municipality

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40. Budget differences

Material differences between budget and actual amounts

X1 - Municipality budgeted for receipt of SDL refund, as per prior years. However we did not receive the refund, resulting in over budgeting for operational revenue

X2 -The municipality had not anticipated drastic increases in interest rates during the financial year, and had budgeted more conservatively. As a result, we received more than we had budgeted for

X3 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required. X4

-Variance is less than 10% , variance is judged to be insignificant and thus no reason is required. X5 -

Variance is less than 10% , difference is judged to be insignificant and thus no reason is required.

X6 - Budgeted for Municipal Systems Improvement Grant expenditure as per the DORA allocation, the grant was not received resulting in under-expenditure

X7 - The under expenditure on the capital budget led to the under expenditure of depreciation

X9 - Due to the cancelation of an operating lease that was supposed to commence during the financial yearX

10 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required

X 11 - Municipality spent less than it had budget due to the under utilisation of consultants and professional services.

X12 - Over budgeted due to anticipated increase in operational expenditure such as travel and subsistence as the easing of COVID 19 regulations lead to more employees returning to the office.

X 13 - Management had not budgeted for the impairment allowance of debtors, however the allowance for impairment greatly decreased debtor balances.

X 14 - Management did not spent 100% of it's budget, as a result the budgeted cash and cash equivalents is less than the actual cash and cash equivalents at year end.

X 15 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required.

X 16 - Variance as a result of capital budget being underspent and assets disposed during the financial year.

X 17 - Material variance due to the unanticipated increase attributable to accrued leave pay, bonus and trade payables that had to be accrued at the end of the financial year.

X 20 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

X 22 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end. .

X 23 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.

41. Segment Information

General Information

Lejweleputswa District Municipality
Annual Financial Statements for the year
ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

41. Segment Information (continued)

Identification of segments

The municipality is organised and reports to management on the basis of functional classification. The segments were organised around the type of functions. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purpose

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes

Aggregated segments

The municipality operates throughout the Free State Province in 5 municipalities. Segments were aggregated on the basis of services delivered.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Lejweleputswa District Municipality
and Statement of Financial Performance

Goods and/or services

Please refer to the Statement of Financial Position

Segment surplus or deficit.

Information about segment surplus/deficit

Revenue – Please refer to the Statement of Financial Performance for information about the reportable segment

Expenditure - Please refer to the Statement of Financial Performance for information about the reportable

segment **Information about segment assets and liabilities**

Assets - Please refer to the Statement of Financial Position for information about the reportable segment

Liabilities - Please refer to the Statement of Financial Position for information about the reportable segment

Net Assets - Please refer to the Statement of Financial Position for information about the reportable

segment. **Measurement of segment surplus or deficit, assets, and liabilities**

Basis of accounting for transactions between reportable segments

The municipality does not have any identifiable segments and as such there are no transactions between segments.

Information about geographical areas

The municipality's operations are in the Free State Province

The municipality does not report on a geographical basis; therefore, information is not available, and it is therefore impractical to report on geographical basis.

SECTION D

LDA AFS

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30
June 2023



Lejwe Le Putswa Development Agency (SOC) Ltd(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30 June 2023

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30
June 2023

General Information

| | |
|---|---|
| Legal form of entity | State Owned Company |
| Nature of business and principal activities | Development Agency in the Lejweleputswa District Municipality |
| Acting Chief Executive Officer (CEO) | M Mofokeng |
| Board | S Besani (appointed 01/11/2022) |
| M Dhlamini (appointed 01/11/2022) T Tlali (appointed 01/11/2022) | |
| R Maenetja (appointed 01/11/2022) | |
| L Mule (appointed 01/11/2022) | |
| M Oliphant (appointed 01/11/2022) LR Mutsi (resigned 01/11/2022) KT Hlalele (resigned 01/11/2022) | |
| SB Lockman (resigned 01/11/2022) | |
| S Leeuw (resigned 01/11/2022) M Mosala (resigned 01/11/2022) | |
| Registered office | Lejweleputswa District Offices |
| Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9460 | |
| Business address | Gerrie Kemp Building, 2nd floor |
| 333 Stateway Road Welkom 9460 | |
| Controlling entity | Lejweleputswa District Municipality |
| incorporated in South Africa | |
| Economic entity | Lejwe Le Putswa Development Agency |
| incorporated in South Africa | |
| Bankers | Nedbank |
| Auditors | Auditor-General of South Africa |

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30
June 2023

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations used:

| | |
|-------|--|
| MPAC | Municipal Public Accounts Committee |
| GRAP | Generally Recognised Accounting Practice |
| SARS | South African Revenue Services |
| UIF | Unemployment Insurance Fund |
| SDL | Skills Development Fund |
| MFMA | Municipal Finance Management Act |
| mSCOA | Municipal Standard Chart of Accounts |
| SOC | State Owned Company |
| VAT | Valued Added Tax |
| PAYE | Pay As You Earn |

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the agency as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the agency and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the agency and all employees are required to maintain the highest ethical standards in ensuring the agency's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the agency is on identifying, assessing, managing and monitoring all known forms of risk across the agency. While operating risk cannot be fully eliminated, the agency endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The directors have reviewed the agency's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the agency has or has access to adequate resources to continue in operational existence for the foreseeable future.

The agency is wholly dependent on the agency for continued funding of operations. The annual financial statements are prepared on the basis that the agency is a going concern and that the agency has neither the intention nor the need to liquidate or curtail materially the scale of the agency.

Although the board are primarily responsible for the financial affairs of the agency, they are supported by the agency's external auditors.

The external auditors are responsible for independently reviewing and reporting on the agency's annual financial statements. The annual financial statements have been examined by the agency's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 9 to 68, which have been prepared on the going concern basis, were approved by the board on 31 August 2023 and were signed on its behalf by:

S Besani
Chairperson of the Board

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30
June 2023

Audit Committee Report

We are pleased to present the Audit Committee report for the year ended June 30, 2023 on Lejwe le Putswa Development Agency ("LDA").

Audit committee members and attendance

The Audit Committee ("Committee") consists of five independent members are appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003). During the 2022/2023 financial, year one special and five ordinary meetings were held. The attendance is reflected in the table below:

| Name of member | Number of meetings attended |
|-----------------------------|------------------------------------|
| Me G Mayisela (Chairperson) | 5 |
| Me SPT Monosi | 5 |
| Mr TA Motshoikha | 5 |
| Me DS Nage | 3 |
| Mr TJ Macholo | 5 |

Audit committee responsibility

The Audit Committee has adopted appropriate format terms of reference as its Audit Committee Charter ("the Charter"). The Audit and Performance Committee Charter is reviewed and tabled before the Council for approval on an annual basis. The last review from Council was on 27 October 2022 and serves as a guide to the Audit Committee. The Committee has discharged its responsibilities as contained in the Charter.

The effectiveness of internal control and risk management

The system of internal controls applied by the Agency over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements. Internal Audit provides the Audit Committee and Management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Audits, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa (AGSA), it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective. The Audit Committee is particularly concerned about the impact of the non-compliance with Supply Chain Management Regulation as reported from the Office of the Auditor-General during the previous audit period.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA .

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Internal Auditors of the Agency during the year under review.

Evaluation of annual financial statements

We have:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the AGSA and the management;
- reviewed the AGSA's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the Agency's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

We concur with and accept the AGSA's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the Agency through their audits. Internal Audit has developed and implemented a risk -based three year strategic and annual operational audit plan.

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30
June 2023

Audit Committee Report

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no material unresolved issues. We are satisfied that the Auditor-General is independent of the Agency.

Chairperson of the Audit Committee

Date: _____



Report of the Auditor General

To the Provincial Legislature of Lejwe Le Putswa Development Agency (SOC) Ltd

Auditor-General of South Africa

Partner's name
Additional description
Additional description

November 30, 2023

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30
June 2023

Director's Report

The directors submit their report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The agency is engaged in development agency in the lejweleputswa district municipality and operates principally in South Africa.

The operating results and state of affairs of the agency are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The agency is wholly dependent on Lejweleputswa District Municipality for continued funding of operations. The annual financial statements are prepared on the basis that the agency is a going concern and that the Lejweleputswa District Municipality has neither the intention nor the need to liquidate or curtail materiality the scale of the agency.

3. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year.

4. Share capital

There were no changes in the authorised or issued share capital of the agency during the year under review.

5. Board

The directors of the agency during the year and to the date of this report are as follows:

Name
S Besani (appointed 01/11/2022)
M Dhlamini (appointed 01/11/2022) T
Tlali (appointed 01/11/2022)
R Maenetja (appointed 01/11/2022) L
Mule (appointed 01/11/2022)
M Oliphant (appointed 01/11/2022)
LR Mutsi (resigned 01/11/2022) KT
Hlalele (resigned 01/11/2022)
SB Lockman (resigned 01/11/2022) S
Leeuw (resigned 01/11/2022)
M Mosala (resigned 01/11/2022)

6. Controlling entity

The agency's controlling entity is Lejweleputswa District Municipality incorporated in South Africa.

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30
June 2023

Director's Report

7. Auditors

Auditor-General of South Africa will continue in office for the next financial period.

The annual financial statements set out on pages 9 to 68, which have been prepared on the going concern basis, were approved by the board on 31 August 2023 and were signed on its behalf by:

S Besani
Chairperson of the Board

Lejwe Le Putswa Development Agency (SOC) Ltd
 (Registration number 2005/011144/07)
 Annual Financial Statements for the year ended 30
 June 2023

Statement of Financial Position as at June 30, 2023

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|------------------|-------------------|
| Assets | | | |
| Current Assets | | | |
| Receivables from exchange transactions | 3 | 61,490 | 61,613 |
| VAT receivable | 4 | 8,344 | 18,407 |
| Cash and cash equivalents | 5 | 4,202,888 | 10,154,295 |
| | | 4,272,722 | 10,234,315 |
| Non-Current Assets | | | |
| Property, plant and equipment | 6 | 1,108,126 | 1,077,323 |
| Intangible assets | 7 | 332,261 | 257,980 |
| | | 1,440,387 | 1,335,303 |
| Total Assets | | 5,713,109 | 11,569,618 |
| Liabilities | | | |
| Current Liabilities | | | |
| Operating lease liability | 8 | 7,051 | - |
| Payables from exchange transactions | 9 | 1,201,168 | 947,253 |
| VAT payable | 10 | 457 | - |
| Unspent conditional grants and receipts | 12 | 616,191 | 1,020,137 |
| | | 1,824,867 | 1,967,390 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 11 | 101,000 | 82,000 |
| Total Liabilities | | 1,925,867 | 2,049,390 |
| Net Assets | | 3,787,242 | 9,520,228 |
| Share capital | 13 | 100 | 100 |
| Accumulated surplus | | 3,787,142 | 9,520,128 |
| Total Net Assets | | 3,787,242 | 9,520,228 |

* See Note 35 & 34

Lejwe Le Putswa Development Agency (SOC) Ltd
 (Registration number 2005/011144/07)
 Annual Financial Statements for the year ended 30
 June 2023

Statement of Financial Performance

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|--------------------|--------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Interest received | 15 | 442,574 | 414,700 |
| Operational revenue | 16 | - | 253,316 |
| Total revenue from exchange transactions | | 442,574 | 668,016 |
| Revenue from non-exchange transactions | | | |
| Transfer revenue | | | |
| Government grants & subsidies | 17 | 903,946 | 9,103,072 |
| Revenue received in kind | 18 | 22,400 | 711,488 |
| Total revenue from non-exchange transactions | | 926,346 | 9,814,560 |
| Total revenue | 14 | 1,368,920 | 10,482,576 |
| Expenditure | | | |
| Employee related costs | 19 | (4,404,975) | (5,053,299) |
| Remuneration of board members | 20 | (335,799) | (268,207) |
| Inventory consumed | 21 | (44,206) | (328,311) |
| Depreciation and amortisation | 22 | (221,615) | (194,077) |
| Finance costs | 24 | (10,000) | - |
| Lease rentals on operating lease | 23 | (235,795) | (199,464) |
| Contracted services | 25 | (623,936) | (2,428,866) |
| Operational cost | 26 | (1,236,157) | (795,289) |
| Total expenditure | | (7,112,483) | (9,267,513) |
| Operating (deficit) surplus | | (5,743,563) | 1,215,063 |
| Loss on disposal of assets and liabilities | | - | (10,308) |
| Actuarial gains/losses | 11 | 7,000 | - |
| Impairment loss | | (2,975) | - |
| | | 4,025 | (10,308) |
| (Deficit) surplus for the year | | (5,739,538) | 1,204,755 |

* See Note 35 & 34

Lejwe Le Putswa Development Agency (SOC) Ltd
 (Registration number 2005/011144/07)
 Annual Financial Statements for the year ended 30
 June 2023

Statement of Changes in Net Assets

| Figures in Rand | Share capital | Accumulated surplus / deficit | Total net assets |
|---|----------------------|-------------------------------|------------------|
| Balance at 1 July 2021 | 100 8,201,513 | | 8,201,613 |
| Changes in net assets | | | |
| Unspent grant movement | - | 14,243 | 14,243 |
| Prior year error | - | 99,617 | 99,617 |
| Net income (losses) recognised directly in net assets | - | 113,860 | 113,860 |
| Surplus for the year | - | 1,204,755 | 1,204,755 |
| Total recognised income and expenses for the year | - | 1,318,615 | 1,318,615 |
| Total changes | - | 1,318,615 | 1,318,615 |
| Opening balance as previously reported | 100 9,520,131 | | 9,520,231 |
| Adjustments | | | |
| Prior year adjustments 35 | - | 6,549 | 6,549 |
| Balance at 1 July 2022 | 100 9,526,680 | | 9,526,780 |
| Changes in net assets | | | |
| Surplus for the year | - | (5,739,538) | (5,739,538) |
| Total changes | - | (5,739,538) | (5,739,538) |
| Balance at 30 June 2023 | 100 3,787,142 | | 3,787,242 |
| Note(s) | | 13 | |

Lejwe Le Putswa Development Agency (SOC) Ltd
 (Registration number 2005/011144/07)
 Annual Financial Statements for the year ended 30
 June 2023

Cash Flow Statement

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|---------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Grants | | 500,000 | 9,103,072 |
| Interest income | | 442,574 | 414,700 |
| Other receipts | | 10,643 | 386,825 |
| | | <u>953,217</u> | <u>9,904,597</u> |
| Payments | | | |
| Employee costs | | (4,598,715) | (5,483,491) |
| Suppliers | | (1,985,760) | (3,870,214) |
| Finance costs | | - | - |
| | | <u>(6,584,475)</u> | <u>(9,353,705)</u> |
| Net cash flows from operating activities | 28 | <u>(5,631,258)</u> | <u>550,892</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 6 | (229,269) | (368,778) |
| Proceeds from sale of property, plant and equipment | | - (90,879) | 3,550 |
| Purchase of intangible assets | 7 | - | - |
| Net cash flows from investing activities | | <u>(320,148)</u> | <u>(365,228)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(5,951,406)</u> | <u>185,664</u> |
| Cash and cash equivalents at the beginning of the year | | 10,154,295 | 9,968,631 |
| Cash and cash equivalents at the end of the year | 5 | <u>4,202,889</u> | <u>10,154,295</u> |

* See Note 35 & 34

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments on comparable basis | Final Budget | Actual amounts | Difference between final budget and actual | Reference |
|--|---------------------|---------------------------------|---------------------|--------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Sale of tender | 430,000 | - | 430,000 | - | (430,000) | X1 |
| Commitments | 7,786,742 | 59,138 | 7,845,880 | - | (7,845,880) | X2 |
| Interest received | 400,000 | - | 400,000 | 442,574 | 42,574 | X3 |
| Total revenue from exchange transactions | 8,616,742 | 59,138 | 8,675,880 | 442,574 | (8,233,306) | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 7,993,741 | - | 7,993,741 | 903,946 | (7,089,795) | X4 |
| Revenue received in kind | - | - | - | 22,400 | 22,400 | X5 |
| Total revenue from non-exchange transactions | 7,993,741 | - | 7,993,741 | 926,346 | (7,067,395) | |
| Total revenue | 16,610,483 | 59,138 | 16,669,621 | 1,368,920 | (15,300,701) | |
| Expenditure | | | | | | |
| Employee related cost | (5,702,956) | - | (5,702,956) | (4,404,975) | 1,297,981 | X6 |
| Remuneration of board members | (206,560) | (185,334) | (391,894) | (335,799) | 56,095 | X7 |
| Inventory consumed | (155,354) | - | (155,354) | (44,206) | 111,148 | X8 |
| Depreciation and amortisation | (26,139) | - | (26,139) | (221,615) | (195,476) | X9 |
| Impairment loss/ Reversal of impairments | - | - | - | (2,975) | (2,975) | |
| Finance costs | - | - | - | (10,000) | (10,000) | X13 |
| Lease rentals on operating lease | (255,619) | - | (255,619) | (235,795) | 19,824 | X10 |
| Contracted Services | (8,540,742) | 75,396 | (8,465,346) | (623,936) | 7,841,410 | X13 |
| Operational cost | (1,468,472) | 50,800 | (1,417,672) | (1,236,157) | 181,515 | X12 |
| Total expenditure | (16,355,842) | (59,138) | (16,414,980) | (7,115,458) | 9,299,522 | |
| Operating deficit | 254,641 | - | 254,641 | (5,746,538) | (6,001,179) | |
| Actuarial gains/losses | - | - | - | 7,000 | 7,000 | X11 |
| Deficit before taxation | 254,641 | - | 254,641 | (5,739,538) | (5,994,179) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 254,641 | - | 254,641 | (5,739,538) | (5,994,179) | |

Reconciliation

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|-------------|----------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Receivables from exchange transactions | - | - | - | 61,490 | 61,490 | |
| VAT receivable | - | - | - | 8,344 | 8,344 | |
| Cash and cash equivalents | - | - | - | 4,202,888 | 4,202,888 | |
| | - | - | - | 4,272,722 | 4,272,722 | |
| Non-Current Assets | | | | | | |
| Property, plant and equipment | 240,000 | - | 240,000 | 1,108,126 | 868,126 | |
| Intangible assets | 14,641 | - | 14,641 | 332,261 | 317,620 | |
| | 254,641 | - | 254,641 | 1,440,387 | 1,185,746 | |
| Total Assets | 254,641 | - | 254,641 | 5,713,109 | 5,458,468 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Operating lease liability | - | - | - | 7,051 | 7,051 | |
| Payables from exchange transactions | - | - | - | 1,201,170 | 1,201,170 | |
| VAT payable | - | - | - | 457 | 457 | |
| Unspent conditional grants and receipts | - | - | - | 616,191 | 616,191 | |
| | - | - | - | 1,824,869 | 1,824,869 | |
| Non-Current Liabilities | | | | | | |
| Employee benefit obligation | - | - | - | 101,000 | 101,000 | |
| Total Liabilities | - | - | - | 1,925,869 | 1,925,869 | |
| Net Assets | 254,641 | - | 254,641 | 3,787,240 | 3,532,599 | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Share capital | - | - | - | 100 | 100 | |
| Reserves | | | | | | |
| Accumulated surplus | 254,641 | - | 254,641 | 3,787,142 | 3,532,501 | |
| Total Net Assets | 254,641 | - | 254,641 | 3,787,242 | 3,532,601 | |

Lejwe Le Putswa Development Agency (SOC) Ltd
(Registration number 2005/011144/07)
Annual Financial Statements for the year ended 30
June 2023

Accounting Policies

| Figures in Rand | Note(s) | 2023 | 2022 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the agency.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the agency will continue to operate as a going concern for at least the next 12 months.

1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables / Held to maturity investments and/or loans and receivables

The agency assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the agency makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the agency is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The agency uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the agency for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The agency reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including, together with economic factors.

Effective interest rate

The agency used the prime interest rate to discount future cash flows.

Accounting by principals and agent

The agency makes assessments on whether it is the principal or agent in principal-agent relationships.

Additional information is disclosed in Note .

Impairment of statutory receivables

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the agency measures and impairment loss. The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, are reduced, either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the agency considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the agency discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Materiality

Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

Applying materiality in the preparation of annual financial statements requires the entity to make key assessments and decisions. Key assessments and decisions made in considering materiality, are as follows:

- Identification of users and their information needs
- Assessing information based on nature and size, by developing qualitative considerations and quantitative thresholds
- Application of materiality in preparing the financial statements:
 - Developing accounting policies
 - Deciding what information to disclose
 - Deciding how to present information
 - Assessing omissions, misstatements and errors

The assessments and decisions are considered throughout the financial reporting cycle, and not only when annual financial statements are prepared.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Accounting Policies

1.6 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|------------------------|---------------------|---------------------|
| Furniture and fixtures | Straight-line | 6-20 |
| Office equipment | Straight-line | 4-20 |
| IT equipment | Straight-line | 8-15 |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the agency. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The agency assesses at each reporting date whether there is any indication that the agency expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the agency revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the agency or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the agency; and
- the cost or fair value of the asset can be measured reliably.

The agency assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|--------------------|---------------------|---------------------|
| Computer software, | Straight-line | 1 - indefinite |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Accounting Policies

1.8 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans

payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

Accounting Policies

1.8 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Receivables from exchange transactions
Cash and cash equivalents

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class

Payables from exchange transactions
Unspent conditional grants and receipts

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Accounting Policies

1.9 Statutory receivables (continued)

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The agency recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The agency initially measures statutory receivables at their transaction amount.

Subsequent measurement

The agency measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the agency levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the agency is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The agency assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the agency considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

Accounting Policies

1.9 Statutory receivables (continued)

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the agency measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an agency considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The agency derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the agency transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the agency, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Tax

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.11 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

Bank overdrafts which are repayable on demand forms an integral part of the entity's cash management activities, and as such are included as a component of cash and cash equivalents.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

- the period of time over which an asset is expected to be used by the agency; or
- the number of production or similar units expected to be obtained from the asset by the agency.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the agency designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an agency's objective of using the asset.

The agency designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the agency expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the agency designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The agency assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the agency estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the agency also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the agency estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the agency applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the agency:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the agency expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the agency recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the agency determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the agency use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The agency assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any

reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the agency; or
- the number of production or similar units expected to be obtained from the asset by the agency.

Designation

At initial recognition, the agency designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an agency's objective of using the asset.

The agency designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The agency designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the agency expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the agency designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The agency assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the agency estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)Value

in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the agency would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the agency recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The agency assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the agency estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any

reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an agency after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.17 Provisions and contingencies

Provisions are recognised when:

- the agency has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the agency settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

Accounting Policies

1.17 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.18 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the agency receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the agency has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the agency retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the agency; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the agency;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the agency, and
- The amount of the revenue can be measured reliably.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the agency's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Accounting Policies

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an agency, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an agency either receives value from another agency without directly giving approximately equal value in exchange, or gives value to another agency without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the agency satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the agency.

When, as a result of a non-exchange transaction, the agency recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Transfers

Apart from Services in kind, which are not recognised, the agency recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The agency recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the agency recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the agency and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the agency's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the agency disclose the nature and type of services in-kind received during the reporting period.

Accounting Policies

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.25 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.26 Budget information

Agency are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by agency shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2022 to 6/30/2023.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

Accounting Policies

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the agency, including those charged with the governance of the agency in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the agency.

The agency is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the agency to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the agency is exempt from the disclosures in accordance with the above, the agency discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The agency will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The agency will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Value-added Tax (VAT)

The entity is registered with the South African Revenue Services (SARS), for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.30 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the entity. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustment are made.

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The agency has not applied the following standards and interpretations, which have been published and are mandatory for the agency's accounting periods beginning on or after July 1, 2023 or later periods:

GRAP 103 (as revised): Heritage Assets

Background

The Accounting Standards Board (the Board) completed its post-implementation review of the Standard of GRAP on Heritage Assets (GRAP 103) (hereafter referred to as "the review") in 2020. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

The objective of the project was to revise and clarify principles in GRAP 103 following feedback received from the review and actions agreed by the Board.

Key amendments to GRAP 103

The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the classification by the South African Heritage Resources Agency.

The proposed definition focuses on assets that have "cultural significance" and defines a heritage asset as "an asset that has cultural significance, and is held indefinitely for the benefit of present and future generations". "Cultural significance" has also been defined and described in GRAP 103 based on legislation.

The characteristics displayed by heritage assets, and the range of assets that could be heritage assets, have also been aligned with legislation.

The amendments further relate to the Classification of dual purpose heritage assets, Determining a reliable value for a heritage asset, Protective rights imposed on heritage assets, Re-assessing if a reliable value becomes available subsequently, Aggregation of individually insignificant heritage assets, Impairment of heritage assets, Mandatory disclosures of heritage assets borrowed or on loan.

The effective date of these revisions have not yet been set.

The effective date of the standard is for years beginning on or after April 1, 2023.

The agency expects to adopt the standard for the first time in the 2022/2023 annual financial statements. It

is unlikely that the standard will have a material impact on the agency's annual financial statements.

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the guideline is for years beginning on or after April 1, 2023.

The agency expects to adopt the guideline for the first time in the 2022/2023 annual financial statements. It is unlikely that the standard will have a material impact on the agency's annual financial statements.

GRAP 25 (as revised): Employee Benefits

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

Key amendments to GRAP 25

The Board agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The amendments to GRAP 25 are extensive and mostly affect the accounting for defined benefit plans. A new renumbered Standard of GRAP (e.g. GRAP 39) will not be issued, but rather a new version of the current GRAP 25.

The effective date of these revisions have not yet been set. April 1, 2023.

The agency expects to adopt the revisions for the first time in the 2022/2023 annual financial statements. It is unlikely that the revisions will have a material impact on the agency's annual financial statements.

iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction

Background

The Board issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS® 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

The effective date of these revisions have not yet been set. April 1, 2023.

The agency expects to adopt the revisions for the first time in the 2022/2023 April 1, 2023.

It is unlikely that the revisions will have a material impact on the agency's annual financial statements.

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The guideline is encouraged to be used by entities.

The agency expects to adopt the guideline for the first time in the 2098/2099 annual financial statements. It

is unlikely that the standard will have a material impact on the agency's annual financial statements.

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is not yet set by the Minister of Finance.

The agency expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions. It is unlikely that the standard will have a material impact on the agency's annual financial statements.

iGRAP 21: The Effect of Past Decisions on Materiality Background

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called "items").

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation have not yet been set. April 1, 2023.

The agency expects to adopt the interpretation for the first time in the 2022/2023 April 1, 2023.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

GRAP 2020: Improvements to the standards of GRAP 2020

Every three years, the Accounting Standards Board undertakes periodic revisions of the Standards of GRAP, in line with best practice internationally among standard setters.

Improvements to Standards of GRAP are aimed at aligning the Standards of GRAP with international best practice, to maintain the quality and to improve the relevance of the Standards of GRAP.

Amendments include,

GRAP 5 – Borrowing Costs

- For general borrowings, borrowing costs eligible for capitalisation determined by applying a capitalisation rate
- Clarify that borrowings made specifically for purposes of obtaining a qualifying asset are excluded until substantially all the activities necessary to prepare asset for intended use or sale are complete

GRAP 13 – Leases

- Operating leases & Sale and leaseback transactions are currently assessed for impairment in accordance with GRAP 26
- Clarify that these arrangements may also be assessed in accordance with GRAP 21

GRAP 16 – Investment Property

- Clarify that GRAP 21 may be applied to assess investment property for impairment

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Include heading "Classification of property as investment property" (par 6 and 7) & delete existing headings
- Investment property under construction (within scope of GRAP 16)
 - Added heading "Guidance on initially measuring self-constructed investment property at fair value"
 - Added clarification that investment property is measured at fair value at earliest of:
 - o completion of construction or development; or
 - o when fair value becomes reliably measurable
- Clarify requirements on transfers to and from Investment property
 - Change in use involves an assessment on whether:
 - o property meets, or ceases to meet definition of investment property and
 - o evidence exists that a change in use has occurred
 - List of examples of a change in use is regarded as non-exhaustive

GRAP 17 – Property, Plant and Equipment

- Delete example indicating that quarries and land used for landfill may be depreciated in certain instances
 - Land has an unlimited useful life and cannot be consumed through its use

GRAP 20 – Related Party Disclosures

- Clarify that entity, or any member of a group of which it is part, providing management services to reporting entity (or controlling entity of reporting entity) is a related party
- Disclose amounts incurred by the entity for the provision of management services that are provided by a separate management entity
- If an entity obtains management services from another entity ("the management entity") the entity is not required to apply the requirements in paragraph .35 to the remuneration paid or payable by the management entity to the management entity's employees or those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions
- Management services are services where employees of management entity perform functions as "management" as defined

GRAP 24 – Presentation of Budget Information in Financial Statements

- Terminology amended
 - Primary financial statements amended to "financial statements" or "face of the financial statements"

GRAP 31 – Intangible Assets

- Extend requirement to consider whether reassessing useful life of intangible asset as finite rather as indefinite indicates that asset may be impaired
 - Both under cost model or revaluation model

GRAP 32 – Service Concession Arrangements: Grantor

- Clarify disclosure requirement for service concession assets
 - Disclose carrying amount of each material service concession asset recognised at the reporting date

GRAP 37 – Joint Arrangements

- Application guidance clarified
- When party obtains joint control in a joint operation where activity of joint operation constitutes a function (GRAP 105 or GRAP 106), previous held interest in joint operation is not remeasured

GRAP 106 – Transfer of Functions Between Entities Not Under Common Control

- When party obtains control of joint operation and entity had rights to assets, or obligations to liabilities before acquisition date, it comprises an acquisition received in stages
- Apply the requirements for an acquisition achieved in stages, including remeasuring previously held interest in joint operation

Directive 7 – The Application of Deemed Cost

- Clarify that bearer plants within scope of Directive

The effective date of these improvements is April 1, 2023.

The agency expects to adopt the improvements for the first time in the 2022/2023 annual financial statements. It is unlikely that the improvements will have a material impact on the agency's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued) GRAP 1

(amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1. Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An agency applies judgement based on past experience and current facts and circumstances. The effective date of this amendment is for years beginning on or after April 1, 2025.

The agency expects to adopt the amendment for the first time in the 2024/2025 annual financial statements. It is unlikely that the amendment will have a material impact on the agency's annual financial statements.

3. Receivables from exchange transactions

| | | |
|------------------|---------------|---------------|
| Accrued interest | 30,732 | 38,703 |
| Deposits | 22,900 | 22,900 |
| Sundry debtors | 7,858 | 10 |
| | 61,490 | 61,613 |

4. VAT receivable

| | | |
|-----|-------|--------|
| VAT | 8,344 | 18,407 |
|-----|-------|--------|

The agency is registered for VAT on the payment basis.

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5. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | | |
|---------------------|------------------|--------|--------------------------|
| Cash on hand | | 528 | 528 |
| Bank balances | | 14,291 | 46,073 |
| Short-term deposits | 4,188,069 | | 10,107,694 |
| | 4,202,888 | | <u>10,154,295</u> |

The agency had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---------------------------------------|-------------------------|--------------------------|-------------------------|-------------------------|--------------------------|-------------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2021 | 30 June 2023 | 30 June 2022 | 30 June 2021 |
| Nedbank current account - 1002745926 | 14,291 | 46,073 | 918,830 | 14,291 | 46,073 | 918,830 |
| Nedbank current account - 76620211301 | 4,188,069 | 10,107,694 | 9,049,273 | 4,188,069 | 10,107,694 | 9,049,273 |
| Total | <u>4,202,360</u> | <u>10,153,767</u> | <u>9,968,103</u> | <u>4,202,360</u> | <u>10,153,767</u> | <u>9,968,103</u> |

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6. Property, plant and equipment

| | 2023 | | | 2022 | | |
|------------------------|------------------|---|------------------|------------------|---|------------------|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Furniture and fixtures | 754,313 | (338,241) | 416,072 | 723,363 | (265,266) | 458,097 |
| IT equipment | 816,339 | (346,160) | 470,179 | 651,669 | (261,045) | 390,624 |
| Office equipment | 458,688 | (236,813) | 221,875 | 423,988 | (195,386) | 228,602 |
| Total | 2,029,340 | (921,214) | 1,108,126 | 1,799,020 | (721,697) | 1,077,323 |

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6. **Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Depreciation | Total |
|------------------------|--------------------|----------------|------------------|------------------|
| Furniture and fixtures | 458,097 | 30,950 | (72,975) | 416,072 |
| IT equipment | 390,624 | 164,670 | (85,115) | 470,179 |
| Office equipment | 228,602 | 40,200 | (46,927) | 221,875 |
| | 1,077,323 | 235,820 | (205,017) | 1,108,126 |

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6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

| | Opening balance | Additions | Disposals | Depreciation | Total |
|------------------------|--------------------|----------------|-----------------|------------------|------------------|
| Furniture and fixtures | 331,349 | 182,100 | - | (55,352) | 458,097 |
| IT equipment | 335,540 | 137,520 | - | (82,436) | 390,624 |
| Office equipment | 243,431 | 46,507 | (13,858) | (47,478) | 228,602 |
| | 910,320 | 366,127 | (13,858) | (185,266) | 1,077,323 |

Pledged as security

No assets were pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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7. Intangible assets

| 2023 Cost / Valuation | 2022 | | | | | |
|--------------------------|--|-----------------------------|---------|--|----------------|---------|
| | Accumulated amortisation and accumulated impairment | Carrying value Valuation | Cost / | Accumulated amortisation and accumulated impairment | Carrying value | |
| Computer software | 406,168 | (73,907) | 332,261 | 325,782 | (67,802) | 257,980 |

Reconciliation of intangible assets - 2023

| | Openingbalance | Additions | Amortisation | Total |
|-------------------|----------------|-----------|--------------|---------|
| Computer software | 257,980 | 90,879 | (16,598) | 332,261 |

Reconciliation of intangible assets - 2022

| | Openingbalance | Amortisation | Total |
|-------------------|----------------|--------------|---------|
| Computer software | 266,791 | (8,811) | 257,980 |

Pledged as security

No intangible assets were pledged as security:

8. Operating lease asset (liability)

| | | |
|---------------------|---------|---|
| Current liabilities | (7,051) | - |
|---------------------|---------|---|

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9. Payables from exchange transactions

| | | |
|-------------------|------------------|----------------|
| Trade payables | 578,274 | 420,105 |
| Accrued bonus | 202,602 | 193,035 |
| Accrued leave pay | 420,292 | 334,113 |
| | 1,201,168 | 947,253 |

10. VAT payable

| | | |
|----------------------|-----|---|
| Tax refunds payables | 457 | - |
| | | |

11. Employee benefit obligations

Defined benefit plan

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by ZAQEN Consultants and Actuaries. The projected unit credit funding method has been used to determine the past - service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. We have converted the awarded leave days into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

The amounts recognised in the statement of financial position are as follows:

Carrying value

| | | |
|---|-----------|----------|
| Long Service awards (non-current portion) | (101,000) | (82,000) |
| | | |

Changes in the present value of the defined benefit obligation are as follows:

| | | |
|--|---------------|---------------|
| Opening balance | 52,000 | - |
| Current service cost | 16,000 | 16,000 |
| Interest cost | 10,000 | 10,000 |
| Benefits paid | (27,313) | - |
| Actuarial (gains) / losses | 20,213 | - |
| Net expense recognised in the statement of financial performance | 18,900 | 26,000 |
| | 89,800 | 52,000 |

Net expense recognised in the statement of financial performance

| | | |
|--------------------------|---------------|---------------|
| Current service cost | 16,000 | 16,000 |
| Interest cost | 10,000 | 10,000 |
| Actuarial (gains) losses | 20,213 | - |
| Benefits paid | (27,313) | - |
| | 18,900 | 26,000 |

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|-----------------|------|------|
|-----------------|------|------|

11. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Yield curve

CPI (Consumer Price Inflation): Difference between nominal and real yield curve

Normal salary increase rate: Equal to CPI + 1%

Nett effective discount rate: Yield curve based

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|-----------------------------------|---------|-----------|
| Industrial Development Coporation | 616,191 | 1,020,137 |
|-----------------------------------|---------|-----------|

Movement during the year

| | | |
|--------------------------------------|----------------|------------------|
| Balance at the beginning of the year | 1,020,137 | 1,034,387 |
| Income recognition during the year | (403,946) | (14,250) |
| | 616,191 | 1,020,137 |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the agency has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 17 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

13. Share capital

Authorised

| | | |
|---------------------------------|-------|-------|
| 1000 Ordinary shares of R1 each | 1,000 | 1,000 |
|---------------------------------|-------|-------|

Issued

| | | |
|----------|-----|-----|
| Ordinary | 100 | 100 |
|----------|-----|-----|

14. Revenue

| | | |
|-------------------------------|------------------|-------------------|
| Government grants & subsidies | 903,946 | 9,103,072 |
| Interest received | 442,574 | 414,700 |
| Operational revenue | - | 253,316 |
| Revenue received in kind | 22,400 | 711,488 |
| | 1,368,920 | 10,482,576 |

| | | |
|---------------------|---------|---------|
| Interest received | 442,574 | 414,700 |
| Operational revenue | - | 253,316 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|--|----------------|----------------|
| | 442,574 | 668,016 |
|--|----------------|----------------|

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|--|----------------|------------------|
| 14. Revenue (continued) | | |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Transfer revenue | | |
| Government grants & subsidies | 903,946 | 9,103,072 |
| Revenue received in kind | 22,400 | 711,488 |
| | 926,346 | 9,814,560 |
| 15. Interest received | | |
| Interest revenue | | |
| Bank | 442,574 | 414,700 |
| 16. Operational Revenue | | |
| Operational revenue | - | 253,316 |

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|-----------------|------|------|
|-----------------|------|------|

17. Government grants & subsidies

Operating grants

| | | |
|-------------------------------------|----------------|------------------|
| Lejweleputswa District Municipality | 500,000 | 9,103,072 |
| Industrial Development Corporation | 403,946 | - |
| | 903,946 | 9,103,072 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|----------------|------------------|
| Conditional grants received | 403,946 | - |
| Unconditional grants received | 500,000 | 9,103,072 |
| | 903,946 | 9,103,072 |

Industrial Development Corporation

| | | |
|---|----------------|------------------|
| Balance unspent at beginning of year | 1,020,137 | 1,020,137 |
| Conditions met - transferred to revenue | (403,946) | - |
| | 616,191 | 1,020,137 |

Conditions still to be met - remain liabilities (see note 12).

The Industrial Development Corporation funds Lejwe Le Putswa Agency and its operations, this includes salaries and projects. The grant received will assist the entity in fulfilling its mandate to sustain the development of the district's economy.

Lejweleputswa District Municipality

| | | |
|---|-----------|-------------|
| Current-year receipts | 500,000 | 9,103,072 |
| Conditions met - transferred to revenue | (500,000) | (9,103,072) |
| | - | - |

Lejweleputswa District Municipality is a match finder and co founder of Lejwe Le Putswa Development Agency. This grant is an unconditional grant.

W&R SETA

| | | |
|---|---|----------|
| Current-year receipts | - | 14,250 |
| Conditions met - transferred to revenue | - | (14,250) |
| | - | - |

W&R SETA grant supported and sponsored 250 Small Medium Micro Enterprises that took part in the Lejweleputswa Tourism Festival and Business Expo.

18. Revenue received in kind

| | | |
|--------------------------|--------|---------|
| Revenue received in kind | 22,400 | 711,488 |
|--------------------------|--------|---------|

2023: The accommodation were paid by the parent municipality.

2022: The legal costs of the agency were paid by the parent municipality as the agency has not appointed its own legal representatives.

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|---|------------------|------------------|
| 19. Employee related costs | | |
| Basic | 3,181,723 | 3,948,739 |
| Bonus | 233,492 | 220,924 |
| Cellphone allowance | 12,000 | 12,000 |
| Housing benefits and allowances | 51,473 | 42,159 |
| Leave pay | 140,790 | 108,510 |
| Long-service awards | 16,000 | - |
| Medical aid - company contributions | 223,684 | 203,746 |
| Pension and Provident Fund - employers contribution | 524,334 | 493,849 |
| UIF | 21,479 | 23,372 |
| | 4,404,975 | 5,053,299 |

Remuneration of Chief Executive Officer - BA Mguni

| | | |
|---------------------|---|----------------|
| Annual Remuneration | - | 766,670 |
| Leave Pay | - | 180,566 |
| | - | 947,236 |

The chief executive officer resigned and last payment was on 31 March 2022.

Remuneration of acting chief executive officer - M Makheta

| | | |
|-------------------------------------|--------|---------|
| Acting allowance and other payments | 10,755 | 134,719 |
|-------------------------------------|--------|---------|

Mr Makheta acted from 1 July 2021 - 31 July 2022.

Remuneration of acting chief executive officer - YM Kupiso

| | | |
|-------------------------------------|--------|---|
| Acting allowance and other payments | 32,264 | - |
|-------------------------------------|--------|---|

Me Kupiso acted from 1 August 2022 - 30 October 2022.

Remuneration of acting chief executive officer - TL Skele

| | | |
|-------------------------------------|--------|---|
| Acting allowance and other payments | 73,750 | - |
|-------------------------------------|--------|---|

Mr Skele acted from 1 November 2022 - 31 May 2023.

Remuneration: acting chief executive officer - M Mofokeng

| | | |
|-------------------------------------|--------|---|
| Acting allowance and other payments | 40,006 | - |
|-------------------------------------|--------|---|

Adv Mofokeng start acting from 1 June 2023.

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|-----------------|------|------|
| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|

19. Employee related costs (continued)

Remuneration: finance manager - JM Ntwana

| | | |
|---|------------------|----------------|
| Annual Remuneration | 549,774 | 518,186 |
| Car Allowance | 219,047 | 205,436 |
| 13th cheque | 43,976 | 42,198 |
| Contributions to UIF, Medical and Pension Funds | 155,215 | 140,778 |
| Housing Allowance | 4,753 | 4,753 |
| Cellphone Allowance | 6,000 | 6,000 |
| Leave pay | 30,787 | 25,156 |
| 5 years service bonus | - | 10,481 |
| Back pay | - | 5,908 |
| Other payments | - | 3,000 |
| | 1,009,552 | 961,896 |

20. Remuneration of board members

| | | |
|---------------|---------|---------|
| Board members | 335,799 | 268,207 |
|---------------|---------|---------|

Board members 30 June 2023

| | Annual remuneration | Travel allowance + toll fees | PAYE | UIF | Total |
|------------|---------------------|------------------------------|---------------|--------------|----------------|
| LR Mutsi | 23,044 | 2,103 | 7,785 | 311 | 33,243 |
| TK Hlalele | 23,257 | - | 7,857 | 314 | 31,428 |
| L Mule | 39,521 | - | 13,352 | 534 | 53,407 |
| R Maenetja | 33,532 | 7,214 | 11,328 | 453 | 52,527 |
| TD Tlali | 5,931 | 2,146 | 2,004 | 80 | 10,161 |
| M Oliphant | 33,532 | - | 11,328 | 453 | 45,313 |
| S Besani | 43,630 | - | 14,724 | 541 | 58,895 |
| M Dhlamini | 25,546 | 16,304 | 8,630 | 345 | 50,825 |
| | 227,993 | 27,767 | 77,008 | 3,031 | 335,799 |

Board members 30 June 2022

| | Annual remuneration | Travel allowance | PAYE | UIF | Total |
|------------|---------------------|------------------|---------------|--------------|----------------|
| LR Mutsi | 42,893 | - | 14,491 | 580 | 57,964 |
| M Mosala | 40,699 | 2,628 | 13,750 | 550 | 57,627 |
| TK Hlalele | 52,327 | - | 17,678 | 707 | 70,712 |
| SB Lockman | 34,885 | 8,572 | 11,785 | 471 | 55,713 |
| S Leeuw | 19,381 | - | 6,548 | 262 | 26,191 |
| | 190,185 | 11,200 | 64,252 | 2,570 | 268,207 |

21. Inventory consumed

| | | |
|---|--------|---------|
| Printing and stationary, cleaning materials | 44,206 | 328,311 |
|---|--------|---------|

22. Depreciation and amortisation

| | | |
|-------------------------------|----------------|----------------|
| Property, plant and equipment | 205,017 | 185,266 |
| Intangible assets | 16,598 | 8,811 |
| | 221,615 | 194,077 |

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23. Lease rentals on operating lease

Premises

| | | |
|---------------------|---------|---------|
| Contractual amounts | 235,795 | 199,464 |
|---------------------|---------|---------|

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The agency entered into rental agreement for an office space and parking bays with Gerrie Kemp Eiendomme BK on 1 January 2023 for a period of 3 years. The previous rental agreement ended 30 June 2022.

24. Finance costs

| | | |
|---------------------|--------|---|
| Other interest paid | 10,000 | - |
|---------------------|--------|---|

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2022: R -).

25. Contracted services

Outsourced Services

| | | |
|-------------------|--------|---|
| Catering Services | 67,323 | - |
| Cleaning Services | 900 | - |

Consultants and Professional Services

| | | |
|-----------------------|---------|---------|
| Business and Advisory | 126,980 | 65,475 |
| Legal Cost | 194,500 | 802,775 |

Contractors

| | | |
|--------------------|---------|-----------|
| Accounting fees | 120,000 | 115,450 |
| Development costs | 42,503 | 1,192,036 |
| Interior Decorator | 71,730 | 253,130 |

| | | |
|--|----------------|------------------|
| | 623,936 | 2,428,866 |
|--|----------------|------------------|

26. Operational cost

| | | |
|-------------------------------|---------|---------|
| Advertising and marketing | 458,177 | 94,405 |
| Auditors remuneration | 405,288 | 430,464 |
| Bank charges | 8,512 | 13,233 |
| Bursaries | - | 2,398 |
| Communication | 23,445 | 20,205 |
| Insurance | 38,682 | 32,895 |
| Internet charges | 48,543 | 36,666 |
| License fees | - | 6,672 |
| Municipal services | 84,358 | 85,818 |
| Office decor | 39,000 | - |
| Skills development levy (SDL) | 38,467 | 46,619 |
| Subsistence and travel | 91,685 | 20,914 |
| Website development | - | 5,000 |

| | | |
|--|------------------|----------------|
| | 1,236,157 | 795,289 |
|--|------------------|----------------|

27. Auditors' remuneration

| | | |
|------|---------|---------|
| Fees | 405,288 | 430,464 |
|------|---------|---------|

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28. Cash (used in) generated from operations

| | | |
|--|--------------------|----------------|
| (Deficit) surplus | (5,739,538) | 1,204,755 |
| Adjustments for: | | |
| Depreciation and amortisation | 221,615 | 194,077 |
| Gain on sale of assets and liabilities | - | 10,308 |
| Impairment deficit | 2,975 | - |
| Movements in operating lease assets and accruals | 7,051 | (15,537) |
| Movements in retirement benefit assets and liabilities | 19,000 | - |
| Revenue in kind | 22,400 | 711,488 |
| Expenditure in kind | (22,400) | (711,488) |
| Non cash movement directly through net assets | - | 14,243 |
| Changes in working capital: | | |
| Receivables from exchange transactions | (2,852) | 141,694 |
| Payables from exchange transactions | 253,917 | (976,213) |
| VAT | 10,520 | (8,185) |
| Unspent conditional grants and receipts | (403,946) | (14,250) |
| | (5,631,258) | 550,892 |

29. Taxation

No provision has been made for 2023 tax as the agency has no taxable income.

30. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

| | At amortised cost | Total |
|--|----------------------|------------------|
| Receivables from exchange transactions | 61,490 | 61,490 |
| Cash and cash equivalents | 4,202,888 | 4,202,888 |
| | 4,264,378 | 4,264,378 |

Financial liabilities

| | At amortised cost | Total |
|---|----------------------|------------------|
| Payables from exchange transactions | 1,201,169 | 1,201,169 |
| Unspent conditional grants and receipts | 616,191 | 616,191 |
| | 1,817,360 | 1,817,360 |

2022

Financial assets

| | At amortised cost | Total |
|--|----------------------|-------------------|
| Receivables from exchange transactions | 61,613 | 61,613 |
| Cash and cash equivalents | 10,154,295 | 10,154,295 |
| | 10,215,908 | 10,215,908 |

Financial liabilities

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30. Financial instruments disclosure (continued)

| | At amortised cost | Total |
|---|--------------------------|------------------|
| Payables from exchange transactions | 947,250 | 947,250 |
| Unspent conditional grants and receipts | 1,020,137 | 1,020,137 |
| | 1,967,387 | 1,967,387 |

31. Commitments

Operating leases - as lessee (expense)

| | | |
|-------------------------------------|----------------|---|
| Minimum lease payments due | | |
| - within one year | 244,538 | - |
| - in second to fifth year inclusive | 366,806 | - |
| | 611,344 | - |

Operating lease payments represent rentals payable by the agency for its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

32. Contingencies

A litigation is in process where a claim for unpaid invoices was instituted by a supplier against the agency. The potential liability is R 1 761 472.

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|-----------------|------|------|
| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|

33. Related parties

| | |
|---------------------------|--|
| Relationships | |
| Directors | Refer to directors' report |
| Controlling entity | Lejweleputswa District Municipality ML |
| Members of key management | Makhetha (Acting CEO) Y Kupiso (Acting CEO) L Skele (Acting CEO) M Mofokeng (Acting CEO) JM Ntwana (Finance manager) |

Related party transactions

| | | |
|--|---------|-----------|
| Revenue | | |
| Lejweleputswa District Municipality (grants) | 500,000 | 9,103,072 |
| Lejweleputswa District Municipality (Revenue received in kind) | 22,400 | 711,488 |

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33. Related parties (continued)

Remuneration of management

Management class: Board members

2023

| Name | Annual remuneration | Travel allowance | PAYE | UIF | Total |
|-------------|---------------------|------------------|---------------|--------------|----------------|
| LR Mutsi | 23,044 | 2,103 | 7,785 | 311 | 33,243 |
| TK Hlalele | 23,257 | - | 7,857 | 314 | 31,428 |
| L Mule | 39,521 | - | 13,352 | 534 | 53,407 |
| R Maenetja | 33,532 | 7,214 | 11,328 | 453 | 52,527 |
| TD Tlali | 5,931 | 2,146 | 2,004 | 80 | 10,161 |
| M Oliphant | 33,532 | - | 11,328 | 453 | 45,313 |
| S Besani | 43,630 | - | 14,724 | 541 | 58,895 |
| M Dhlamini | 25,546 | 16,304 | 8,630 | 345 | 50,825 |
| | 227,993 | 27,767 | 77,008 | 3,031 | 335,799 |

2022

| Name | Annual remuneration | Travel allowance | PAYE | UIF | Total |
|-------------|---------------------|------------------|---------------|--------------|----------------|
| LR Mutsi | 42,893 | - | 14,491 | 580 | 57,964 |
| M Mosala | 40,699 | 2,628 | 13,750 | 550 | 57,627 |
| TK Hlalele | 52,327 | - | 17,678 | 707 | 70,712 |
| SB Lockman | 34,885 | 8,572 | 11,785 | 471 | 55,713 |
| S Leeuw | 19,381 | - | 6,548 | 262 | 26,191 |
| | 190,185 | 11,200 | 64,252 | 2,570 | 268,207 |

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33. Related parties (continued) Management

class: Executive management

2023

| Name | Annual remuneration | Car allowance | Leave pay | Contributions to UIF, Medical and Pension Funds | Acting allowance | 13th cheque | Cellphone allowance | Housing allowance | Total |
|-----------------------------|---------------------|----------------|---------------|---|------------------|---------------|---------------------|-------------------|------------------|
| JM Ntwana (Finance manager) | 549,774 | 219,047 | 30,787 | 155,215 | - | 43,976 | 6,000 | 4,753 | 1,009,552 |
| ML Maketha (Acting CEO) | - | - | - | - | 10,755 | - | - | - | 10,755 |
| YM Kupiso (Acting CEO) | - | - | - | - | 32,264 | - | - | - | 32,264 |
| TL Skele (Acting CEO) | - | - | - | - | 73,750 | - | - | - | 73,750 |
| M Mofokeng (Acting CEO) | - | - | - | - | 40,006 | - | - | - | 40,006 |
| | 549,774 | 219,047 | 30,787 | 155,215 | 156,775 | 43,976 | 6,000 | 4,753 | 1,166,327 |

2022

| Name | Fees for services as a member of management | Basic salary | Leave pay | Contributions to UIF, Medical and Pension funds | Acting allowance | 13th cheque | Cellphone allowance | Housing allowance | Other benefits received | Total |
|------------------------------|---|----------------|----------------|---|------------------|---------------|---------------------|-------------------|-------------------------|------------------|
| BM Mguni (CEO) | 766,670 | - | 180,566 | 2,875 | - | - | - | - | - | 950,111 |
| JM Ntwana (Finance manager) | 518,186 | 205,436 | 25,156 | 140,778 | - | 42,198 | 6,000 | 4,753 | 19,389 | 961,896 |
| ML Maketha (Acting CEO) | - | - | - | - | 134,719 | - | - | - | - | 134,719 |
| | 1,284,856 | 205,436 | 205,722 | 143,653 | 134,719 | 42,198 | 6,000 | 4,753 | 19,389 | 2,046,726 |

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34. Prior period errors

An error in the calculation of amortisation was identified and rectified. This had an affect on the 2022 opening balance. An error in the calculation of depreciation was identified and rectified. This had an affect on the 2022 opening balance. Long service awards was recognised in the prior year and had an effect on the opening balance of accumulated surplus.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

| | | |
|--|---------|----------|
| Property, plant and equipment | 6,423 | 171,126 |
| Intangible assets | 126 | 10,491 |
| Long service awards | - | (82,000) |
| Opening Accumulated Surplus or Deficit | (6,549) | (99,617) |

Statement of financial performance

| | | |
|----------------------|--------|---|
| Depreciation expense | 21,198 | - |
| Amortisation expense | 126 | - |

35. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2022

| | Note | As previously reported | Correction of error | Restated |
|-------------------------------|------|------------------------|---------------------|------------------|
| Intangible assets | | 247,363 | 10,491 | 257,854 |
| Property, plant and equipment | | 901,599 | 171,126 | 1,072,725 |
| Long service awards | | - | (82,000) | (82,000) |
| | | 1,148,962 | 99,617 | 1,248,579 |

2023

| | Note | As previously reported | Correction of error | Restated |
|-------------------------------|------|------------------------|---------------------|------------------|
| Intangible assets | | 257,854 | 126 | 257,980 |
| Property, plant and equipment | | 1,072,725 | 6,423 | 1,079,148 |
| Long service awards | | (82,000) | - | (82,000) |
| | | 1,248,579 | 6,549 | 1,255,128 |

Statement of financial performance

2023

| | Note | As previously reported | Correction of error | Restated |
|-------------------------------|------|------------------------|---------------------|-----------|
| Depreciation and amortisation | | (215,401) | 21,324 | (194,077) |

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36. Risk management

Financial risk management

The agency's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The agency's risk to liquidity is a result of the funds available to cover future commitments. The agency manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the agency's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The table below analyses the municipality's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| At June 30, 2023 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---------------------------------------|---------------------|--------------------------|--------------------------|--------------|
| • Payables from exchange transactions | 1,201,169 | - | - | - |
| At June 30, 2022 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| • Payables from exchange transactions | 947,250 | - | - | - |

Credit risk

The agency has no significant exposure to credit risk.

Market risk Interest

rate risk

As the agency has no significant interest-bearing assets, the agency's income and operating cash flows are substantially independent of changes in market interest rates.

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37. Going concern

We draw attention to the fact that at June 30, 2023, the municipality had an accumulated surplus (deficit) of R 3,787,142 and that the agency's total assets exceed its liabilities by R 3,787,242.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management have evaluated all material going concern risks. Presented below are the major areas evaluated:

The agency's current assets exceed its current liabilities by R2 447 854 (R8 266 925 in 2022) which indicates a current asset ratio is below the required norm of between 2.3 -1.

The agency incurred a deficit of R5 739 539 during the year and surplus of R1 178 755 in 2022. The creditors payment days of the municipality is currently 98.3 days (40.9 days in 2022).

Unspent conditional grants balance of R616 911 currently are cash backed by the available Cash and cash equivalents balance of R4 202 888.

Irregular expenditure in the current year increased by R414 746.

38. Fruitless and wasteful expenditure

| | | |
|--|---------------|---------------|
| Opening balance as previously reported | 40,170 | 40,486 |
| Add: Fruitless and wasteful expenditure identified - current | 13,370 | - |
| Less: Amount recovered - current | (2,537) | (316) |
| Closing balance | 51,003 | 40,170 |

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|---|---------------|----------|
| 38. Fruitless and wasteful expenditure (continued) | | |
| Details of fruitless and wasteful expenditure | | |
| Penalties and interest | 10,395 | - |
| Overpayment to director | 2,975 | - |
| | 13,370 | - |

Recoverability steps taken

An amount of R2 537 has been recovered during the year from the employee who's responsibility it was to submit and pay SARS.

39. Irregular expenditure

| | | |
|---|------------------|------------------|
| Opening balance as previously reported | 7,278,185 | 5,678,521 |
| Add: Irregular expenditure - current | 414,746 | 1,504,678 |
| Add: Irregular expenditure - prior period | - | 94,986 |
| Closing balance | 7,692,931 | 7,278,185 |

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|-----------------|------|------|
|-----------------|------|------|

39. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

| | | |
|---|----------------|------------------|
| Non-compliance with SCM regulations | 414,746 | 1,504,678 |
| Non-compliance with Municipal Systems Act | - | 94,986 |
| | 414,746 | 1,599,664 |

Cases under investigation

The MPAC of Lejweleputswa District Municipality has concluded their investigation on the 2020/2021 expenditure and made recommendations to the Council.

40. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

| | | |
|----------------------------|-----------|-----------|
| Current year fee | 405,228 | 430,484 |
| Amount paid - current year | (405,228) | (430,484) |
| | - | - |

PAYE and UIF

| | | |
|---------------------------------|-----------|-------------|
| Current year subscription / fee | 870,058 | 1,005,225 |
| Amount paid - current year | (870,058) | (1,005,225) |
| | - | - |

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|---|--------------|---------------|
| 40. Additional disclosure in terms of Municipal Finance Management Act (continued) | | |
| VAT | | |
| VAT receivable | 8,344 | 18,407 |
| VAT payable | 457 | - |
| | 8,801 | 18,407 |

VAT output payables and VAT input receivables are shown in note 4 and note 10.

All VAT returns have been submitted by the due date throughout the year.

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41. Segment information

General information

Identification of segments

The agency is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The agency operates throughout the Lejweleputswa District Municipality. Segments were aggregated on the basis of services delivered.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Lejwe le Putswa Development Agency
Statement of Financial Performance

Goods and/or services

Please refer to the Statement of Financial Position and

Information about the segment surplus / deficit

Revenue - Please refer to the Statement of Financial Performance for information about the reportable segment.

Expenditure - Please refer to the Statement of Financial Performance for information about the reportable segment.

Information about segment assets and liabilities

Assets - Please refer to the Statement of Financial Position for information about the reportable segment.

Liabilities - Please refer to the Statement of Financial Position for information about the reportable segment. **Net**

assets - Please refer to the Statement of Financial Position for information about the reportable segment.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The agency does not have any identifiable segments and as such were not transaction between segments.

Information about geographical areas

The agency's operations are in the Free State Province.

The agency does not report on a geographical basis, the information is not available and it is therefore impractical to report in a geographical basis.

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42. Budget differences

Material differences between budget and actual amounts

X1 - After LDM indicated that the previous allocated grant was not going to be awarded, LDA could not proceed in instigating projects and therefore no tenders were advertised.

X2 - After LDM indicated that the previous allocated grant was not going to be awarded, no commitment funds could be obtained and generated has normal projects could not occur.

X3 - The interest rate was adjusted upwards by the SA Reserve Bank resulting in more interest received on the investment account.

X4 - LDM submitted a letter indicating that the budgeted grant to be received were not going to be paid to LDA. X5 -

Revenue received-in-kind was not planned and therefore not budgeted for.

X6 - A new CEO has not been appointed and therefore a save on employee cost pccured. Acting CEO's have only received an acting allowance.

X7 - The new board members was only appointed in November 2022, therefore less fees required to be paid.

X8 - After LDM indicated that the previous allocated grant was not going to be awarded, LDA had to minimise expenditure as far they could

X9 - The fixed asset register was adjusted to correct errors and new assets were bought.

X10 - Operating lease liability is disclosed on a straight line basds and therefore not as per the payments during the year and a new lease agreement was only effective from January 2023.

X11 - After LDM indictaed that the previous allocated grant was not going to be awarded, LDA did not enter into budgeted projects and therefore did not incurr expenditure.

X12 - After LDM indicated that the previous allocated grant was not going to be awarded, LDA had to minimise expenditure as far they could.

X13 - Due to the recognition of long servie awards liability, finance cost and actuarial losses had to be recognised.

Section E

Consolidated AFS



Lejweleputswa District Municipality Consolidated Annual Financial Statements
for the year ended 30 June 2023

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30

June 2023

General Information

| | |
|--|---|
| Legal form of entity | Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act No.11 of 1998) read with section 115(1) of the Constitution of the republic of South Africa, 1996 (Act No 108 of 1996) |
| Nature of business and principal activities | District municipality |
| Municipal demarcation code | DC18 |
| Capacity of local authority | Low capacity |
| Grading of local authority | 4 |
| Speaker | Cllr DJ Dikane |
| Mayoral committee | |
| Executive Mayor | Cllr NV Ntakumbana |
| Members of Mayoral Committee | Cllr SE Tsuinke - MMC Health Service and Disaster Management Cllr MJ Meli - MMC LED, Tourism, Agriculture, Youth and SMME Cllr BA Kabi - MMC Community Services and Special Programmes Cllr MS Baleni - MMC Infrastructure Cllr PP Maleka - MMC Corporate Services Cllr KV Van Rooyen - MMC IDP, PMS, Policy Development and Monitoring Cllr D Kotzee - MMC Finance |
| Acting Accounting Officer | Mr SJ More |
| Acting Chief Finance Officer (CFO) | Mr T Tsoaeli |
| Registered office | Office of the Municipal Manager Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459 |
| Business address | Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459 |
| Postal address | P.O. Box 2163 Welkom 9460 |
| Controlling entity | Lejweleputswa District Municipality |
| Bankers | ABSA Bank Limited |
| Auditors | Auditor-General of South Africa |
| Enabling legislation | Constitution of the Republic of South Africa,1995 (Act No.108 of 1995) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Structures Act,1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000) |

Lejweleputswa District Municipality Consolidated Annual Financial Statements for the year ended 30 June 2023

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations used:

| | |
|-------|--|
| CRR | Capital Replacement Reserve |
| GRAP | Generally Recognised Accounting Practice |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| IPSAS | International Public Sector Accounting Standards |
| MFMA | Municipal Finance Management Act |
| mSCOA | Municipal Standard Chart of Accounts |
| IAS | International Accounting Standards |

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30

June 2023

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2024 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the economic entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the economic entity's annual financial statements. The annual financial statements have been examined by the economic entity's external auditors and their report is presented on page 6.

The annual financial statements set out on page 6, which have been prepared on the going concern basis, were approved by the accounting officer on 30 September 2023 and were signed on its behalf by:

SJ More
Acting Municipal Manager

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2023

We are pleased to present our report for the financial year ended 30 June 2023.

Audit committee members and attendance

The Audit Committee ("Committee") consists of five independent members. Members are appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003). During the 2022/2023 financial year six ordinary meetings and one special meeting were held. The attendance is reflected in the table below:

| Name of member | Number of meetings attended |
|-----------------------------|------------------------------------|
| Me G Mayisela (Chairperson) | 7 |
| Me SPT Monosi | 6 |
| Mr TA Motshoikha | 7 |
| Me DS Nage | 3 |
| Mr TJ Macholo | 7 |

Audit committee responsibility

The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee charter ("the Charter"). The Audit Committee charter is reviewed and tabled before the Council for approval on an annual basis. The last review was on 27 October 2022 and serves as a guide for the Audit Committee. The Audit Committee has discharged its responsibilities as contained in the Charter.

The effectiveness of internal control

The system of internal controls applied by the economic entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Internal Auditors of the municipality during the year under review.

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality through their audits. Internal Audit has developed and implemented a risk-based three year strategic and annual operational audit plan.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues. We are satisfied that the Auditor-General is independent of the Municipality.

Lejweleputswa District Municipality Consolidated
Annual Financial Statements for the year ended 30
June 2023

Chairperson of the Audit Committee

Date: _____

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2023

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2023.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2023, the municipality had an accumulated surplus (deficit) of R 121,735,827 and that the municipality's total liabilities exceed its assets by R 121,735,827.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

During a council meeting which was held on 22 August 2023. The council referred irregular expenditure amounting to R 12 553 631, to the municipal public accounts committee for further investigation.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Me PME Kaota was the accounting officer at the beginning of the year, her contract ended on 31 July 2022.

Mr Makhetha acted from 01 August 2022 to 31 October 2022, and from April 2023 until his contracted ended on 31 May 2023. Mr

Kupiso acted from 01 November 2022 to March 2023. Mr More has been acting from 01 June 2023

5. Interest in controlled entities

Lejweleputswa District Municipality is the parent of Lejwe Le Putswa Development Agency SOC Ltd and holds 100% interest. Details of the municipality's investment in controlled entities are set out in note 10.

6. Auditors

Auditor-General of South Africa

SJ More
Acting Municipal Manager

Lejweleputswa District Municipality Consolidated
Annual Financial Statements for the year ended 30
June 2023

Statement of Financial Position as at 30 June 2023

| Economic entity | | Controlling entity | | | |
|--|---------|--------------------|--------------------|--------------------|--------------------|
| Figures in Rand | Note(s) | 2023 | 2022 Restated* | 2023 | 2022 Restated* |
| Assets | | | | | |
| Current Assets | | | | | |
| Inventories | 3 | 457,829 | - | 457,829 | - |
| Receivables from exchange transactions | 5 | 61,490 | 61,613 | - | - |
| Receivables from non-exchange transactions | 6 | 261,496 | 91,088 | 261,496 | 91,088 |
| VAT receivable | 7 | 3,474,222 | 2,102,602 | 3,466,334 | 2,084,195 |
| Cash and cash equivalents | 4 | 110,400,180 | 121,680,120 | 106,197,292 | 111,525,825 |
| | | 114,655,217 | 123,935,423 | 110,382,951 | 113,701,108 |
| Non-Current Assets | | | | | |
| Property, plant and equipment | 8 | 53,106,837 | 56,303,810 | 51,998,711 | 55,226,487 |
| Intangible assets | 9 | 385,349 | 339,228 | 53,088 | 81,248 |
| Investments in controlled entities | 10 | - | - | 100 | 100 |
| | | 53,492,186 | 56,643,038 | 52,051,899 | 55,307,835 |
| Total Assets | | 168,147,403 | 180,578,461 | 162,434,850 | 169,008,943 |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Operating lease liability | 11 | 7,051 | - | - | - |
| Payables from exchange transactions | 12 | 23,613,611 | 22,557,674 | 22,412,441 | 21,610,421 |
| Unspent conditional grants and receipts | 14 | 1,672,914 | 1,020,137 | 1,056,723 | - |
| Long service awards | 13 | 597,000 | 723,000 | 597,000 | 723,000 |
| Employee benefit obligation | 13 | 551,000 | 331,000 | 551,000 | 331,000 |
| | | 26,441,576 | 24,631,811 | 24,617,164 | 22,664,421 |
| Non-Current Liabilities | | | | | |
| Employee benefit obligation | 13 | 15,678,000 | 14,453,000 | 15,577,000 | 14,371,000 |
| Long Service Awards | 13 | 4,292,000 | 4,097,000 | 4,292,000 | 4,097,000 |
| | | 19,970,000 | 18,550,000 | 19,869,000 | 18,468,000 |
| Total Liabilities | | 46,411,576 | 43,181,811 | 44,486,164 | 41,132,421 |
| Net Assets | | 121,735,827 | 137,396,650 | 117,948,686 | 127,876,522 |
| Accumulated surplus | | 121,735,827 | 137,396,650 | 117,948,686 | 127,876,522 |
| Total Net Assets | | 121,735,827 | 137,396,650 | 117,948,686 | 127,876,522 |

* See Note 36

Lejweleputswa District Municipality Consolidated
Annual Financial Statements for the year ended 30
June 2023

Statement of Financial Performance

| Figures in Rand | Note(s) | Economic entity | | Controlling entity | |
|---|---------|----------------------|----------------------|----------------------|----------------------|
| | | 2023 | 2022 Restated* | 2023 | 2022 Restated* |
| Revenue | | | | | |
| Revenue from exchange transactions | | | | | |
| Proceeds from disposal of property, plant and equipment | 16 | 246,572 | 550,000 | 246,572 | 550,000 |
| Operational revenue | 17 | 398,106 | 390,966 | 398,106 | 137,650 |
| Interest received | 18 | 9,131,771 | 5,461,923 | 8,689,197 | 5,047,223 |
| Total revenue from exchange transactions | | 9,776,449 | 6,402,889 | 9,333,875 | 5,734,873 |
| Revenue from non-exchange transactions | | | | | |
| Transfer revenue | | | | | |
| Government grants & subsidies | 19 | 152,522,223 | 142,665,626 | 152,118,277 | 142,665,626 |
| Fines, Penalties and Forfeits | 20 | 50,500 | - | 50,500 | - |
| Total revenue from non-exchange transactions | | 152,572,723 | 142,665,626 | 152,168,777 | 142,665,626 |
| Total revenue | 15 | 162,349,172 | 149,068,515 | 161,502,652 | 148,400,499 |
| Expenditure | | | | | |
| Employee related costs | 21 | (116,524,641) | (110,213,711) | (112,119,666) | (105,160,412) |
| Remuneration of councillors/board members | 22 | (10,667,692) | (9,890,830) | (10,331,893) | (9,622,623) |
| Transfers and subsidies | 23 | (6,569,163) | (2,327,216) | (7,099,563) | (12,141,777) |
| Depreciation and amortisation | 24 | (4,134,149) | (4,173,899) | (3,912,534) | (3,979,822) |
| Finance costs | 27 | (10,000) | - | - | - |
| Operating lease expenditure | 26 | (1,001,112) | (984,529) | (765,317) | (785,064) |
| Inventory consumed | 28 | (3,257,853) | (1,821,098) | (3,213,647) | (1,492,787) |
| Contracted services | 29 | (15,564,763) | (14,125,485) | (14,940,827) | (11,696,619) |
| Operational cost | 30 | (20,138,225) | (15,766,217) | (18,902,068) | (14,970,928) |
| Total expenditure | | (177,867,598) | (159,302,985) | (171,285,515) | (159,850,032) |
| Loss on disposal of assets and liabilities | | (452,274) | (763,852) | (452,274) | (753,544) |
| Actuarial gains/losses | 13 | 940,854 | 1,754,000 | 933,854 | 1,754,000 |
| Impairment loss | 25 | (467,073) | (301,414) | (464,098) | (301,414) |
| | | 21,507 | 688,734 | 17,482 | 699,042 |
| Deficit for the year | | (15,496,919) | (9,545,736) | (9,765,381) | (10,750,491) |

* See Note 36

Lejweleputswa District Municipality Consolidated
Annual Financial Statements for the year ended 30
June 2023

Statement of Changes in Net Assets

| Figures in Rand | Share capital / contributed | Accumulated surplus / deficit | Total net assets |
|---|--------------------------------|----------------------------------|---------------------|
| | capital | | |
| Economic entity | | | |
| Balance at 01 July 2021 | - 147,382,844 | | 147,382,844 |
| Net income (losses) recognised directly in net assets | - | (454,858) | (454,858) |
| Surplus (deficit) for the year | - | (9,545,736) | (9,545,736) |
| Total changes | - | (10,000,594) | (10,000,594) |
| Opening balance as previously reported | | 137,382,250 | 137,382,250 |
| Adjustments | | | |
| Prior year adjustments | | 6,549 | 6,549 |
| Restated* Balance at 01 July 2022 as restated* | 137,403,515 | | 137,403,515 |
| Net income (losses) recognised directly in net assets | | (162,769) | (162,769) |
| Surplus (deficit) for the year | | (15,504,918) | (15,504,918) |
| Total changes | | (15,667,687) | (15,667,687) |
| Balance at 30 June 2023 | 121,735,828 | | 121,735,828 |
| Note(s) | | | |
| Controlling entity | | | |
| Balance at 01 July 2021 | - 139,181,331 | | 139,181,331 |
| Changes in net assets | | | |
| Net income (losses) recognised directly in net assets | - | (554,475) | (554,475) |
| Surplus (deficit) for the year | - | (10,750,491) | (10,750,491) |
| Total changes | - | (11,304,966) | (11,304,966) |
| Restated* Balance at 01 July 2022 | - 127,876,835 | | 127,876,835 |
| Changes in net assets | | | |
| Net income (losses) recognised directly in net assets | - | (162,769) | (162,769) |
| Surplus for the year | - | (9,765,380) | (9,765,380) |
| Total changes | - | (9,928,149) | (9,928,149) |
| Balance at 30 June 2023 | - 117,948,686 | | 117,948,686 |
| Note(s) | | | |

Lejweleputswa District Municipality Consolidated
Annual Financial Statements for the year ended 30

Cash Flow Statement

| Figures in Rand | Note(s) | Economic entity | | Controlling entity | |
|---|-----------|---------------------|--------------------|--------------------|--------------------|
| | | 2023 | 2022 Restated* | 2023 | 2022 Restated* |
| Cash flows from operating activities | | | | | |
| Receipts | | | | | |
| Grants | | 153,175,000 | 142,665,626 | 153,175,000 | 142,665,626 |
| Interest income | | 8,764,427 | 5,121,607 | 8,321,853 | 4,706,907 |
| Other receipts | | 459,250 | 1,395,322 | 448,608 | 1,008,497 |
| | | 162,398,677 | 149,182,555 | 161,945,461 | 148,381,030 |
| Payments | | | | | |
| Employee costs | | (125,059,216) | (116,911,664) | (120,460,501) | (111,428,173) |
| Suppliers | | (45,716,697) | (34,906,219) | (44,230,937) | (40,139,077) |
| | | (170,775,913) | (151,817,883) | (164,691,438) | (151,567,250) |
| Net cash flows from operating activities | 33 | (8,377,236) | (2,635,328) | (2,745,977) | (3,186,220) |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | 8 | (1,775,251) | (6,364,555) | (1,545,982) | (5,995,777) |
| Proceeds from disposal of property, plant and equipment | 16 | 246,572 | 553,550 | 246,572 | 550,000 |
| Purchase of other intangible assets | 9 | (150,879) | - | (60,000) | - |
| Net cash flows from investing activities | | (1,679,558) | (5,811,005) | (1,359,410) | (5,445,777) |
| Cash flows from financing activities | | | | | |
| Movement in long service awards | | (731,027) | (823,000) | (731,027) | (823,000) |
| Employee benefit obligation payments | | (492,119) | (240,000) | (492,119) | (240,000) |
| Net cash flows from financing activities | | (1,223,146) | (1,063,000) | (1,223,146) | (1,063,000) |
| Net increase/(decrease) in cash and cash equivalents | | (11,279,940) | (9,509,333) | (5,328,533) | (9,694,997) |
| Cash and cash equivalents at the beginning of the year | | 121,680,120 | 131,189,453 | 111,525,825 | 121,220,822 |
| Cash and cash equivalents at the end of the year | 4 | 110,400,180 | 121,680,120 | 106,197,292 | 111,525,825 |

* See Note 36

Lejweleputswa District Municipality Consolidated
Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments on comparable basis | Final Budget | Actual amounts | Difference between final budget and actual | Reference |
|--|----------------------|---------------------------------|----------------------|----------------------|--|-----------|
| Figures in Rand | | | | | actual | |
| Economic entity | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Other income | 7,786,742 | 59,138 | 7,845,880 | 246,572 | (7,599,308) | |
| Operational revenue | 692,000 | 25,500 | 717,500 | 398,106 | (319,394) | X1 |
| Interest received - investment | 3,200,000 | 2,500,000 | 5,700,000 | 9,131,771 | 3,431,771 | X2 |
| Total revenue from exchange transactions | 11,678,742 | 2,584,638 | 14,263,380 | 9,776,449 | (4,486,931) | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 164,959,741 | (4,031,000) | 160,928,741 | 152,522,223 | (8,406,518) | X3 |
| Sundry Fines and Penalties | - | 50,000 | 50,000 | 50,500 | 500 | |
| Total revenue from non-exchange transactions | 164,959,741 | (3,981,000) | 160,978,741 | 152,572,723 | (8,406,018) | |
| Total revenue | 176,638,483 | (1,396,362) | 175,242,121 | 162,349,172 | (12,892,949) | |
| Expenditure | | | | | | |
| Employee related cost | (125,587,647) | 1,050,000 | (124,537,647) | (116,524,641) | 8,013,006 | X4 |
| Remuneration of councillors/board members | (10,878,192) | (185,334) | (11,063,526) | (10,667,691) | 395,835 | X5 |
| Transfers and subsidies | (15,040,333) | 3,857,000 | (11,183,333) | (6,569,163) | 4,614,170 | X6 |
| Depreciation and amortisation | (5,897,488) | - | (5,897,488) | (4,134,149) | 1,763,339 | X7 |
| Impairment loss | - | - | - | (467,073) | (467,073) | |
| Finance costs | - | - | - | (10,000) | (10,000) | |
| Operating lease expenditure | (1,411,048) | 51,241 | (1,359,807) | (1,001,112) | 358,695 | X9 |
| Inventory consumed | (3,101,180) | (100,000) | (3,201,180) | (3,257,853) | (56,673) | X10 |
| Contracted Services | (28,455,353) | (392,669) | (28,848,022) | (15,564,763) | 13,283,259 | X11 |
| Operational cost | (24,118,997) | (525,936) | (24,644,933) | (20,138,225) | 4,506,708 | X12 |
| Total expenditure | (214,490,238) | 3,754,302 | (210,735,936) | (178,334,670) | 32,401,266 | |
| Operating deficit | (37,851,755) | 2,357,940 | (35,493,815) | (15,985,498) | 19,508,317 | |
| Loss on disposal of assets and liabilities | - | - | - | (452,274) | (452,274) | |
| Actuarial gains/losses | - | - | - | 940,854 | 940,854 | |
| | - | - | - | 488,580 | 488,580 | |
| Deficit before taxation | (37,851,755) | 2,357,940 | (35,493,815) | (15,496,918) | 19,996,897 | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (37,851,755) | 2,357,940 | (35,493,815) | (15,496,918) | 19,996,897 | |

Lejweleputswa District Municipality Consolidated
Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|---------------------|--------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | - | - | - | 457,829 | 457,829 | |
| Receivables from exchange transactions | - | - | - | 61,490 | 61,490 | |
| Receivables from non-exchange transactions | 3,670,542 | (1,330,259) | 2,340,283 | 261,496 | (2,078,787) | X13 |
| VAT receivable | - | - | - | 3,474,222 | 3,474,222 | |
| Cash and cash equivalents | 75,305,808 | (6,881,043) | 68,424,765 | 110,400,180 | 41,975,415 | X14 |
| | 78,976,350 | (8,211,302) | 70,765,048 | 114,655,217 | 43,890,169 | |
| Non-Current Assets | | | | | | |
| Property, plant and equipment | 56,817,332 | 343,241 | 57,160,573 | 53,106,837 | (4,053,736) | X15 |
| Intangible assets | 1,515,183 | (238,634) | 1,276,549 | 385,349 | (891,200) | X16 |
| | 58,332,515 | 104,607 | 58,437,122 | 53,492,186 | (4,944,936) | |
| Total Assets | 137,308,865 | (8,106,695) | 129,202,170 | 168,147,403 | 38,945,233 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Operating lease liability | - | - | - | 7,051 | 7,051 | |
| Payables from exchange transactions | (1,108,054) | 18,177,075 | 17,069,021 | 23,613,611 | 6,544,590 | X17 |
| Unspent conditional grants and receipts | - | - | - | 1,672,914 | 1,672,914 | |
| Provisions | 14,468,250 | (13,414,250) | 1,054,000 | - | (1,054,000) | |
| Long service awards | - | - | - | 597,000 | 597,000 | |
| Employee benefit obligation | - | - | - | 551,000 | 551,000 | X20 |
| | 13,360,196 | 4,762,825 | 18,123,021 | 26,441,576 | 8,318,555 | |
| Non-Current Liabilities | | | | | | |
| Employee benefit obligation | - | - | - | 15,678,000 | 15,678,000 | X22 |
| Provisions | 20,903,716 | (2,435,716) | 18,468,000 | - | (18,468,000) | |
| Long Service Awards | - | - | - | 4,292,000 | 4,292,000 | X23 |
| | 20,903,716 | (2,435,716) | 18,468,000 | 19,970,000 | 1,502,000 | |
| Total Liabilities | 34,263,912 | 2,327,109 | 36,591,021 | 46,411,576 | 9,820,555 | |
| Net Assets | 103,044,953 | (10,433,804) | 92,611,149 | 121,735,827 | 29,124,678 | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 103,044,953 | (10,433,804) | 92,611,149 | 121,735,827 | 29,124,678 | |

Lejweleputswa District Municipality Consolidated
Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

| Budget on Accrual Basis | | | | | | |
|--|----------------------|--------------------|----------------------|------------------------------------|--|-----------|
| Approved budget | | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| Figures in Rand | | | | | | |
| Controlling entity | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Proceeds from disposal of property, plant and equipment | - | - | - | 246,572 | 246,572 | |
| Operational revenue | 262,000 | 25,500 | 287,500 | 398,106 | 110,606 | X1 |
| Interest received - investment | 2,800,000 | 2,500,000 | 5,300,000 | 8,689,197 | 3,389,197 | X2 |
| Total revenue from exchange transactions | 3,062,000 | 2,525,500 | 5,587,500 | 9,333,875 | 3,746,375 | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 156,966,000 | (4,031,000) | 152,935,000 | 152,118,277 | (816,723) | X3 |
| Fines, Penalties and Forfeits | - | 50,000 | 50,000 | 50,500 | 500 | |
| Total revenue from non-exchange transactions | 156,966,000 | (3,981,000) | 152,985,000 | 152,168,777 | (816,223) | |
| Total revenue | 160,028,000 | (1,455,500) | 158,572,500 | 161,502,652 | 2,930,152 | |
| Expenditure | | | | | | |
| Employee related cost | (119,884,691) | 1,050,000 | (118,834,691) | (112,119,666) | 6,715,025 | X4 |
| Remuneration of councillors | (10,671,632) | - | (10,671,632) | (10,331,893) | 339,739 | x5 |
| Transfers and subsidies | (15,040,333) | 3,857,000 | (11,183,333) | (7,099,563) | 4,083,770 | X6 |
| Depreciation and amortisation | (5,871,349) | - | (5,871,349) | (3,912,534) | 1,958,815 | X7 |
| Impairment loss/ Reversal of impairments | - | - | - | (464,098) | (464,098) | |
| Operating lease expenditure | (1,155,429) | 51,241 | (1,104,188) | (765,317) | 338,871 | X9 |
| Inventory consumed | (2,945,826) | (100,000) | (3,045,826) | (3,213,647) | (167,821) | X10 |
| Contracted Services | (19,914,611) | (468,065) | (20,382,676) | (14,940,827) | 5,441,849 | X11 |
| General Expenses | (22,650,525) | (576,736) | (23,227,261) | (18,902,068) | 4,325,193 | X12 |
| Total expenditure | (198,134,396) | 3,813,440 | (194,320,956) | (171,749,613) | 22,571,343 | |
| Operating deficit | (38,106,396) | 2,357,940 | (35,748,456) | (10,246,961) | 25,501,495 | |
| Loss on disposal of assets and liabilities | - | - | - | (452,274) | (452,274) | |
| Actuarial gains/losses | - | - | - | 933,854 | 933,854 | |
| | - | - | - | 481,580 | 481,580 | |
| Deficit before taxation | (38,106,396) | 2,357,940 | (35,748,456) | (9,765,381) | 25,983,075 | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (38,106,396) | 2,357,940 | (35,748,456) | (9,765,381) | 25,983,075 | |

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|---------------------|--------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | - | - | - | 457,829 | 457,829 | |
| Receivables from non-exchange transactions | 3,670,542 | (1,330,259) | 2,340,283 | 261,496 | (2,078,787) | X13 |
| VAT receivable | - | - | - | -3,466,334 | 3,466,334 | |
| Cash and cash equivalents | 75,305,808 | (6,881,043) | 68,424,765 | 106,197,292 | 37,772,527 | X14 |
| | 78,976,350 | (8,211,302) | 70,765,048 | 110,382,951 | 39,617,903 | |
| Non-Current Assets | | | | | | |
| Property, plant and equipment | 56,577,332 | 343,241 | 56,920,573 | 51,998,652 | (4,921,921) | X15 |
| Intangible assets | 1,500,542 | (238,634) | 1,261,908 | 53,088 | (1,208,820) | X16 |
| Investments in controlled entities | 100 | - | 100 | 100 | - | |
| | 58,077,974 | 104,607 | 58,182,581 | 52,051,840 | (6,130,741) | |
| Total Assets | 137,054,324 | (8,106,695) | 128,947,629 | 162,434,791 | 33,487,162 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Payables from exchange transactions | (1,108,054) | 18,177,075 | 17,069,021 | 22,412,441 | 5,343,420 | X17 |
| Unspent conditional grants and receipts | - | - | - | 1,056,723 | 1,056,723 | |
| Provisions | 14,468,250 | (13,414,250) | 1,054,000 | - | (1,054,000) | |
| Long service awards | - | - | - | 597,000 | 597,000 | |
| Employee benefit obligation | - | - | - | 551,000 | 551,000 | X20 |
| | 13,360,196 | 4,762,825 | 18,123,021 | 24,617,164 | 6,494,143 | |
| Non-Current Liabilities | | | | | | |
| Employee benefit obligation | - | - | - | 15,577,000 | 15,577,000 | X22 |
| Provisions | 20,903,716 | (2,435,716) | 18,468,000 | - | (18,468,000) | |
| Long Service Awards | - | - | - | 4,292,000 | 4,292,000 | X23 |
| | 20,903,716 | (2,435,716) | 18,468,000 | 19,869,000 | 1,401,000 | |
| Total Liabilities | 34,263,912 | 2,327,109 | 36,591,021 | 44,486,164 | 7,895,143 | |
| Net Assets | 102,790,412 | (10,433,804) | 92,356,608 | 117,948,627 | 25,592,019 | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 102,790,412 | (10,433,804) | 92,356,608 | 117,948,627 | 25,592,019 | |

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2023

| Economic entity | | | | Controlling entity | |
|-----------------|---------|------|------|--------------------|------|
| Figures in Rand | Note(s) | 2023 | 2022 | 2023 | 2022 |

1. Significant account policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparations

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.3 Going concern assumption

These annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.4 Materiality

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2023

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30

June 2023

1.6 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The

useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|-------------------------------------|---------------------|---------------------|
| Land | | Not depreciated |
| Buildings and paving | Straight-line | 30-45 years |
| Plant and machinery | Straight-line | 5-20 years |
| Furniture and fixtures | Straight-line | 5-15 years |
| Motor vehicles | Straight-line | 7-14 years |
| Office equipment | Straight-line | 4-9 years |
| IT equipment | Straight-line | 3-19 years |
| Emergency equipment | Straight-line | 5-10 years |
| Other property, plant and equipment | Straight-line | 5-10 years |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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1.6 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The economic entity assesses at each reporting date whether there is any indication that the economic entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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1.7 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|--------------------|---------------------|---------------------|
| Computer software, | Straight-line | 3 years indefinite |

1.8 Investments in controlled entities

Economic entity annual financial statements

Benefits are the advantages an entity obtains from its involvement with other entities. Benefits may be financial or non-financial. The actual impact of an entity's involvement with another entity can have positive or negative aspects.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

A controlled entity is an entity that is controlled by another entity. A controlling entity is an entity that controls one or more entities.

A decision maker is an entity with decision making rights that is either a principal or an agent for other parties.

An economic entity is a controlling entity and its controlled entities.

An investment entity is an entity that obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services, has the purpose of investing funds solely for returns from capital appreciation, investment revenue, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis.

A non-controlling interest is the net assets in a controlled entity not attributable, directly or indirectly, to a controlling entity.

Power consists of existing rights that give the current ability to direct the relevant activities of another entity.

Protective rights are rights designed to protect the interest of the party holding those rights without giving that party power over the entity to which those rights relate.

Relevant activities are activities of the potentially controlled entity that significantly affect the nature or amount of the benefits that an entity receives from its involvement with that other entity.

Removal rights are rights to deprive the decision maker of its decision making authority.

Presentation of consolidated financial statements

The entity as controlling entity presents consolidated annual financial statements.

The entity as controlling entity does not present consolidated annual financial statements, due to it meeting all of the following conditions:

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Annual Financial Statements for the year ended 30

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1.8 Investments in controlled entities (continued)

- it is itself a controlled entity and the information needs of users are met by its controlling entity's consolidated annual financial statements and in the case of a partially owned controlled entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not presenting consolidated annual financial statements;
- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- it did not file, nor is it in the process of filing, its annual financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- its ultimate or any intermediate controlling entity produces annual financial statements that are available for public use and comply with the Standards of GRAP, in which controlled entities are consolidated or are measured at fair value in accordance with this Standard.

The entity as controlling entity that is an investment entity, does not present consolidated annual financial statements, due to it being required to measure all of its controlled entities at fair value.

Control

The entity determines whether it is a controlling entity by assessing whether it controls the other entity. The entity controls another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

The entity controls another entity if the entity has all three of the following elements of control:

- power over the other entity;
- exposure, or rights, to variable benefits from its involvement with the other entity; and
- the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity.

The entity considers all facts and circumstances when assessing whether it controls another entity. The entity reassesses whether it controls another entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

As an entity with decision making rights, the entity determines whether it is a principal or an agent in undertaking transactions with third parties. The entity also determines whether another entity with decision making rights is acting as an agent for the entity. An agent is a party primarily engaged to undertake transactions with third parties on behalf of and for the benefit of another party or parties (the principal(s)) and therefore does not control the other entity when it exercises its decision making authority. Thus, sometimes a principal's power may be held and exercisable by an agent, but on behalf of the principal.

Accounting requirements

The entity as controlling entity prepares consolidated annual financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Consolidation of a controlled entity begins from the date the entity obtains control of the other entity and ceases when the entity loses control of the other entity.

Consolidation procedures

Consolidated financial statements:

- Combine like items of assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity with those of its controlled entities.
- Offset (eliminate) the carrying amount of the controlling entity's investment in each controlled entity and the controlling entity's portion of net assets of each controlled entity.
- Eliminate in full intra-economic entity assets, liabilities, net assets, revenue, expenses and cash flows relating to transactions between entities of the economic entity. Intra-economic entity losses may indicate an impairment that requires recognition in the consolidated financial statements.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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Annual Financial Statements for the year ended 30 June 2023

1.9 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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1.9 Financial instruments (continued)

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|--|--|
| Other receivables from non-exchange transactions | Financial asset measured at amortised cost |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|--|
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.11 Inventories

The municipality constructs infrastructure projects, which will subsequently be transferred to local municipalities in its area of jurisdiction at no cost when the project is completed. Projects still in progress and not yet completed are disclosed as inventory. Inventory is measured at the actual costs.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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1.12 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.12 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any

reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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1.13 Impairment of non-cash-generating assets (continued)

Useful life is either:

- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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1.13 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.15 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The economic entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

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1.15 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the economic entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non- contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest and investment income

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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1.17 Provisions and contingencies (continued)

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.23 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not: receive any goods or services directly in return, as would be expected in a purchase or sale transaction; expect to be repaid in future; or

expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.24 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.25 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases

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1.25 Commitments (continued)

- approved and contracted commitments; and
- where the expenditure has been approved and the contract has been awarded at the reporting date; and where disclosure is required by a specific standard of GRAP..

1.26 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the economic entity.

The economic entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the economic entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the economic entity is exempt from the disclosures in accordance with the above, the economic entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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1.28 Events after reporting date (continued)

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 VAT

VAT

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods and services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2023 or later periods:

| Standard/ Interpretation: Years beginning on or after | Effective date: | Expected impact: |
|---|----------------------------------|--------------------------|
| • Guideline: Guideline on Accounting for Landfill Sites material impact | 01 April 2023 | Unlikely there will be a |
| • GRAP 25 (as revised): Employee Benefits material impact | 01 April 2023 | Unlikely there will be a |
| • iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction | 01 April 2023 material impact | Unlikely there will be a |
| • GRAP 104 (as revised): Financial Instruments material impact | 01 April 2025 | Unlikely there will be a |
| • iGRAP 21: The Effect of Past Decisions on Materiality material impact | 01 April 2023 | Unlikely there will be a |
| • GRAP 2020: Improvements to the standards of GRAP 2020 material impact | 01 April 2023 | Unlikely there will be a |
| • GRAP 1 (amended): Presentation of Financial Statements material impact | 01 April 2023 | Unlikely there will be a |

3. Inventories

| | | | | |
|------------------|---------|---|---------|---|
| Work in progress | 457,829 | - | 457,829 | - |
|------------------|---------|---|---------|---|

4. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | | | |
|---------------------|--------------------|--------------------|--------------------|--------------------|
| Cash on hand | 6,821 | 6,528 | 6,293 | 6,000 |
| Bank balances | 75,930,112 | 111,565,898 | 75,915,821 | 111,519,825 |
| Short-term deposits | 34,463,247 | 10,107,694 | 30,275,178 | - |
| | 110,400,180 | 121,680,120 | 106,197,292 | 111,525,825 |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2021 | 30 June 2023 | 30 June 2022 | 30 June 2021 |
| ABSA Bank - cheque account - 134000017 | 76,212,103 | 111,485,994 | 44,238,518 | 75,922,114 | 111,490,041 | 44,228,214 |
| ABSA Bank - call account - 4094767743 | - | - | 23,300,079 | - | - | 23,300,079 |
| ABSA Bank - call account - 9356355225 | - | - | 53,686,529 | - | - | 53,686,529 |
| STANDARD BANK - Fixeddeposit - 24 853 881 0- 024 | 30,000,000 | - | - | 30,275,178 | - | - |
| Nedbank current account - 1002745926 | 14,291 | 46,073 | 918,830 | 14,291 | 46,073 | 918,830 |
| Nedbank call account - 76620211301 | 4,188,069 | 10,107,694 | 9,049,273 | 4,188,069 | 10,107,694 | 9,049,273 |
| Total | 110,414,463 | 121,639,761 | 131,193,229 | 110,399,652 | 121,643,808 | 131,182,925 |

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| Figures in Rand | Economic entity | | Controlling entity | |
|--|-----------------|---------------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |
| 5. Receivables from exchange transactions | | | | |
| Accrued interest | 30,732 | 38,703 | - | - |
| Deposits | 22,900 | 22,900 | - | - |
| Sundry debtors | 7,858 | 10 | - | - |
| | 61,490 | 61,613 | - | - |

6. Receivables from non-exchange transactions

| | | | | |
|--------------------------------|----------------|---------------|----------------|---------------|
| Council receivables | 31,263,251 | 30,628,744 | 31,263,251 | 30,628,744 |
| Less: Allowance for impairment | (31,001,755) | (30,537,656) | (31,001,755) | (30,537,656) |
| | 261,496 | 91,088 | 261,496 | 91,088 |

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired

The ageing of amounts past due but not impaired is as follows:

| | | | | |
|------------------|---------|--------|---------|--------|
| 1 month past due | 261,496 | 91,088 | 261,496 | 91,088 |
|------------------|---------|--------|---------|--------|

Reconciliation of allowance for impairment

| | | | | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| Opening balance | (30,537,656) | (30,236,242) | (30,537,656) | (30,236,242) |
| Provision for impairment | (464,098) | (301,414) | (464,098) | (301,414) |
| (31,001,754) | (30,537,656) | (31,001,754) | (30,537,656) | (30,537,656) |

7. VAT receivable

| | | | | |
|-----|-----------|-----------|-----------|-----------|
| VAT | 3,474,222 | 2,102,602 | 3,466,334 | 2,084,195 |
|-----|-----------|-----------|-----------|-----------|

The carrying amount of VAT receivable approximates fair value due to its short term nature. The municipality reports to SARS on a cash basis and the amount receivables represent creditors/accruals owed by the municipality being more than VAT payable on cash receipts from customers. The input tax is claimed upon the cash payment to creditors. Output tax is paid upon cash receipts from debtors.

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8. Property, plant and equipment

| Economic entity | 2023 | | | 2022 | | |
|------------------------|---------------------|---|-------------------|---------------------|---|-------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 1,140,000 | - | 1,140,000 | 1,140,000 | - | 1,140,000 |
| Buildings | 76,231,446 | (35,202,231) | 41,029,215 | 76,008,101 | (32,832,586) | 43,175,515 |
| Plant and equipment | 5,134,890 | (530,841) | 4,604,049 | 4,544,426 | (311,120) | 4,233,306 |
| Furniture and fixtures | 7,443,218 | (5,426,547) | 2,016,671 | 7,403,246 | (5,092,264) | 2,310,982 |
| Motor vehicles | 2,189,412 | (327,541) | 1,861,871 | 3,337,272 | (735,210) | 2,602,062 |
| Office equipment | 7,929,832 | (5,960,479) | 1,969,353 | 8,146,570 | (5,710,816) | 2,435,754 |
| IT equipment | 816,339 | (346,160) | 470,179 | 651,669 | (261,045) | 390,624 |
| Emergency equipment | 58,797 | (43,298) | 15,499 | 54,443 | (38,876) | 15,567 |
| Total | 100,943,934 | (47,837,097) | 53,106,837 | 101,285,727 | (44,981,917) | 56,303,810 |

| Controlling entity | 2023 | | | 2022 | | |
|------------------------|---------------------|---|-------------------|---------------------|---|-------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 1,140,000 | - | 1,140,000 | 1,140,000 | - | 1,140,000 |
| Buildings | 76,231,446 | (35,202,231) | 41,029,215 | 76,008,101 | (32,832,586) | 43,175,515 |
| Plant and machinery | 5,134,890 | (530,841) | 4,604,049 | 4,544,426 | (311,120) | 4,233,306 |
| Furniture and fixtures | 6,688,905 | (5,088,306) | 1,600,599 | 6,679,883 | (4,826,998) | 1,852,885 |
| Motor vehicles | 2,189,412 | (327,541) | 1,861,871 | 3,337,272 | (735,210) | 2,602,062 |
| Office equipment | 7,471,144 | (5,723,666) | 1,747,478 | 7,722,582 | (5,515,430) | 2,207,152 |
| Emergency equipment | 58,797 | (43,298) | 15,499 | 54,443 | (38,876) | 15,567 |
| Total | 98,914,594 | (46,915,883) | 51,998,711 | 99,486,707 | (44,260,220) | 55,226,487 |

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2023

| | Opening balance | Additions on disposals | Disposals | Depreciation | Depreciation | Total |
|------------------------|-------------------|---------------------------|--------------------|------------------|--------------------|-------------------|
| Land | 1,140,000 | - | - | - | - | 1,140,000 |
| Buildings | 43,175,515 | 573,696 | (350,351) | 145,260 | (2,514,630) | 41,029,215 |
| Plant and machinery | 4,233,307 | 592,455 | (1,991) | 1,448 | (221,169) | 4,604,049 |
| Furniture and fixtures | 2,310,981 | 117,364 | (77,393) | 58,861 | (393,144) | 2,016,670 |
| Motor vehicles | 2,602,062 | - | (1,147,861) | 549,145 | (141,471) | 1,861,875 |
| Office equipment | 2,435,755 | 328,828 | (540,501) | 419,906 | (674,970) | 1,969,352 |
| IT equipment | 390,624 | 164,670 | - | - | (85,115) | 470,179 |
| Emergency equipment | 15,566 | 4,354 | - | - | (4,422) | 15,498 |
| | 56,303,810 | 1,781,367 | (2,118,097) | 1,174,620 | (4,034,921) | 53,106,838 |

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2022

| | Opening balance | Additions on disposals | Disposals | Depreciation | Depreciation | Total |
|------------------------|-------------------|---------------------------|--------------------|----------------|--------------------|-------------------|
| Land | 1,140,000 | - | - | - | - | 1,140,000 |
| Buildings | 45,456,458 | 239,995 | - | - | (2,520,937) | 43,175,516 |
| Plant and equipment | 628,218 | 3,736,854 | - | - | (131,765) | 4,233,307 |
| Furniture and fixtures | 2,511,376 | 228,608 | (63,536) | 48,546 | (414,013) | 2,310,981 |
| Motor vehicles | 2,449,301 | 1,530,072 | (1,731,447) | 528,072 | (173,936) | 2,602,062 |
| Office equipment | 2,759,532 | 488,855 | (420,173) | 323,135 | (715,594) | 2,435,755 |
| IT equipment | 335,540 | 137,520 | - | - | (82,436) | 390,624 |
| Emergency equipment | 19,722 | - | - | - | (4,156) | 15,566 |
| | 55,300,147 | 6,361,904 | (2,215,156) | 899,753 | (4,042,837) | 56,303,811 |

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2022

| | Opening balance | Additions on disposals | Disposals | Depreciation | Depreciation | Total |
|------------------------|-------------------|---------------------------|--------------------|------------------|--------------------|-------------------|
| Land | 1,140,000 | - | - | - | - | 1,140,000 |
| Buildings | 43,175,515 | 573,696 | (350,351) | 145,260 | (2,514,630) | 41,029,214 |
| Plant and equipment | 4,233,306 | 592,455 | (1,991) | 1,448 | (221,169) | 4,604,049 |
| Furniture and fixtures | 1,852,885 | 86,414 | (77,393) | 58,861 | (320,169) | 1,600,598 |
| Motor vehicles | 2,602,062 | - | (1,147,861) | 549,145 | (141,471) | 1,861,875 |
| Office equipment | 2,207,153 | 288,628 | (540,501) | 419,906 | (628,043) | 1,747,477 |
| Emergency equipment | 15,566 | 4,354 | - | - | (4,422) | 15,498 |
| | 55,226,487 | 1,545,547 | (2,118,097) | 1,174,620 | (3,829,904) | 51,998,711 |

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2022

| | Opening balance | Additions | Disposals | Depreciation on disposals | Depreciation | Total |
|------------------------|-------------------|------------------|--------------------|---------------------------|--------------------|-------------------|
| Land | 1,140,000 | - | - | - | - | 1,140,000 |
| Buildings | 45,456,458 | 239,995 | - | - | (2,520,937) | 43,175,516 |
| Plant and machinery | 628,218 | 3,736,854 | - | - | (131,765) | 4,233,307 |
| Furniture and fixtures | 2,180,027 | 46,508 | (63,536) | 48,546 | (358,661) | 1,852,884 |
| Motor vehicles | 2,449,301 | 1,530,072 | (1,731,447) | 528,072 | (173,936) | 2,602,062 |
| Office equipment | 2,516,101 | 442,348 | (406,315) | 323,135 | (668,116) | 2,207,153 |
| Emergency equipment | 19,722 | - | - | - | (4,156) | 15,566 |
| | 54,389,827 | 5,995,777 | (2,201,298) | 899,753 | (3,857,571) | 55,226,488 |

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

| | | | | |
|---------------------|---------|---------|---------|---------|
| Contracted services | 298,287 | 399,408 | 298,287 | 399,408 |
|---------------------|---------|---------|---------|---------|

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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9. Intangible assets

| Economic entity | 2023 | | | 2022 | | |
|-------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 2,054,627 | (1,669,278) | 385,349 | 1,922,241 | (1,583,013) | 339,228 |

| Controlling entity | 2023 | | | 2022 | | |
|--------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 1,648,459 | (1,595,371) | 53,088 | 1,596,459 | (1,515,211) | 81,248 |

Reconciliation of intangible assets - Economic entity - 2023

| | Opening balance | Additions | Disposals | Amortisation on disposal | Amortisation | Total |
|-------------------|-----------------|-----------|-----------|--------------------------|--------------|---------|
| Computer software | 339,228 | 150,879 | (8,000) | 2,469 | (99,227) | 385,349 |

Reconciliation of intangible assets - Economic entity - 2022

| | Opening balance | Disposals | Amortisation on disposal | Amortisation | Total |
|-------------------|-----------------|-------------|--------------------------|--------------|---------|
| Computer software | 549,303 | (1,554,993) | 1,475,979 | (131,061) | 339,228 |

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9. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2022

| | Opening balance | Additions | Disposals | Amortisation on disposal | Amortisation | Total |
|-------------------|-----------------|-----------|-----------|--------------------------|--------------|--------|
| Computer software | 81,248 | 60,000 | (8,000) | 2,469 | (82,629) | 53,088 |

Reconciliation of intangible assets - Controlling entity - 2022

| | Opening balance | Disposals | Amortisation on disposal | Amortisation | Total |
|-------------------|-----------------|-------------|--------------------------|--------------|--------|
| Computer software | 282,512 | (1,554,993) | 1,475,979 | (122,250) | 81,248 |

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10. Interests in other entities

Investments in controlled entities

| Economic Entity Name of company | Held by | % | | Controlling Entity | | Economic Entity | | Controlling Entity | |
|--|---|------------------------|------------------------|------------------------|------------------------|-----------------|-------------|--------------------|-------------|
| | | ownershi p interest | ownershi p interest | ownershi p interest | ownershi p interest | amount 2023 | amount 2022 | amount 2023 | amount 2022 |
| | | 2023 | 2022 | 2023 | 2022 | | | | |
| Lejwe le Putswa Development Agency | Lejweleputswa District Municipality | - % | - % | 100.00 % | 100.00 % | - | - | 100 | 100 |
| | | | | | | - | - | 100 | 100 |
| | | | | | | - | - | 100 | 100 |

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| Figures in Rand | Economic entity | | Controlling entity | |
|--|-------------------|-------------------|--------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 11. Operating lease asset (liability) | | | | |
| Current liabilities | (7,051) | - | - | - |
| 12. Payables from exchange transactions | | | | |
| Trade payables | 5,142,699 | 5,225,308 | 4,564,423 | 4,805,203 |
| Accrued leave pay | 13,041,092 | 12,244,966 | 12,620,800 | 11,910,853 |
| Accrued bonus | 4,465,685 | 4,670,008 | 4,263,083 | 4,476,973 |
| Retention | 964,135 | 417,392 | 964,135 | 417,392 |
| | 23,613,611 | 22,557,674 | 22,412,441 | 21,610,421 |

13. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan..

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates as unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by ZAQ Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- * Bonitas
- * Hosmed
- * Keyhealth
- * LA Health
- * Samwumed

The members of the post-employment health care benefit plan are made up as follows:

| | | | | |
|--|------------|------------|------------|------------|
| In service members (employees) | 126 | 125 | 126 | 125 |
| In service members (employees) non-members | 9 | 7 | 9 | 7 |
| | 135 | 132 | 135 | 132 |

Long service awards

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2023 by ZAQ Actuaries. The projected unit credit funding method has been used to determine the past - service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. We have converted the awarded leave days into a percentage of the employee's annual salary. The conversion is based on a 250 working day year.

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| Figures in Rand | Economic entity | | Controlling entity | |
|--|-------------------|-------------------|--------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 13. Employee benefit obligations (continued) | | | | |
| The amounts recognised in the statement of financial position are as follows: | | | | |
| Carrying value | | | | |
| Employee benefit obligation (non-current portion) | 15,577,000 | 14,371,000 | 15,577,000 | 14,371,000 |
| Employee benefit obligation (current portion) | 551,000 | 331,000 | 551,000 | 331,000 |
| Long service awards (non-current portion) | 4,191,000 | 4,015,000 | 4,292,000 | 4,097,000 |
| Long service awards (current portion) | 597,000 | 723,000 | 597,000 | 723,000 |
| | 20,916,000 | 19,440,000 | 21,017,000 | 19,522,000 |

Changes in the present value of the defined benefit obligation

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Opening Balance | 14,754,000 | 14,246,000 | 14,702,000 | 14,246,000 |
| Current service cost | 807,000 | 801,000 | 791,000 | 785,000 |
| Interest cost | 1,776,000 | 1,558,000 | 1,766,000 | 1,548,000 |
| Actuarial (gains) losses | (838,668) | (1,637,000) | (858,881) | (1,637,000) |
| Benefits paid | (299,432) | (240,000) | (272,119) | (240,000) |
| Net expense recognised in the statement of financial performance | 18,900 | 26,000 | - | - |
| | 16,217,800 | 14,754,000 | 16,128,000 | 14,702,000 |

Changes in the present value of the long service award obligation

| | | | | |
|--------------------------|------------------|------------------|------------------|------------------|
| Opening Balance | 4,820,000 | 4,766,000 | 4,820,000 | 4,766,000 |
| Current service cost | 517,000 | 484,000 | 517,000 | 484,000 |
| Interest cost | 484,000 | 510,000 | 484,000 | 510,000 |
| Actuarial (gains) losses | (74,973) | (117,000) | (74,973) | (117,000) |
| Benefits paid | (857,027) | (823,000) | (857,027) | (823,000) |
| | 4,889,000 | 4,820,000 | 4,889,000 | 4,820,000 |

Key assumptions used

Assumptions used at the reporting date:

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| | | | | |
|--|------------------|------------------|------------------|----------|
| Unspent conditional grants and receipts | | | | |
| Industrial Development Corporation Grant | 616,191 | 1,020,137 | - | - |
| LG SETA Grant | 27,020 | - | 27,020 | - |
| Rural Roads Asset Management Systems Grant | 636,985 | - | 636,985 | - |
| Local Government Financial Management Grant | 392,718 | - | 392,718 | - |
| | 1,672,914 | 1,020,137 | 1,056,723 | - |

Movement during the year

| | | | | |
|--------------------------------------|------------------|------------------|------------------|----------|
| Balance at the beginning of the year | 1,020,137 | 1,061,269 | - | 26,882 |
| Additions during the year | 9,131,000 | - | 9,131,000 | - |
| Income recognition during the year | (8,478,223) | (41,132) | (8,074,277) | (26,882) |
| | 1,672,914 | 1,020,137 | 1,056,723 | - |

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |

14. Unspent conditional grants and receipts (continued)

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

15. Revenue

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Proceeds from disposal of property, plant and equipment | 246,572 | 550,000 | 246,572 | 550,000 |
| Operational revenue | 398,106 | 390,966 | 398,106 | 137,650 |
| Interest received | 9,131,771 | 5,461,923 | 8,689,197 | 5,047,223 |
| Government grants & subsidies | 152,522,223 | 142,665,626 | 152,118,277 | 142,665,626 |
| Fines, Penalties and Forfeits | 50,500 | - | 50,500 | - |
| | 162,349,172 | 149,068,515 | 161,502,652 | 148,400,499 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Proceeds from disposal of property, plant and equipment | 246,572 | 550,000 | 246,572 | 550,000 |
| Operational revenue | 398,106 | 390,966 | 398,106 | 137,650 |
| Interest received | 9,131,771 | 5,461,923 | 8,689,197 | 5,047,223 |
| | 9,776,449 | 6,402,889 | 9,333,875 | 5,734,873 |

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

| | | | | |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|
| Government grants & subsidies | 152,522,223 | 142,665,626 | 152,118,277 | 142,665,626 |
| Fines, Penalties and Forfeits | 50,500 | - | 50,500 | - |
| | 152,572,723 | 142,665,626 | 152,168,777 | 142,665,626 |

16. Proceeds from disposal of property, plant and equipment

| | | | | |
|--|---------|---------|---------|---------|
| Trade-in allowance and sale of property, plant and equipment | 246,572 | 550,000 | 246,572 | 550,000 |
|--|---------|---------|---------|---------|

17. Operational revenue

| | | | | |
|---------------------|----------------|----------------|----------------|----------------|
| Tender income | - | 253,316 | - | - |
| Commission received | 120,513 | 66,796 | 120,513 | 66,796 |
| Sale of Goods | - | 1,409 | - | 1,409 |
| Insurance claim | 39,360 | 21,199 | 39,360 | 21,199 |
| Sundry income | 238,233 | 48,246 | 238,233 | 48,246 |
| | 398,106 | 390,966 | 398,106 | 137,650 |

18. Investment revenue

Interest revenue

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Interest received - investments and cash equivalents | 8,764,427 | 5,121,606 | 8,321,853 | 4,706,906 |
| Interest received - trading | 367,344 | 340,317 | 367,344 | 340,317 |
| | 9,131,771 | 5,461,923 | 8,689,197 | 5,047,223 |

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| | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| Figures in Rand | 2023 | 2022 | 2023 | 2022 |

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| Figures in Rand | Economic entity | | Controlling entity | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 19. Government grants & subsidies | | | | |
| Operating grants | | | | |
| Equitable share | 144,044,000 | 138,020,000 | 144,044,000 | 138,020,000 |
| Expanded Public Works Programme Grant | 1,265,000 | 1,178,000 | 1,265,000 | 1,178,000 |
| Local Government Financial Management Grant | 607,282 | 1,000,000 | 607,282 | 1,000,000 |
| Rural Roads Asset Management Systems Grant | 1,804,015 | 2,332,000 | 1,804,015 | 2,332,000 |
| LG SETA Grant | 397,980 | 135,626 | 397,980 | 135,626 |
| Energy Efficiency Demand Side Management Grant | 4,000,000 | - | 4,000,000 | - |
| Industrial Development Corporation Grant | 403,946 | - | - | - |
| | 152,522,223 | 142,665,626 | 152,118,277 | 142,665,626 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | | | |
|-------------------------------|--------------------|--------------------|---|---|
| Conditional grants received | 8,478,223 | 4,659,876 | - | - |
| Unconditional grants received | 144,044,000 | 138,020,000 | - | - |
| | 152,522,223 | 142,679,876 | - | - |

Industrial Development Corporation Grant

| | | | | |
|---|----------------|------------------|---|---|
| Balance unspent at beginning of year | 1,020,137 | 1,020,137 | - | - |
| Conditions met - transferred to revenue | (403,946) | - | - | - |
| | 616,191 | 1,020,137 | - | - |

Conditions still to be met - remain liabilities (see note 14).

The Industrial Development Corporation funds Lejwe Le Putswa Agency and its operations, this includes salaries and projects. The grant received will assist the entity in fulfilling its mandate to sustain the development of the district's economy.

Energy Efficiency and Demand-Side Management Grant

| | | | | |
|---|-------------|---|-------------|---|
| Current-year receipts | 4,000,000 | - | 4,000,000 | - |
| Conditions met - transferred to revenue | (4,000,000) | - | (4,000,000) | - |
| | - | - | - | - |

Conditions still to be met - remain liabilities (see note 14).

The purpose of the EEDSM Grant is to implement energy efficiency and demand-side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Expanded Public Works Programme Grant

| | | | | |
|---|-------------|-------------|-------------|-------------|
| Current-year receipts | 1,265,000 | 1,178,000 | 1,265,000 | 1,178,000 |
| Conditions met - transferred to revenue | (1,265,000) | (1,178,000) | (1,265,000) | (1,178,000) |
| | - | - | - | - |

Conditions still to be met - remain liabilities (see note 14).

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|-----------------|-----------------|------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |

19. Government grants & subsidies (continued)

The purpose of the grant is, to incentivise municipalities to expand work creation efforts through the use of labour-intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.

W&R SETA

| | | | | |
|---|---|---|---|----------|
| Balance unspent at beginning of year | - | - | - | 14,250 |
| Conditions met - transferred to revenue | - | - | - | (14,250) |
| - | - | - | - | - |

Conditions still to be met - remain liabilities (see note 14).

Provide explanations of conditions still to be met and other relevant information.

LG SETA Grant

| | | | | |
|---|---------------|---|---------------|---|
| Current-year receipts | 425,000 | - | 425,000 | - |
| Conditions met - transferred to revenue | (397,980) | - | (397,980) | - |
| | 27,020 | - | 27,020 | - |

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to facilitate growth and performance of the local government sector. Expand employment opportunities in the local government sector to adapt to changes in the economy and needs of the country through skills development.

Rural Roads Asset Management Systems Grant

| | | | | |
|---|----------------|-------------|----------------|-------------|
| Current-year receipts | 2,441,000 | 2,332,000 | 2,441,000 | 2,332,000 |
| Conditions met - transferred to revenue | (1,804,015) | (2,332,000) | (1,804,015) | (2,332,000) |
| | 636,985 | - | 636,985 | - |

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is, to assist district municipalities to set up rural roads asset management systems, and collect road, bridges and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa..

Local Government Financial Management Grant

| | | | | |
|---|----------------|-------------|----------------|-------------|
| Current-year receipts | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Conditions met - transferred to revenue | (607,282) | (1,000,000) | (607,282) | (1,000,000) |
| | 392,718 | - | 392,718 | - |

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

20. Fines, Penalties and Forfeits

| | | | | |
|--------------|--------|---|--------|---|
| Sundry Fines | 50,500 | - | 50,500 | - |
|--------------|--------|---|--------|---|

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| Figures in Rand | Economic entity | | Controlling entity | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 21. Employee related costs | | | | |
| Bargaining council | 20,174 | 18,530 | 20,174 | 18,531 |
| Basic | 66,991,724 | 62,887,167 | 63,810,001 | 58,938,428 |
| Bonus - 13th cheque | 5,344,446 | 6,548,084 | 5,110,954 | 6,327,160 |
| Cellphone allowance | 298,233 | 269,620 | 286,233 | 257,620 |
| Contribution to Pension and Provident funds | 11,298,679 | 10,146,611 | 10,774,345 | 9,652,762 |
| Defined contribution plans | 2,557,000 | 2,475,473 | 2,557,000 | 2,475,473 |
| Group life insurance | 1,537,579 | 923,718 | 1,537,579 | 923,718 |
| Housing benefits and allowances | 586,458 | 576,449 | 534,985 | 534,290 |
| Leave pay provision charge | 3,827,071 | 1,688,282 | 3,686,281 | 1,579,772 |
| Long-service awards | 1,017,000 | 748,935 | 1,001,000 | 748,934 |
| Medical aid - company contributions | 5,666,161 | 4,924,466 | 5,442,477 | 4,720,720 |
| Overtime payments | 121,640 | 27,802 | 121,640 | 27,802 |
| Standby allowance | 774,464 | 950,938 | 774,464 | 950,938 |
| Travel allowance | 12,017,510 | 10,656,828 | 12,017,510 | 10,656,828 |
| UIF | 366,425 | 357,318 | 344,946 | 333,947 |
| Senior management | 4,100,077 | 7,013,489 | 4,100,077 | 7,013,489 |
| | 116,524,641 | 110,213,710 | 112,119,666 | 105,160,412 |

Remuneration of Municipal Manager

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Annual Remuneration | 112,205 | 831,982 | 112,205 | 831,982 |
| Car Allowance | 19,246 | 238,929 | 19,246 | 238,929 |
| Performance Bonuses | 16,420 | 194,129 | 16,420 | 194,129 |
| Contributions to UIF, Medical and Pension Funds | 14,198 | 162,394 | 14,198 | 162,394 |
| Cellphone Allowance | 3,000 | 36,000 | 3,000 | 36,000 |
| Housing Allowance | 7,000 | 84,000 | 7,000 | 84,000 |
| Acting Allowance and other payments | 281,003 | 82,098 | 281,003 | 82,098 |
| Bonus - 13th Cheque | 5,778 | 69,332 | 5,778 | 69,332 |
| 13th cheque provision | - | 63,554 | - | 63,554 |
| | 458,850 | 1,762,418 | 458,850 | 1,762,418 |

Me Kaota's contracted expired on 31 July 2022.

Mr Makhetha acted from 1 August 2022 to 31 October 2022. Mr Makhetha acted from April 2023 until May 2023

Mr Kupiso acted from November 2022 to March 2023

Mr More has been acting from June 2023

Remuneration of Chief Finance Officer

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Annual Remuneration | 470,892 | 850,097 | 470,892 | 850,097 |
| Car Allowance | 33,349 | 67,365 | 33,349 | 67,365 |
| Performance Bonuses | 80,533 | 158,685 | 80,533 | 158,685 |
| Contributions to UIF, Medical and Pension Funds | 108,333 | 216,001 | 108,333 | 216,001 |
| Cellphone Allowance | 15,000 | 30,000 | 15,000 | 30,000 |
| Acting Allowance and other payments | 80,481 | 20,039 | 80,481 | 20,039 |
| | 788,588 | 1,342,187 | 788,588 | 1,342,187 |

Mr Pitso's contract expired on 31 December 2022

Me Memane acted from December 2022 to April 2023

Mr Tsoaeli has been acting from June 2023

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|---|-----------------|------------------|--------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 21. Employee related costs (continued) | | | | |
| Remuneration of Manager Corporate Services | | | | |
| Annual Remuneration | 153,522 | 674,583 | 153,522 | 674,583 |
| Car Allowance | 20,000 | 120,000 | 20,000 | 120,000 |
| Performance Bonuses | 26,844 | 158,685 | 26,844 | 158,685 |
| Contributions to UIF, Medical and Pension Funds | 30,233 | 166,785 | 30,233 | 166,785 |
| Cellphone allowance | 3,000 | 18,000 | 3,000 | 18,000 |
| Housing Allowance | 15,886 | 109,927 | 15,886 | 109,927 |
| Acting Allowance and other payments | 93,561 | 13,250 | 93,561 | 13,250 |
| Bonus | 9,446 | 56,673 | 9,446 | 56,673 |
| 13th Cheque Provision | - | 51,950 | - | 51,950 |
| | 352,492 | 1,369,853 | 352,492 | 1,369,853 |

Me Mahlangu resigned in August 2022

Mr Petersen acted from November 2022 to March 2023

Me Malapane has been acting from April 2023

Remuneration of Manager Environmental Health and Disaster Management

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Annual Remuneration | 653,663 | 613,336 | 653,663 | 613,336 |
| Car Allowance | 116,367 | 117,453 | 116,367 | 117,453 |
| Performance Bonuses | 145,258 | 143,112 | 145,258 | 143,112 |
| Contributions to UIF, Medical and Pension Funds | 191,771 | 180,326 | 191,771 | 180,326 |
| Cellphone Allowance | 13,109 | 18,000 | 13,109 | 18,000 |
| Housing Allowance | 60,000 | 60,000 | 60,000 | 60,000 |
| Bonus | 42,699 | 51,111 | 42,699 | 51,111 |
| 13th Cheque Provision | 8,646 | 8,519 | 8,646 | 8,519 |
| | 1,231,513 | 1,191,857 | 1,231,513 | 1,191,857 |

Remuneration of Manager - Local Economic Development and Tourism

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Annual Remuneration | 665,058 | 680,078 | 665,058 | 680,078 |
| Car Allowance | 129,939 | 144,373 | 129,939 | 144,373 |
| Performance Bonuses | 147,643 | 158,685 | 147,643 | 158,685 |
| Contributions to UIF, Medical and Pension Funds | 188,854 | 192,339 | 188,854 | 192,339 |
| Cellphone Allowance | 16,500 | 18,000 | 16,500 | 18,000 |
| Housing Allowance | 55,000 | 60,000 | 55,000 | 60,000 |
| Bonus | 52,659 | 56,673 | 52,659 | 56,673 |
| Acting Allowance | 12,804 | 8,687 | 12,804 | 8,687 |
| 13th Cheque Provision | - | 28,337 | - | 28,337 |
| | 1,268,457 | 1,347,172 | 1,268,457 | 1,347,172 |

Mr Makhetha's contract expired on 31 May 2023

Mr Musapelo has been acting from June 2023

Remuneration of Chief Executive Officer - Agency

| | | | | |
|---------------------|----------------|------------------|----------|----------|
| Annual Remuneration | - | 766,670 | - | - |
| Leave Pay | - | 180,566 | - | - |
| Acting Allowance | 156,775 | 134,719 | - | - |
| | 156,775 | 1,081,955 | - | - |

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |

21. Employee related costs (continued)

Mr Mnguni resigned and received last payment on 31 March 2022 Mr

Makheta acted from 1 July 2021 - 31 July 2022

Mr Kupiso acted from 1 August 2022 - 30 October 2022

Mr Skele acted from 1 November 2022 - 31 May 2023. Adv Mofokeng started acting from 1 June 2023

Remuneration of Finance Manager - Agency

| | | | | |
|---|------------------|----------------|---|---|
| Annual Remuneration | 549,774 | 518,186 | - | - |
| Car Allowance | 219,047 | 205,436 | - | - |
| 13th Cheque | 43,976 | 42,198 | - | - |
| Contributions to UIF, Medical and Pension Funds | 155,215 | 140,778 | - | - |
| Housing Allowance | 4,753 | 4,753 | - | - |
| Cellphone Allowance | 6,000 | 6,000 | - | - |
| Leave pay | 30,787 | 25,156 | - | - |
| 5 years service bonus | - | 10,481 | - | - |
| Back pay | - | 5,908 | - | - |
| Other payments | - | 3,000 | - | - |
| | 1,009,552 | 961,896 | - | - |

22. Remuneration of councillors/board members

| | | | | |
|---------------------------|-------------------|------------------|-------------------|------------------|
| Executive Mayor | 963,092 | 896,063 | 963,092 | 896,063 |
| Board Members | 335,799 | 268,207 | - | - |
| Mayoral Committee Members | 4,423,831 | 4,219,599 | 4,423,831 | 4,219,599 |
| Speaker | 719,823 | 721,122 | 719,823 | 721,122 |
| Councillors | 4,225,147 | 3,785,839 | 4,225,147 | 3,785,839 |
| | 10,667,692 | 9,890,830 | 10,331,893 | 9,622,623 |

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

23. Transfer and subsidies

| | | | | |
|--|------------------|------------------|------------------|-------------------|
| Allocation in kind: Development Agency | - | - | 30,400 | 711,488 |
| Allocation in kind: Households | 2,185,735 | 1,698,109 | 2,185,735 | 1,698,109 |
| Allocation in kind: Local Municipalities | 3,996,212 | - | 3,996,212 | - |
| Allocation in kind: Private enterprises | 387,217 | 629,108 | 387,217 | 629,108 |
| Monetary allocation: Development Agency | - | - | 500,000 | 9,103,072 |
| | 6,569,164 | 2,327,217 | 7,099,564 | 12,141,777 |

24. Depreciation and amortisation

| | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|
| Property, plant and equipment | 4,034,922 | 4,042,837 | 3,829,905 | 3,857,572 |
| Intangible assets | 99,227 | 131,061 | 82,629 | 122,250 |
| | 4,134,149 | 4,173,898 | 3,912,534 | 3,979,822 |

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| Figures in Rand | Economic entity | | Controlling entity | |
|---|-------------------|-------------------|--------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 25. Impairment of assets | | | | |
| Impairments | | | | |
| Trade and other receivables | 467,073 | 301,414 | 464,098 | 301,414 |
| 26. Operating lease expenditure | | | | |
| Premises | | | | |
| Contractual amounts | 235,795 | 199,464 | - | - |
| Equipment | | | | |
| Contractual amounts | 765,317 | 785,064 | 765,317 | 785,064 |
| | 1,001,112 | 984,528 | 765,317 | 785,064 |
| 27. Finance costs | | | | |
| Other interest paid | 10,000 | - | - | - |
| 28. Inventory consumed | | | | |
| Printing, stationery, personal protective equipment and cleaning material | 3,257,853 | 1,821,098 | 3,213,647 | 1,492,787 |
| 29. Contracted services | | | | |
| Outsourced Services | | | | |
| Administrative and Support Staff | 350,000 | 371,000 | 350,000 | 371,000 |
| Cleaning Services | 589,758 | 20,724 | 588,858 | 20,724 |
| Litter Picking and Street Cleaning | 2,874,994 | 1,889,376 | 2,874,994 | 1,889,376 |
| Consultants and Professional Services | | | | |
| Business and Advisory | 949,280 | 2,082,656 | 822,300 | 2,017,181 |
| Infrastructure and Planning | 1,804,015 | 2,332,000 | 1,804,015 | 2,332,000 |
| Laboratory Services | 107,598 | 275,587 | 107,598 | 275,587 |
| Legal Cost | 3,620,315 | 2,703,131 | 3,425,815 | 1,900,356 |
| Contractors | | | | |
| Accounting fees | 120,000 | 115,450 | - | - |
| Artists and Performers | 27,500 | - | 27,500 | - |
| Catering Services | 2,926,578 | 1,179,294 | 2,859,255 | 1,179,294 |
| Development costs | 42,503 | 1,192,036 | - | - |
| Employee Wellness | 62,211 | 50,750 | 62,211 | 50,750 |
| Event Promoters | 32,000 | - | 32,000 | - |
| Interior Decorator | 71,730 | 253,130 | - | - |
| Maintenance of Buildings and Facilities | 135,860 | 253,266 | 135,860 | 253,266 |
| Maintenance of Equipment | 162,427 | 146,143 | 162,427 | 146,143 |
| Photographer | - | 1,500 | - | 1,500 |
| Plants, Flowers and Other Decorations | 75,488 | 152,325 | 75,488 | 152,325 |
| Transportation | 936,872 | 568,912 | 936,872 | 568,912 |
| Safeguard and Security | 675,634 | 538,205 | 675,634 | 538,205 |
| | 15,564,763 | 14,125,485 | 14,940,827 | 11,696,619 |

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------------------------|-------------------|-------------------|--------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 30. Operational cost | | | | |
| Advertising | 1,100,889 | 762,018 | 642,712 | 667,613 |
| Auditors remuneration | 3,307,524 | 3,904,360 | 2,902,236 | 3,473,896 |
| Bank charges | 101,757 | 93,812 | 93,245 | 80,579 |
| Bursaries | 574,756 | 152,338 | 574,756 | 149,940 |
| Cleaning | - | 1,080 | - | 1,080 |
| Communication | 235,004 | 247,714 | 211,559 | 227,509 |
| Entertainment | 445,663 | 348,630 | 445,663 | 348,630 |
| External computer services | 1,282,136 | 1,076,000 | 1,282,136 | 1,076,000 |
| Fuel and oil | 694,940 | 416,633 | 694,940 | 416,633 |
| Hire | 2,450,449 | 829,700 | 2,450,449 | 829,700 |
| Insurance | 990,564 | 738,216 | 951,882 | 705,321 |
| Internet charges | 48,543 | 36,666 | - | - |
| Learnerships and internships | 1,887,689 | 1,839,444 | 1,887,689 | 1,839,444 |
| Licence and permits | - | 1,218 | - | 1,218 |
| Licence and registration fees | 130 | - | 130 | - |
| License | 62,639 | 27,780 | 62,639 | 21,108 |
| Municipal services | 962,517 | 761,402 | 878,159 | 675,584 |
| Office décor | 39,000 | - | - | - |
| Printing and publications | - | 28,000 | - | 28,000 |
| Registration fees | 172,368 | 126,316 | 172,368 | 126,316 |
| Skills development levy | 1,149,000 | 1,078,937 | 1,110,533 | 1,032,318 |
| Subscriptions and membership fees | 1,134,903 | 1,087,928 | 1,134,903 | 1,087,928 |
| Travel and subsistence | 2,940,443 | 1,653,245 | 2,848,758 | 1,632,331 |
| Uniforms | 11,054 | - | 11,054 | - |
| Website development | - | 5,000 | - | - |
| Workmens Compensation Fund | 546,257 | 549,780 | 546,257 | 549,780 |
| | 20,138,225 | 15,766,217 | 18,902,068 | 14,970,928 |

31. Related parties

| | |
|---------------------------|-------------------------------------|
| Relationships | |
| Controlling entity | Lejweleputswa District Municipality |
| Controlled entities | Refer to note 10 |
| Members of key management | Refer to note 21 |

Remuneration of management Management

class: Board members

Refer to note "Remuneration of councillors/board members"

Management class: Councillors

Refer to note "Remuneration of councillors/board members"

Management class: Executive management

*Refer to note "Employee related costs"

32. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2023

Financial assets

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| Figures in Rand | Economic entity | | Controlling entity | |
|---|-----------------|------|--------------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 32. Financial instruments disclosure (continued) | | | | |
| | | | At amortised cost | Total |
| Trade and other receivables from exchange transactions | | | 61,490 | 61,490 |
| Other receivables from non-exchange transactions | | | 261,496 | 261,496 |
| Cash and cash equivalents | | | 110,400,180 | 110,400,180 |
| | | | 110,723,166 | 110,723,166 |
| Financial liabilities | | | | |
| | | | At amortised cost | Total |
| Trade and other payables from exchange transactions | | | 23,933,177 | 23,933,177 |
| Economic entity - 2022 | | | | |
| Financial assets | | | | |
| | | | At amortised cost | Total |
| Trade and other receivables from exchange transactions | | | 91,088 | 91,088 |
| Other receivables from non-exchange transactions | | | 61,613 | 61,613 |
| Cash and cash equivalents | | | 121,680,120 | 121,680,120 |
| | | | 121,832,821 | 121,832,821 |
| Financial liabilities | | | | |
| | | | At amortised cost | Total |
| Trade and other payables from exchange transactions | | | 23,295,362 | 23,295,362 |
| Controlling entity - 2022 | | | | |
| Financial assets | | | | |
| | | | At amortised cost | Total |
| Other receivables from non-exchange transactions | | | 261,496 | 261,496 |
| Cash and cash equivalents | | | 106,197,292 | 106,197,292 |
| | | | 106,458,788 | 106,458,788 |
| Financial liabilities | | | | |
| | | | At amortised cost | Total |
| Trade and other payables from exchange transactions | | | 21,327,975 | 21,327,975 |
| Controlling entity - 2022 | | | | |
| Financial assets | | | | |
| | | | At amortised cost | Total |
| Other receivables from non-exchange transactions | | | 91,088 | 91,088 |
| Cash and cash equivalents | | | 111,525,825 | 111,525,825 |

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| Figures in Rand | Economic entity | | Controlling entity | |
|--|--------------------|--------------------|--------------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 32. Financial instruments disclosure (continued) | | | 111,616,913 | 111,616,913 |
| Financial liabilities | | | At amortised cost | Total |
| Trade and other payables from exchange transactions | | | 21,610,421 | 21,610,421 |
| 33. Cash used in operations | | | | |
| Deficit | (15,504,918) | (9,545,736) | (9,765,380) | (10,750,491) |
| Adjustments for: | | | | |
| Depreciation and amortisation | 4,134,149 | 4,173,899 | 3,912,534 | 3,979,822 |
| Gain on sale of assets and liabilities | 452,274 | 763,852 | 452,274 | 753,544 |
| Interest received: non cash | 367,344 | 326,858 | 367,344 | 326,858 |
| Impairment | 467,073 | 301,414 | 464,098 | 301,414 |
| Movements in operating lease assets and accruals | 7,051 | (15,537) | - | - |
| Movements in retirement benefit assets and liabilities | 1,445,000 | 456,000 | 1,426,000 | 456,000 |
| Movement in long service awards | (69,000) | 54,000 | (69,000) | 54,000 |
| Non-cash journals | 829,163 | - | 829,163 | - |
| Current service cost | (1,308,000) | (1,269,000) | (1,308,000) | (1,269,000) |
| Actuarial gain or loss | 933,854 | 1,754,000 | 933,854 | 1,754,000 |
| Non-cash:Net income (losses) recognised directly in net assets | 162,769 | (540,232) | 162,769 | (554,475) |
| Changes in working capital: | | | | |
| Inventories | (457,829) | - | (457,829) | - |
| Receivables from exchange transactions | (2,852) | 141,694 | - | - |
| Other receivables from non-exchange transactions | (170,408) | 413,578 | (170,408) | 413,578 |
| Payables from exchange transactions | 1,055,937 | (519,649) | 802,020 | 456,564 |
| VAT | (1,371,620) | 883,781 | (1,382,139) | 891,966 |
| Unspent conditional grants and receipts | 652,777 | (14,250) | 1,056,723 | - |
| | (8,377,236) | (2,635,328) | (2,745,977) | (3,186,220) |

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| Figures in Rand | Economic entity | | Controlling entity | |
|--|-------------------|------------------|--------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| 34. Commitments | | | | |
| Authorised expenditure | | | | |
| Already contracted for but not provided for | | | | |
| • Komatsu | - | 1,397,250 | - | 1,397,250 |
| • Phatsimo Management Consultants | - | 988,329 | - | 988,329 |
| • KKMT Construction | 264,800 | - | 264,800 | - |
| • Intangible assets | 230,000 | - | 230,000 | - |
| • Calandra Trading | 3,180,176 | - | 3,180,176 | - |
| • Awali Engineering | 6,398,025 | - | 6,398,025 | - |
| • Pokomane Trading | 1,109,403 | - | 1,109,403 | - |
| • Kunene Makopo Risk Solutions | 454,082 | - | 454,082 | - |
| • Down N12 Trading | 76,798 | - | 76,798 | - |
| • Phenyo and Boitumelo Projects | 421,651 | - | 421,651 | - |
| | 12,134,935 | 2,385,579 | 12,134,935 | 2,385,579 |
| Total commitments | | | | |
| Already contracted for but not provided for | 12,134,935 | 2,385,579 | 12,134,935 | 2,385,579 |

This committed expenditure relates to plant, equipment and services and will be financed by existing cash resources and funds internally generated.

Operating leases - as lessee (expense)

Minimum lease payments due

| | | | | |
|-------------------------------------|----------------|---|---|---|
| - within one year | 244,538 | - | - | - |
| - in second to fifth year inclusive | 366,806 | - | - | - |
| | 611,344 | - | - | - |

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

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|-----------------|-----------------|------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |

35. Contingencies

Litigation is in process where a claim for damages was instituted against Lejweleputswa District Municipality in respect of damages to their vehicle resulting from a pothole. The potential liability is R36 182.

An application was received from the Department of Labour for non-compliance with the Employment Equity Act. The potential liability is R1 300 000

Litigation is in process for defamation of character. The potential liability is R400 000. Two employees are claiming overtime. The potential liability is R 431 318.

Litigation is in process where a claim for damages was instituted against Masilonyana Local Municipality and Lejweleputswa District Municipality in respect of damages resulting from a fire. LDM is being sued as a second defendant. The potential liability is R579 783

Litigation is in process where a claim for unpaid invoice. The potential liability is R500 000.

A civil matter was raised against the Agency, the District municipality is to defend the Agency. The potential liability is R1 000 000.

A litigation is in process where a claim for unpaid invoices was instituted by a supplier against the agency. The potential liability is R 1 761 472..

Nature of litigations

| | | | | |
|-------------------------|------------------|------------------|------------------|------------------|
| Labour claims | 431,318 | 3,165,515 | 431,318 | 3,165,515 |
| Public liability claims | 1,579,783 | 2,297,654 | 1,579,783 | 536,182 |
| | 2,011,101 | 5,463,169 | 2,011,101 | 3,701,697 |

36. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Economic entity - 2022

| | Note | As previously reported | Correction of error | Restated |
|-------------------------------------|------|------------------------|---------------------|------------|
| Property, plant and equipment | 8 | 56,245,307 | 60,328 | 56,305,635 |
| Intangible assets | 9 | 339,102 | 126 | 339,228 |
| Payables from exchange transactions | 12 | 22,275,227 | 282,463 | 22,557,690 |
| Long service awards - Non current | 13 | 4,015,000 | - | 4,015,000 |

Controlling entity - 2022

| | Note | As previously reported | Correction of error | Restated |
|-------------------------------------|------|------------------------|---------------------|------------|
| Property, plant and equipment | 8 | 55,172,582 | 53,905 | 55,226,487 |
| Payables from exchange transactions | 12 | 21,327,975 | 282,463 | 21,610,438 |

Statement of financial performance

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |

36. Prior-year adjustments (continued)

Controlling entity - 2022

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|-------------------------------|------|------------------------|---------------------|-------------------|--------------|
| Depreciation and Amortisation | 24 | (4,249,128) | 75,229 | - | (4,173,899) |
| Contracted services | 29 | (11,105,105) | (192,106) | (399,408) | (11,696,619) |
| Operational cost | 30 | (15,279,979) | (90,357) | 399,408 | (14,970,928) |

Controlling entity - 2022

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|-------------------------------|------|------------------------|---------------------|-------------------|--------------|
| Depreciation and Amortisation | 24 | (4,033,727) | 53,905 | - | (3,979,822) |
| Contracted services | 29 | (11,105,105) | (192,106) | (399,408) | (11,696,619) |
| Operational cost | 30 | (15,279,979) | (90,357) | 399,408 | (14,970,928) |

Errors

Property, plant and equipment:

Accumulated depreciation was restated due to correction of depreciation charge in the prior period

Payables from exchange transactions:

Invoices received after the AFS were finalised and had to be accounted for in the period they occurred in

Depreciation and amortisation

Restated due to correction of asset useful life in the prior period

Contracted services

Reclassified expenditure to the correct nature. Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

Operational expenditure

Reclassified expenditure to the correct nature. Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

Employee related cost

Restated due to correction of long service award valuation

37. Risk management Financial

risk management

The economic entity's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk..

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

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|-----------------|-----------------|------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |

37. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Cash and cash equivalents and investments - the municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa. The municipality does not expect any counterparty to fail to meet its obligation.

Receivables from non-exchange transactions - management evaluated credit risk relating to customers on an ongoing basis. If there is no independent rating, risk control assess the credit quality of the customer, taking into account its financial position, past experience and other factors.

Market risk Interest

rate risk

The municipality has significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The risk is managed on an on-going basis.

38. Going concern

We draw attention to the fact that at 30 June 2023, the economic entity had an accumulated surplus (deficit) of R 121,735,827 and that the economic entity's total assets exceed its liabilities by R 121,735,827.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the economic entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the economic entity.

39. Unauthorised expenditure

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Opening balance as previously reported | 2,912,252 | 2,912,252 | 2,912,252 | 2,912,252 |
|--|-----------|-----------|-----------|-----------|

The municipality did not incur unauthorised expenditure during the financial year

40. Irregular expenditure

| | | | | |
|---|-------------------|-------------------|-------------------|------------------|
| Opening balance as previously reported | 13,325,088 | 16,628,200 | 6,046,903 | 10,949,679 |
| Add: Irregular expenditure - current | 19,108,643 | 7,470,844 | 18,693,897 | 5,966,166 |
| Add: Irregular expenditure - prior period | - | 94,986 | - | - |
| Less: Amount written off - current | - | (10,868,942) | - | (10,868,942) |
| Closing balance | 32,433,731 | 13,325,088 | 24,740,800 | 6,046,903 |

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| Figures in Rand | Economic entity | | Controlling entity | |
|--|-----------------|---------------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |
| 40. Irregular expenditure (continued) | | | | |
| Incurred during the year | | | | |
| The municipality incurred irregular expenditure as a result of non-compliance with the supply chain management processes. | | | | |
| Irregular expenditure is disclosed inclusive of VAT | | | | |
| Council has referred all instances of reported irregular expenditure to the Municipal Public Accounts Committee for investigation. | | | | |
| 41. Fruitless and wasteful expenditure | | | | |
| Opening balance as previously reported | 40,170 | 40,486 | - | - |
| Add: Fruitless and wasteful expenditure identified - current | 13,370 | - | - | - |
| Less: Amount recovered - current | (2,537) | (316) | - | - |
| Closing balance | 51,003 | 40,170 | - | - |

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| Figures in Rand | Economic entity | | Controlling entity | |
|---|-----------------|----------|--------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| 41. Fruitless and wasteful expenditure (continued) | | | | |
| Details of fruitless and wasteful expenditure | | | | |
| Penalties and interest | 10,395 | - | - | - |
| Overpayment to director | 2,975 | - | - | - |
| | 13,370 | - | - | - |

Amount recovered

An amount of R2 537 has been recovered during the year from the employee who's responsibility it was to submit and pay SARS.

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | | | |
|---------------------------------|-------------|-------------|-------------|-------------|
| Current year subscription / fee | 1,070,621 | 1,040,323 | 1,070,621 | 1,040,323 |
| Amount paid - current year | (1,070,621) | (1,040,323) | (1,070,621) | (1,040,323) |
| | - | - | - | - |

Audit fees

| | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|
| Opening balance | 274,204 | - | 274,204 | - |
| Current year subscription / fee | 3,307,464 | 3,904,380 | 2,902,236 | 3,473,896 |
| Amount paid - current year | (3,092,892) | (3,630,176) | (2,687,664) | (3,199,692) |
| Amount paid - previous years | (274,204) | - | (274,204) | - |
| | 214,572 | 274,204 | 214,572 | 274,204 |

Unpaid fees for prior year and current year due to the municipality receiving the invoices after the financial year was closed.

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| Figures in Rand | Economic entity | | Controlling entity | |
|---|-----------------|--------------|--------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| 42. Additional disclosure in terms of Municipal Finance Management Act (continued) | | | | |
| PAYE, SDL and UIF | | | | |
| Current year subscription / fee | 23,512,204 | 21,871,159 | 22,642,146 | 20,865,934 |
| Amount paid - current year | (23,512,204) | (21,871,159) | (22,642,146) | (20,865,934) |
| | - | - | - | - |
| Pension and Medical Aid Deductions | | | | |
| Current year subscription / fee | 28,133,210 | 25,324,519 | 28,133,210 | 25,324,519 |
| Amount paid - current year | (28,133,210) | (25,324,519) | (28,133,210) | (25,324,519) |
| | - | - | - | - |
| VAT | | | | |
| VAT receivable | 3,474,222 | 2,994,568 | 3,466,334 | 2,976,161 |

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process. Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Reason for deviation

| | | | | |
|---|----------------|----------------|----------------|----------------|
| (i) An emergency | - | 243,750 | - | 243,750 |
| (ii) Goods and services are produced by a sole supplier | 147,620 | - | 147,620 | - |
| (v) Exceptional circumstance where it was impractical or impossible to follow the procurement process | 59,682 | 288,730 | 59,682 | 288,730 |
| | 207,302 | 532,480 | 207,302 | 532,480 |

Bid awards over R2,000 to close family members in service of the state

In terms of Regulation 45 of the Municipal Supply Chain Management Regulations, awards above R2 000 were made to the below companies whose directors have spouses, children or parents in service of the state.

Details

| | | | | |
|---|----------------|------------------|----------------|------------------|
| Chav 814-Solutions (The father of the director works for the state) | - | 92,305 | - | 92,305 |
| Finger Attorneys (Spouse of the director works for the state) | 786,788 | 2,689,340 | 786,788 | 2,689,340 |
| | 786,788 | 2,781,645 | 786,788 | 2,781,645 |

43. Budget differences

Material differences between budget and actual amounts

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| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |

43. Budget differences (continued)

- X1 - Municipality budgeted for receipt of SDL refund, as per prior years. However we did not receive the refund, resulting in over budgeting for operational revenue
- X2 -The municipality had not anticipated drastic increases in interest rates during the financial year, and had budgeted more conservatively. As a result, we received more than we had budgeted for
- X3 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required. X4 -Variance is less than 10% , variance is judged to be insignificant and thus no reason is required. X5 - Variance is less than 10% , difference is judged to be insignificant and thus no reason is required.
- X6 - Budgeted for Municipal Systems Improvement Grant expenditure as per the DORA allocation, the grant was not received resulting in under-expenditure
- X7 - The under expenditure on the capital budget led to the under expenditure of depreciation
- X9 - Due to the cancelation of an operating lease that was supposed to commence during the financial year X
- 10 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required
- X 11 - Municipality spent less than it had budget due to the under utilisation of consultants and professional services.
- X12 - Over budgeted due to anticipated increase in operational expenditure such as travel and subsistence as the easing of COVID 19 regulations lead to more employees returning to the office.
- X 13 - Management had not budgeted for the impairment allowance of debtors, however the allowance for impairment greatly decreased debtor balances.
- X 14 - Management did not spent 100% of it's budget, as a result the budgeted cash and cash equivalents is less than the actual cash and cash equivalents at year end.
- X 15 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required.
- X 16 - Variance as a result of capital budget being underspent and assets disposed during the financial year.
- X 17 - Material variance due to the unanticipated increase attributable to accrued leave pay, bonus and trade payables that had to be accrued at the end of the financial year.
- X 20 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.
- X 22 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end.
- X 23 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Bonus is calculated by actuaries and the budget estimation is brought in line therewith. However, the revised estimation is only done at year end..

44. Segment information

General information

Identification of segments

The economic entity is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The economic entity operates throughout the Free State Province in 5 local municipalities. Segments were aggregated on the basis of services delivered.

Lejweleputswa District Municipality Consolidated
 Annual Financial Statements for the year ended 30
 June 2023

| Figures in Rand | Economic entity | | Controlling entity | |
|-----------------|-----------------|------|--------------------|------|
| | 2023 | 2022 | 2023 | 2022 |

44. Segment information (continued) Types

of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment

Lejweleputswa District Municipality
 Statement of Financial Performance
 Lejweleputswa Development Agency

Goods and/or services

Please refer to the Statement of Financial Position and

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

44. Segment information (continued)

Segment surplus or deficit, assets and liabilities Information

about segment surplus/deficit

Revenue – Please refer to the Statement of Financial Performance for information about the reportable segment

Expenditure - Please refer to the Statement of Financial Performance for information about the reportable segment

Information about segment assets and liabilities:

Assets - Please refer to the Statement of Financial Position for information about the reportable segment

Liabilities - Please refer to the Statement of Financial Position for information about the reportable segment **Net**

Assets - Please refer to the Statement of Financial Position for information about the reportable segment

Measurement of segment surplus or deficit, assets and liabilities Basis

of accounting for transactions between reportable segments

The municipality does not have any identifiable segments and as such there are no transactions between segments.

Information about geographical areas

The municipality's operations are in the Free State Province.

The municipality does not report on a geographical basis; therefore, information is not available, and it is therefore impractical to report on geographical basis.

Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2023

| Figures in Rand | Note(s) | Economic entity | | Controlling entity | |
|-----------------|---------|-----------------|------|--------------------|------|
| | | 2023 | 2022 | 2023 | 2022 |

APPENDIX L

| Conditional Grand Received | Adjustment Budget 2022/23 | Actual Amount 2022/23 |
|---------------------------------------|---------------------------|-----------------------|
| Rural Roads assets management system | R2 441 000 | R2 441 000 |
| Expanded Public works programme | R126 500 | R126 500 |
| Local Government financial management | R1 000 000 | R607 282 |
| LG seta | R425 000 | R39 798 |

APPENDIX M

| Capital Expenditure | Prior Year 2021/22 | Adjustment Budget 2022/23 | Actual Amount 2022/23 |
|---------------------|--------------------|---------------------------|-----------------------|
| New Assets | R | R8 800 000 | R1 605 982 |
| Upgrade/Renewal | | | |

APPENDIX N

| Loans | Balance |
|-----------|---------|
| ABSA BANK | 0 |

SECTION F&G AUDITOR GENERAL REPORT

SECTION F

LDM

Report of the auditor-general to the Free State Provincial Legislature and the council on the Lejweleputswa District Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Lejweleputswa District Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget 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 the Lejweleputswa District Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

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 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.
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.

Irregular expenditure

7. As disclosed in note 37 to the financial statements, irregular expenditure of R18 693 897 (2022: R5 966 166) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Restatement of corresponding figures

8. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality, and for the year ended, 30 June 2023.

Material uncertainty relating to claims against the municipality

9. With reference to note 32 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

Material impairment

10. As disclosed in note 5 to the financial statements, receivables from non-exchange transactions were impaired by R31 001 755 (2022: R30 537 656).

Other matter

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

Unaudited disclosure notes

12. 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

13. 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.
14. 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

15. 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.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

17. 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 material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
18. I selected the following material performance indicators related to basic service delivery and infrastructure development presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest:
- Reports on roads conditions submitted by 30 June 2023
 - Reports on roads maintenance submitted by June 2023
 - Employ 110 people from communities by 30 June 2023
 - Monthly water quality reports on the status of water in the 5 local municipalities submitted by 30 June 2023
 - Monthly reports on compliance of food selling outlets in the 5 local municipality submitted by 30 June 2023
 - Monthly reports on food sampling in the 5 local municipalities by 30 June 2023
 - 4 reports on waste management compliance submitted in the district by 30 June 2023.
19. I evaluated 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.
20. 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 measures taken to improve performance.

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

22. I did not identify any material findings on the reported performance information for the selected indicators.

Other matter

23. I draw attention to the matter below.

Achievement of planned targets

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

Report on compliance with legislation

25. 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.
26. 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.
27. 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.
28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

29. Reasonable steps were not taken to prevent irregular expenditure amounting to R18 693 897 as disclosed in note 37 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-compliance with the supply chain management (SCM) processes.

Consequence management

30. 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.
31. Losses resulting from irregular expenditure were not recovered from the liable person, as required by section 32(2) of the MFMA.

Procurement and contract management

32. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).
33. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).

34. Some of the contracts were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b).
35. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2020 (PPPFA).
36. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) PPPFA and its regulations.
37. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of PPPFA and 2017 preferential procurement regulations 11 and 2022 preferential procurement regulation 4(4) and 5(4).
38. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the construction industry development board (CIDB) Act 38 of 2000 and CIDB regulations 17 and 25(7A).
39. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.

Strategic planning and performance management

40. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.

| |
|---|
| Other information in the annual report |
|---|

41. 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 material performance indicators presented in the annual performance report that have been specifically reported on in this auditor's report.
42. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
43. 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 presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

44. 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

45. 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.
46. The matters reported below are limited to the significant internal control deficiencies that resulted in material findings on compliance with legislation included in this report.
47. Corrective measures by management to address the drivers of non-compliance with laws and regulations mainly pertaining to procurement and contract management were inadequate. As a result, material instances of non-compliance that could have been detected and prevented by officials and oversight bodies re-occurred in the current year.
48. The leadership did not ensure that there were effective controls to investigate irregular expenditure, this has an impact on the entity's ability to deal with matters and to implement appropriate consequence management.

Auditor-General

Bloemfontein

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. 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

2. 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

3. 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

4. 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.
5. 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.

Compliance with legislation – selected legislative requirements

1. The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|--|
| Municipal Finance Management Act 56 of 2003 | Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure Section 1 - Definition: service delivery and budget implementation plan Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), Sections 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), Sections 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), Sections 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), Sections 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b) |
| MFMA: Municipal Budget and Reporting Regulations, 2009 | Regulations 71(1), 71(2), 72 |
| 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), 13(c)(i), 16(a), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 Regulations 44, 46(2)(e), 46(2)(f) |
| Municipal Systems Act 32 of 2000 | Sections 25(1), 26(a), 26(c), 26(h), 26(i), 27(1), 29(1)(b)(ii), 29(2)(a), Sections 29(2)(c), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, Sections 43(2), 56(a), 57(2)(a), 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), Sections 67(1)(d), 74(1), 93J(1), 96(b) |
| MSA: Municipal Planning and performance Management Regulations, 2001 | Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(5)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 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) |
| MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 | Regulations 17(2), 36(1)(a) |
| MSA: Disciplinary Regulations for Senior Managers, 2011 | Regulations 5(2), 5(3), 5(6), 8(4) |
| Annual Division of Revenue Act | Section 11(6)(b), 12(5), 16(1); 16(3) |
| Construction Industry Development Board Act 38 of 2000 | Section 18(1) |
| Construction Industry Development Board Regulations | Regulations 17, 25(7A) |
| Municipal Property Rates Act 6 of 2004 | Section 3(1) |

| Legislation | Sections or regulations |
|---|---|
| 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) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 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) |

Section G

LDA

Report of the auditor-general to the Free State Provincial Legislature and the council of the parent municipality on the Lejwe Le Putswa Development Agency (SOC) Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Lejwe Le Putswa Development Agency (SOC) Limited set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and 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 the Lejwe Le Putswa Development Agency (SOC) Limited as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and 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.

Irregular expenditure

7. As disclosed in note 39 to the financial statements, irregular expenditure of R414 746 (2022: R1 599 664) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Restatement of corresponding figures

8. As disclosed in note 34 and 35 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipal entity, and for the year ended, 30 June 2023.

Material uncertainty relating to claims against the municipal entity

9. With reference to note 32 to the financial statements, the municipal entity is the defendant in a claim against the municipal entity. The municipal entity is opposing this claim. The ultimate outcome of this matter could not be determined and no provision for any liabilities that may result were made in the financial statements.

Other matter

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

Unaudited disclosure notes

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 the 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.

Report on the audit of 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 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 to local economic development presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the municipal entity's performance on its primary mandated functions and that is of significant national, community or public interest.
- Prepare one report on resuscitation of project ZR Mahabane by 30 June 2023.
 - Prepare a report on branding, marketing, and website implementation of the ICT hub by June 2023.
18. I evaluated 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
 - 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 measures taken to improve performance.

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.

Other matter

22. I draw attention to the matter below.

Achievement of planned targets

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

Report on compliance with legislation

24. 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.

25. 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.

26. 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.

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

Consequence management

28. Irregular expenditure incurred by the municipal entity were not investigated to determine whether any person was liable for the expenditure, as required by municipal budget and reporting regulations 75(1).
29. Losses resulting from irregular expenditure were not recovered from the liable person, as required by municipal budget and reporting regulations 75(2).
30. Losses resulting from fruitless and wasteful expenditure were not recovered from the liable person, as required by section 102(1) of the MFMA and municipal budget and reporting regulations 75(2).

Procurement and contract management

31. Awards were made to providers who were in the service of other state institutions or 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).
32. Some tenders that failed to achieve the minimum qualifying score for the functionality legislative requirement were not disqualified as unacceptable tender in accordance with 2017 preferential procurement regulation 5(6).
33. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process, as required by section 2(1)(f) of preferential procurement policy framework Act 5 of 2000 (PPPFA) and 2017 preferential procurement regulation 11 and 2022 preferential procurement regulations 4(4) and 5(4). Similar non-compliance was reported in the prior year.
34. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) of the PPPFA and its regulations. Similar non-compliance was reported in the prior year.
35. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services, as required by section 2(1)(a) of the PPPFA. Similar non-compliance was reported in the prior year.

Expenditure management

36. Reasonable steps were not taken to prevent irregular expenditure of R414 746 as disclosed in note 39 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with laws and regulations.

Strategic planning and performance management

37. A mid-year performance review was not done, as required by section 88(1)(a) of the MFMA.

Other information in the annual report

38. 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 material performance indicators presented in the annual performance report that have been specifically reported on in this auditor's report.
39. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
40. 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 presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
41. 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

42. 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.
43. The matters reported below are limited to the significant internal control deficiencies that resulted in material findings on compliance with legislation included in this report.
44. Corrective measures by management to address the drivers of non-compliance with laws and regulations mainly pertaining to procurement and contract management were inadequate. As a result, material instances of non-compliance that could have been detected and prevented by officials and oversight bodies re-occurred in the current year.
45. The leadership did not ensure that there were effective controls to investigate irregular expenditure, this has an impact on the entity's ability to deal with matters and to implement appropriate consequence management.

Auditor-General

Bloemfontein

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. 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

2. 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 municipal entity's compliance with selected requirements in key legislation.

Financial statements

3. 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

4. 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.
5. 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.

Compliance with legislation – selected legislative requirements

6. The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|--|
| Municipal Finance Management Act 56 of 2003 | Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure Sections 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), Sections 87(8), 88(1)(a), 90(1), 90(2)(a), 90(2)(b), 95(d), Sections 96(2)(a), 96(2)(b), 97(e), 97(f), 97(h), 97(i), 99(2)(a), Sections 99(2)(b), 99(2)(c), 99(2)(g), 102(1), 102(2)(a), Sections 112(1)(j), 116(2)(b), 116(2)(c)(ii), 122(1), 126(2)(b), Sections 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 172(3)(a), Section 172(3)(b) |
| MFMA: Municipal Budget and Reporting Regulations, 2009 | Regulations 73(1), 73(2), 75(1), 75(2) |
| MFMA: Municipal Investment Regulations, 2005 | Regulations 3(2), 3(3), 5(4), 6, 6(8)(b), 7, 10(1), 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), 13(c)(i), 16(a), Regulations 17(1)(a), 17(1)(b), 17(1)(c), 19(a), Regulations 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(ii), 29(1)(a), 29(1)(b), 29(5)(a)(ii), Regulations 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), Regulations 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f) |
| Municipal Systems Act 32 of 2000 | Section 93B(a), 93C(a)(iv) |
| Construction Industry Development Board Act 38 of 2000 | Section 18(1) |
| Construction Industry Development Board Regulations, 2004 | Regulations 17, 25(7A) |
| 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), Regulations 6(6), 6(8), 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), Regulations 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) |
| Companies Act 71 of 2008 | Sections 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii), 45(4), Sections 46(1)(a), 46(1)(b), 46(1)(c), 112(2)(a) |

SECTION H CONSOLIDATED AUDIT REPORT

Report of the auditor-general to the Free State Legislature and council on the Lejweleputswa District Municipality and its entity

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| Report on the audit of the consolidated financial statements |
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Opinion

1. I have audited the consolidated financial statements of the Lejweleputswa District Municipality and its entity as set out on pages xx to xx, which comprise the consolidated statement of financial position as at 30 June 2023, consolidated and statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as notes to the consolidated financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 30 June 2023, and their financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003(MFMA) and the Division of Revenue Act 5of 2022 (Dora).

Basis for opinion

Context 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 consolidated financial statements section of my report.
4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
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.

Irregular expenditure

7. As disclosed in note 40 to the consolidated financial statements, irregular expenditure of R19 108 643 (2022: R7 565 830) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Restatement of corresponding figures

8. As disclosed in note 36 to the consolidated financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the consolidated financial statements of the group, and for the year ended, 30 June 2023.

Material uncertainty relating to claims against the municipality

9. With reference to note 35 to the consolidated financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the consolidated financial statements.

Material impairment

10. As disclosed in note 6 to the consolidated financial statements, receivables from non-exchange transactions were impaired by R31 001 755 (2022: R30 537 656).

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the consolidated financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the consolidated 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.

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

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

Report on the audit of the annual performance report

17. 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 material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
18. I selected the following material performance indicators related to basic service delivery and infrastructure development presented in the annual performance report for the year ended 30 June 2023. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.
- Reports on roads conditions submitted by 30 June 2023
 - Reports on roads maintenance submitted by June 2023
 - Employ 110 people from communities by 30 June 2023
 - Monthly water quality reports on the status of water in the 5 local municipalities submitted by 30 June 2023
 - Monthly reports on compliance of food selling outlets in the 5 local municipality submitted by 30 June 2023
 - Monthly reports on food sampling in the 5 local municipalities by 30 June 2023
 - 4 reports on waste management compliance submitted in the district by 30 June 2023.
19. I evaluated 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.

20. 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 measures taken to improve performance.

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

22. I did not identify any material findings on the reported performance information for the selected indicators.

Other matter

23. I draw attention to the matter below.

Achievement of planned targets

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

Report on compliance with legislation

25. 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.
26. 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.

27. 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.
28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure management

29. Reasonable steps were not taken to prevent irregular expenditure amounting to R19 108 643 as disclosed in note 40 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-compliance with the supply chain management (SCM) processes.

Consequence management

30. 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.

31. Losses resulting from irregular expenditure were not recovered from the liable person, as required by section 32(2) of the MFMA.

Procurement and contract management

32. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c).

33. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).

34. Some of the contracts were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b).

35. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2020 (PPPFA).

36. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to suppliers based on preference points that were allocated and calculated in accordance with the requirements of section 2(1)(a) PPPFA and its regulations.

37. Sufficient appropriate audit evidence could not be obtained that contracts and quotations were awarded to bidders that scored the highest points in the evaluation process as required by

section 2(1)(f) of PPPFA and 2017 preferential procurement regulations 11 and 2022 preferential procurement regulation 4(4) and 5(4).

38. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the construction industry development board (CIDB) Act 38 of 2000 and CIDB regulations 17 and 25(7A).

39. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.

Strategic planning and performance management

40. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.

| |
|---|
| Other information in the annual report |
|---|

41. The accounting officer is responsible for the other information included in the annual report, The other information referred to does not include the consolidated financial statements, the auditor's report and those selected material performance indicators in the scoped in key performance area presented in the annual performance report that have been specifically reported on in this auditor's report.

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

43. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements and the selected material indicators in the scoped in key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

44. 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

45. I considered internal control relevant to my audit of the consolidated financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
46. The matters reported below are limited to the significant internal control deficiencies that resulted in material findings on compliance with legislation included in this report.
47. Corrective measures by management to address the drivers of non-compliance with laws and regulations mainly pertaining to procurement and contract management were inadequate. As a result, material instances of non-compliance that could have been detected and prevented by officials and oversight bodies re-occurred in the current year.
48. The leadership did not ensure that there were effective controls to investigate irregular expenditure, this has an impact on the entity's ability to deal with matters and to implement appropriate consequence management.

Auditor-General

Bloemfontein

29 January 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated 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.

Consolidated financial statements

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated 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 Lejweleputswa District Municipality and its 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 consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the group to cease operating as a going concern.
- evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and determine whether the consolidated financial

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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance.

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|--|
| Municipal Finance Management Act 56 of 2003 | Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure Section 1 - Definition: service delivery and budget implementation plan Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), 32(6)(a), Sections 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), 62(1)(f)(ii), Sections 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), Sections 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), Sections 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), 126(1)(b), Sections 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), 133(1)(a), Sections 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b) |
| MFMA: Municipal Budget and Reporting Regulations, 2009 | Regulations 71(1), 71(2), 72 |
| 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), 13(c)(i), 16(a), 17(1)(a) Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a) Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b) Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c) Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43 Regulations 44, 46(2)(e), 46(2)(f) |
| Municipal Systems Act 32 of 2000 | Sections 25(1), 26(a), 26(c), 26(h), 26(i), 27(1), 29(1)(b)(ii), 29(2)(a), Sections 29(2)(c), 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, Sections 43(2), 56(a), 57(2)(a), 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), Sections 67(1)(d), 74(1), 93J(1), 96(b) |
| MSA: Municipal Planning and performance Management Regulations, 2001 | Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(5)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 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) |
| MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014 | Regulations 17(2), 36(1)(a) |
| MSA: Disciplinary Regulations for Senior Managers, 2011 | Regulations 5(2), 5(3), 5(6), 8(4) |
| Annual Division of Revenue Act | Section 11(6)(b), 12(5), 16(1); 16(3) |
| Construction Industry Development Board Act 38 of 2000 | Section 18(1) |
| Construction Industry Development Board Regulations | Regulations 17, 25(7A) |
| Municipal Property Rates Act 6 of 2004 | Section 3(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) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 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) |

