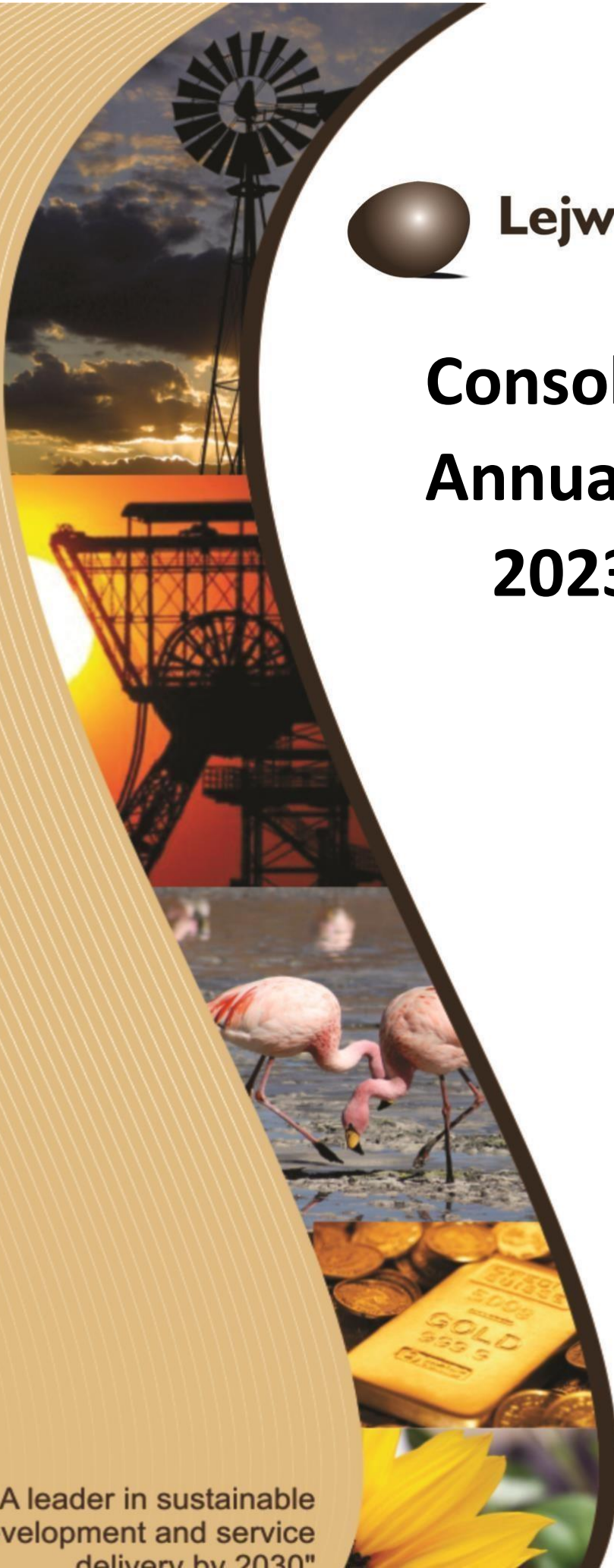


**Lejweleputswa**  
DISTRICT MUNICIPALITY

# **Consolidated Annual Report 2023/2024**

**"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**.

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL REPORT 2023-2024

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EXECUTIVE  
MAYOR AND OVERVIEW BY  
THE  
MUNICIPAL MANAGER



## EXECUTIVE MAYOR'S FOREWORD

### IDP 2023/2024

As the Executive Mayor of Lejweleputswa District Municipality, I am honored to present the Integrated Development Plan (IDP) for 2023/2024 in this pivotal year of national and provincial elections. This IDP demonstrates our commitment to meeting the needs and aspirations of our community while promoting sustainable development and inclusive growth. As we begin this journey, let us reaffirm our commitment to serving our constituents with diligence, transparency, and steadfast integrity. Together, we can create a future that is brighter and more prosperous for everyone.

As I present the 2023/2024 IDP, I want to express my gratitude for the significant efforts of all stakeholders and the remarkable dedication they have shown to their communities. It truly humbles me to note that every stakeholder and local municipality participated in the planning stage, and funding for our programs has been distributed fairly despite our constrained financial resources.

The IDP process for 2023/2024 has involved ample public engagement. We performed a needs assessment, during which all stakeholders and local municipalities outlined their requirements in line with our priorities and the five National Key Performance Areas of the Municipalities.

- Good Governance and Public Participation
- Municipal Transformation and Organizational Development
- Basic Infrastructure and Service Delivery
- Local Economic Development
- Municipal Financial Viability and Management
- For this reason, this IDP and Budget will be centred on external factors, shaped by the needs of the community, and aimed at achieving the aspirations of our community as gathered from stakeholder consultations and discussions during the planning stage.

To address the anticipated growth in our economy, Local Economic Development (LED), in collaboration with the Lejweleputswa Development Agency (LDA), will focus on enhancing the support and capacity of small, medium, and micro enterprises (SMMEs) by offering both financial and non-financial assistance.

## LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL REPORT 2023-2024

It is rather conceited to emphasize the measures implemented by the district municipality to align the Integrated Development Plan (IDP) with the budget processes, to establish a connection between the Service Delivery and Budget Implementation Plan (SDBIP) and the IDP, and to confirm that public participation has been conducted as required by law.

Our Integrated Development Plan (IDP) articulates the strategic focus of the Free State Growth and Development Strategy (SGDS), which aims for the comprehensive development of the Free State Province. Additionally, it is entirely in line with the objectives of the District Development Model (DDM).

These alignments highlight our dedication to cooperative governance, efficient resource management, and collaborative efforts aimed at fulfilling our common development goals at the district level. By aligning our strategies, resources, and actions with the DDM framework, we are better positioned to address complex challenges, leverage synergies and maximize the impact of our interventions for the benefit of our community.

This is the third year of my official term in office, and I reflect with pride on the significant accomplishments we've achieved in the past years. I am eager to enhance our performance in the upcoming year and to guarantee the effective delivery of services along with the complete execution of the 2023/2024 IDP.

With gratitude

---

**Cllr. Veronica Ntakumbana**  
**Executive Mayor of Lejweleputswa District Municipality**



## MUNICIPAL MANAGER'S OVERVIEW

The municipality's Annual Report for the 2023/2024 Financial Year presents a summary of the activities conducted throughout the year, highlighting both the successes and difficulties encountered.

There are five service departments within the municipality: the Municipal Manager's Office, the Finance Department, the LED Department, the Environmental Health Department, the Disaster Department, and the Corporate Services Department. All departments have designated heads, except for one, which is currently without an Executive Manager following a resignation.

In its pursuit of excellence, the municipality closely monitored and assessed its performance in line with the highest level of the Service Delivery and Budget Implementation Plan (SDBIP). Additionally, the Annual Report aims to provide our Councilors, Local Municipalities within Lejweleputswa's jurisdiction, the Provincial Legislature, our Communities, and other users of this report with insights into the advancements made in service delivery overall.

I am delighted to announce that the District Municipal Council is operational and is steadily enhancing its capacity to meet its constitutional responsibilities outlined in section 152 of the Constitution. In collaboration with its oversight bodies, including the Municipal Public Accounts Committee (MPAC) and the Audit Committee, the Council has successfully made decisions that prioritize the needs of the community.

As we work towards our service delivery goals, we will always value our communities and, most importantly, the municipality will ensure that it meets all compliance requirements moving forward.

As the Municipal Manager of the Lejweleputswa District Municipality, I wish to take this opportunity to convey my deepest appreciation to all staff members. Your dedication and commitment have been vital to our success, and it is important to acknowledge that none of our achievements would have been possible without your invaluable contributions.

To conclude, I would like to extend my heartfelt recognition to the Executive Mayor and his exceptional team of Councilors for their leadership, guidance, and support throughout the review period. They consistently exemplify strong leadership and serve as role models, encouraging us to prioritize the well-being of all residents of the Lejweleputswa District over personal interests. Their steadfast leadership and collaborative spirit within the Council have effectively guided us towards excellence.

Signed by-----  
Mr ML Makhetha



## **1.1. MUNICIPAL FUNCTIONS, POPULATION AND THE ENVIRONMENT**

Lejweleputswa District Municipality has been established in terms of section 14 of the Local Government: Municipal Structures Act, Act No 117 of 1998 and was published in the Provincial Gazette No 109 dated 28 September 2000 and came into being on 06 December 2000. The district is one of the four district municipalities in the Free State. The other three are; Thabo Mofutsanyane in the north east; Fezile Dabi in the north as well as Xhariep in the south east. There is one Metropolitan municipality, Mangaung, which is located in south east. The area of jurisdiction of Lejweleputswa District Municipality includes the following five municipalities:

### **Masilonyana Tokologo Tswelopele Matjhabeng Nala Masilonyana Local Municipality**

The Masilonyana area of jurisdiction is located in the Southern part of Lejweleputswa District Municipality's area of jurisdiction and is surrounded by local municipalities of Matjhabeng, Tswelopele, Tokologo, Mangaung, Mantsopa and Setsoto. The municipal area comprises the towns of Winburg, Theunissen, Brandfort, and Verkeerdevlei. There are no major centers within the municipal area and the closest cities are Bloemfontein, Welkom and Kroonstad. The area has been identified as having contested areas that Municipal Demarcation Board intends to incorporate into Mangaung Local Municipality through processes of boundary re-determination. The most important occurrence over the past few years was the erection of the tollgate on the N1, near Verkeerdevlei.

### **Tokologo Local Municipality**

The area of jurisdiction in the Tokologo Local Municipality is situated in the Lejweleputswa District Municipality region. The former Dealesville, Boshof, Hertzogville Transitional Local Councils and sections of the former Western, Central South and Bloemfontein District TRCs are included in the regions. The residential areas include the following areas: Hertzogville/Malebogo, Boshof/Kareehof/ Seretse and Dealesville/ Tshwaraganang and covers an area of approximately 11 933.24 km<sup>2</sup>.

### **Tswelopele Local Municipality**

The Tswelopele Local Municipality was established in terms of section 14 of the Local Government: Municipal Structures Act, Act No 117 of 1998) and was published in Provincial Gazette no 109 dated 28 September 2000 and came into being on 06 December 2000. The new Local Municipality is a category B Municipality with a plenary executive system as contemplated in Section 3(b) of the determination of types of Municipality Act, 2000 (Act No 1 of 2000). Tswelopele Local Municipality is situated in the North Western part of the Free State within the regional boundaries of Lejweleputswa District Municipality. The Local Municipality comprises two urban areas/ centers namely Hoopstad/ Tikwana and Bultfontein/ Phahameng, which are 60 km from each other, as well as their surrounding commercial farmland, and rural areas as demarcated by Municipal Demarcation Board<sup>1</sup>.

### **Matjhabeng Local Municipality**

Economic factors also played a role and a number of towns originated as service centers for the surrounding farming community of the town resulted in a fast-growing city where economies of scale started to play a role.

The mining sector has been in a process of restructuring for some years and is still retrenching staff, which is particularly affecting the mining towns of Welkom, Virginia, Odendaalsrus and Allanridge. The sudden surge in petrol prices nationwide would indeed exacerbate the already negative economic growth in the area in terms of employment opportunities. It is also estimated that most of the retrenched labour, mainly unskilled, remains in the region and adds to the social problems associated with declining economic conditions. As local municipalities plan, it is incumbent upon all of us to ensure that we take into account estimated figures of retrenched staff to project future service delivery demands. This will be reinforced by the development of an indigent policy and implementation of the same.

### **Nala Local Municipality**

Wesselsbron and Bothaville function as individual administrative unit with the bulk of the administration being done from Bothaville, which is also the seat of the Council in the area. Technical expertise in all fields of local government, including town planning, engineering, financial, legal and health services is either available from in-house professionals or from specialist consultants in these fields, located either locally or in nearby towns.






Map 1 – Lejweleputswa District



## LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL REPORT 2023-2024

The following maps indicate spatial locations of each of the municipalities and can be compared to map 1 as shown above.

### Governance issues

				
<b>Masilonyana</b> Theunissen Verkeerdevlei Brandfort Winburg	<b>Tokologo</b> Dealesville Boshof Hertzogville	<b>Tswelopele</b> Bultfontein Hoopstad	<b>Matjhabeng</b> Welkom Ventersburg Hennenman Virginia Allanridge Odendaalsrus	<b>Nala</b> Bothaville Wesselsbron

**POPULATION AND DEMOGRAPHIC INFORMATION, LEJWELEPUTSWA  
PROVINCE, DISTRICT AND LOCAL MUNICIPALITY**

Province, district and local municipality	CENSUS 2011						CENSUS 2022					
	0 - 4	5 - 14	15 - 34	35 - 59	60 +	Total	0 - 4	5 - 14	15 - 34	35 - 59	60 +	Total
<b>Free State</b>	<b>295</b> <b>896</b>	<b>503</b> <b>019</b>	<b>1 002</b> <b>786</b>	<b>715</b> <b>100</b>	<b>228</b> <b>789</b>	2 745 590	<b>263</b> <b>108</b>	<b>526</b> <b>871</b>	<b>1 001</b> <b>248</b>	<b>857</b> <b>571</b>	<b>315</b> <b>573</b>	2 964 371
<b>Xhariep</b>	<b>13</b> <b>426</b>	<b>23</b> <b>650</b>	<b>42</b> <b>033</b>	<b>31</b> <b>341</b>	<b>11</b> <b>496</b>	121 946	<b>12</b> <b>086</b>	<b>24</b> <b>885</b>	<b>43</b> <b>230</b>	<b>36</b> <b>569</b>	<b>15</b> <b>128</b>	131 898
FS161 : Letsemeng	4 202	7 275	13 551	10 358	3 242	38 628	4 100	8 200	14 569	11 677	4 554	43 100
FS162 : Kopanong	5 298	9 310	16 616	12 904	5 043	49 171	4 625	9 801	16 175	14 514	6 717	51 832
FS163 : Mohokare	3 926	7 064	11 866	8 079	3 211	34 146	3 361	6 884	12 487	10 378	3 857	36 967
<b>Lejweleputswa</b>	<b>68</b> <b>099</b>	<b>112</b> <b>370</b>	<b>224</b> <b>174</b>	<b>171</b> <b>537</b>	<b>48</b> <b>566</b>	<b>624</b> <b>746</b>	<b>62</b> <b>563</b>	<b>124</b> <b>467</b>	<b>227</b> <b>240</b>	<b>195</b> <b>396</b>	<b>70</b> <b>073</b>	<b>679</b> <b>746</b>
FS181 : Masilonyana	6 536	11 237	20 616	16 366	5 140	59 895	5 394	11 924	21 119	18 095	7 267	63 799
FS182 : Tokologo	3 214	5 829	9 861	7 543	2 540	28 987	3 099	5 731	9 697	7 842	3 087	29 456
FS183 : Tswelopele	5 851	10 224	16 518	11 170	3 862	47 625	5 764	11 344	19 391	15 204	5 193	56 896
FS184 : Matjhabeng	42 412	68 630	149 324	116 913	29 739	407 018	39 890	77 988	146 883	129 429	44 838	439 028
FS185 : Nala	10 085	16 450	27 854	19 545	7 286	81 220	8 416	17 480	30 151	24 826	9 688	90 561
<b>Thabo Mofutsanyane</b>	<b>84</b> <b>177</b>	<b>150</b> <b>210</b>	<b>264</b> <b>090</b>	<b>176</b> <b>138</b>	<b>61</b> <b>064</b>	735 679	<b>77</b> <b>684</b>	<b>154</b> <b>592</b>	<b>281</b> <b>476</b>	<b>232</b> <b>231</b>	<b>85</b> <b>420</b>	831 403
FS191 : Setsoto	13 077	22 920	39 697	26 624	9 721	112 039	12 427	24 628	41 420	36 287	13 153	127 915
FS192 : Dihlabeng	13 786	24 075	45 895	34 119	10 829	128 704	11 660	22 130	43 195	39 534	13 913	130 432
FS193 : Nketoana	7 118	12 364	21 129	14 368	5 346	60 325	5 772	12 146	21 974	19 181	7 414	66 487
FS194 : Maluti a Phofung	38 991	70 706	122 745	76 695	26 648	335 785	37 564	75 914	138 654	106 730	39 586	398 448
FS195 : Phumelela	5 212	9 924	16 479	11 857	4 300	47 772	5 023	9 108	17 781	14 786	5 526	52 224

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL REPORT 2023-2024

FS196 : Mantsopa	5 994	10 221	18 146	12 475	4 219	51 055	5 238	10 667	18 451	15 712	5 828	55 896
<b>Fezile Dabi</b>	<b>51</b> <b>617</b>	<b>85</b> <b>543</b>	<b>174</b> <b>673</b>	<b>131</b> <b>356</b>	<b>44</b> <b>847</b>	488 036	<b>43</b> <b>006</b>	<b>87</b> <b>123</b>	<b>164</b> <b>157</b>	<b>153</b> <b>820</b>	<b>61</b> <b>802</b>	509 908
FS201 : Moqhaka	16 324	27 038	55 682	45 448	16 040	160 532	13 421	25 746	49 326	46 804	20 111	155 408
FS203 : Ngwathe	13 504	22 779	40 601	30 602	13 034	120 520	11 496	23 499	41 935	39 101	18 930	134 961
FS204 : Metsimaholo	15 401	23 836	58 096	41 298	10 478	149 109	13 036	27 019	52 542	50 014	15 777	158 388
FS205 : Mafube	6 388	11 890	20 294	14 008	5 295	57 875	5 053	10 859	20 354	17 901	6 983	61 150
<b>Mangaung</b>	<b>78</b> <b>576</b>	<b>131</b> <b>246</b>	<b>297</b> <b>816</b>	<b>204</b> <b>729</b>	<b>62</b> <b>816</b>	775 183	<b>67</b> <b>769</b>	<b>135</b> <b>803</b>	<b>285</b> <b>146</b>	<b>239</b> <b>555</b>	<b>83</b> <b>150</b>	811 423

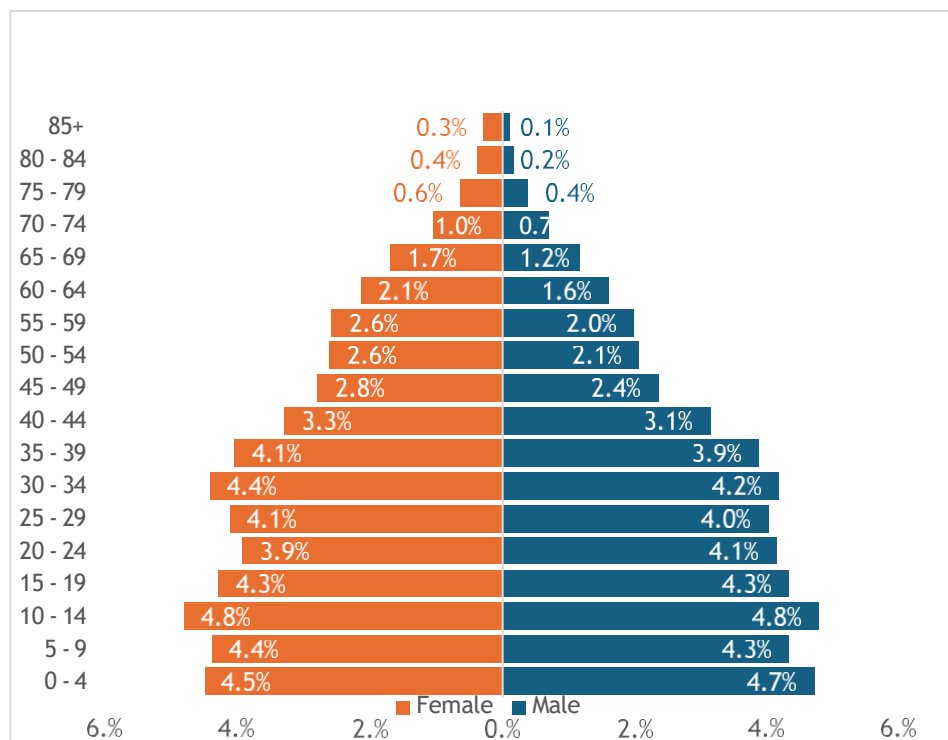
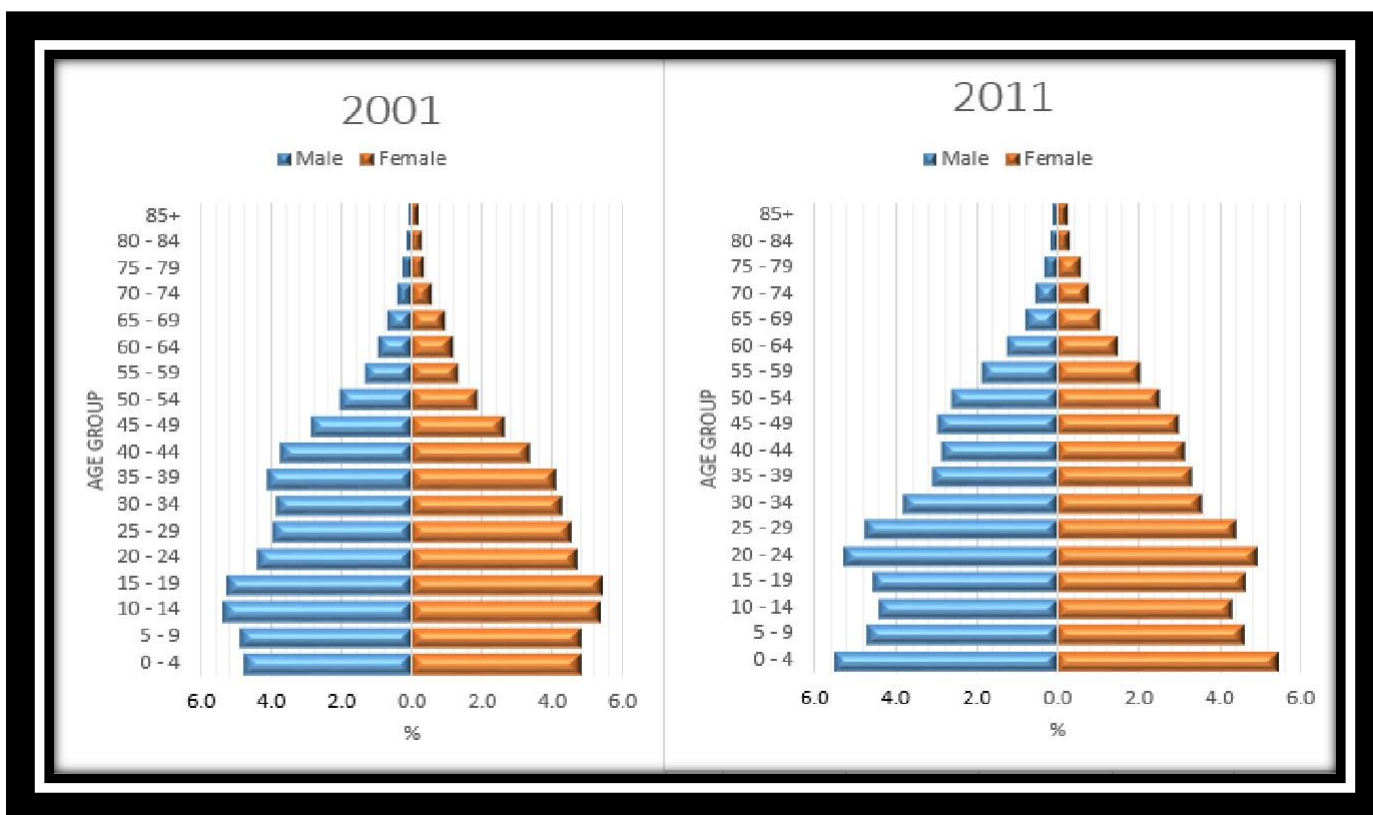
SOURCE: CENSUS, 2022

AGE IN COMPLETED YEARS BY SEX FOR POPULATION, LEJWELEPUTSWA

	Male	Female	Total
0 - 14	93956	93074	<b>187030</b>
15 - 34	113251	113989	<b>227240</b>
35 - 59	91040	104356	<b>195396</b>
60+	27930	42151	<b>70080</b>
<b>Total</b>	<b>326177</b>	<b>353569</b>	<b>679746</b>

SOURCE: CENSUS, 2022

The cooperative analysis of the table above (PROVINCE, DISTRICT AND MUNICIPALITY) indicates that the population of the District has increased from 624 746 in 2011 to 679 746 2022. The population increased over a ten-year period happened in all the five municipalities within the District. Masilonyana increased from 59 895 in 2011 to 63 799 in 2022, Tokologo from 28 987 in 2011 to 29 456 in 2022, Tswelopele from 47 625 in 2011 to 56 897, Matjhabeng from 407 018 in 2011 to 439 028, and Nala from 81 220 in 2011 to 90 561 in 2022.



SOURCE: CENSUS 2022

LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL REPORT 2023-2024

	Male	Female	Total
0 - 4	32054	30509	62563
5 - 9	29406	29850	59256
10 - 14	32496	32715	65211
15 - 19	29441	29170	58611
20 - 24	28098	26745	54843
25 - 29	27298	28009	55307
30 - 34	28414	30065	58479
35 - 39	26294	27598	53892
40 - 44	21341	22398	43739
45 - 49	15995	19008	35003
50 - 54	13957	17774	31730
55 - 59	13454	17577	31032
60 - 64	10931	14521	25452
65 - 69	7874	11558	19432
70 - 74	4720	7104	11824
75 - 79	2570	4393	6964
80 - 84	1154	2586	3740
85+	680	1988	2668
Total	326177	353569	679746

	Male	Female
0 - 4	4,7	-4,5
5 - 9	4,3	-4,4
10 - 14	4,8	-4,8
15 - 19	4,3	-4,3
20 - 24	4,1	-3,9
25 - 29	4,0	-4,1
30 - 34	4,2	-4,4
35 - 39	3,9	-4,1
40 - 44	3,1	-3,3
45 - 49	2,4	-2,8
50 - 54	2,1	-2,6
55 - 59	2,0	-2,6
60 - 64	1,6	-2,1
65 - 69	1,2	-1,7
70 - 74	0,7	-1,0
75 - 79	0,4	-0,6
80 - 84	0,2	-0,4
85+	0,1	-0,3

The population pyramid depicts that the population at the bottom of the pyramid, between the ages of (0-4) has shrank from 68 099 in 2011 to 62 563 in 2022, (5-14) has increased from 112 370 in 2011 to 124 467 in 2022, (15-34) increased from 224 174 in 2011 to 227 240 in 2022, (35-59) increased from 171 537 to 195 396 in 2022



**DISTRIBUTION OF HOUSEHOLDS, HOUSEHOLDS SIZE AND TYPE OF MAIN DWELLING 2011 AND 2022**

Province, district and local municipality	Households				Type of main dwelling									
	2011		2022		2011					2022				
	Total House holds	Avera ge	Total House holds	Avera ge	Forma - dwelli	Traditi onal dwelli	Inform al dwelli	Other	Total	Forma - dwelli	Traditi onal dwelli	Inform al dwelli	Other	Total
<b>Free State</b>	<b>823 285</b>	<b>3,3</b>	<b>845 250</b>	<b>3,5</b>	<b>667 734</b>	<b>19 541</b>	<b>128 986</b>	<b>7 025</b>	823 286	<b>748 304</b>	<b>10 497</b>	<b>81 693</b>	<b>4 757</b>	845 250
<b>Lejweleputswa</b>	<b>182 247</b>	<b>3,4</b>	<b>189 807</b>	<b>3,6</b>	<b>144 220</b>	<b>754</b>	<b>35 155</b>	<b>2 119</b>	182 248	<b>167 356</b>	<b>746</b>	<b>20 608</b>	<b>1 097</b>	189 807
FS181 : Masilonyana	16 476	3,6	17 853	3,6	13 614	79	2 655	128	16 476	16 246	84	1 316	207	17 853
FS182 : Tokologo	8 698	3,3	8 061	3,7	7 292	43	1 290	72	8 697	6 739	12	1 125	185	8 061
FS183 : Tswelopele	11 991	4,0	14 798	3,8	9 641	52	2 244	54	11 991	12 613	111	1 984	91	14 798
FS184 : Matjhabeng	123 382	3,3	126 068	<b>3,5</b>	96 835	490	24 313	1 744	123 382	111 125	440	13 987	516	126 068
FS185 : Nala	21 700	3,7	23 027	3,9	16 837	89	4 653	121	21 700	20 632	99	2 197	99	23 027

**Source: Cencus2022**

The distribution of the households in the District increased from 182 247 in 2011 to 189 807 in 2022.

In terms of the type of main dwelling (formal), increased from 144 220 in 2011 to 167 356 in 2022, (traditional) slightly decreased from 754 in 2011 to 746 in 2022 and (informal) sharply decreased from 35 155 in 2011 to 20 608 in 2022.

## TYPE OF MAIN DWELLING

Province, district and local municipality	MIIF CATEGORY	Government transfers and	Households				Type of main dwelling									
			2011		2022		2011					2022				
			Total Househo	Average	Total Househo	Average	Formal dwelling	Tradition al	Informal dwelling	Other	Total	Formal dwelling	Tradition al	Informal dwelling	Other	Total
Free State			823 285	3 , 3	845 250	3 , 5	667 734	19 541	128 986	7 02 5	823 286	748 304	10 497	81 693	4 75 7	845 250
Xhariep	C1	91, 6%	37 678	3 , 2	36 064	3 , 7	33 001	147	4 347	18 2	37 677	32 814	122	2 939	18 9	36 064
FS161 : Letsemeng	B3	49, 1%	11 242	3 , 4	10 940	3 , 9	9 358	17	1 812	55	11 242	9 279	33	1 586	43	10 940
FS162 : Kopanong	B3	47, 9%	15 643	3 , 1	14 578	3 , 6	14 293	57	1 213	80	15 643	13 797	50	663	68	14 578
FS163 : Mohokare	B3	51, 0%	10 793	3 , 2	10 546	3 , 5	9 350	74	1 322	47	10 793	9 739	39	689	78	10 546
Lejweleputsw a	C1	96, 5%	182 247	3 , 4	189 807	3 , 6	144 220	754	35 155	2 11 9	182 248	167 356	746	20 608	1 09 7	189 807
FS181 : Masilonyana	B3	39, 8%	16 476	3 , 6	17 853	3 , 6	13 614	79	2 655	12 8	16 476	16 246	84	1 316	20 7	17 853
FS182 : Tokologo	B3	48, 5%	8 698	3 , 3	8 061	3 , 7	7 292	43	1 290	72	8 697	6 739	12	1 125	18 5	8 061
FS183 : Tswelopele	B3	59, 4%	11 991	4 , 0	14 798	3 , 8	9 641	52	2 244	54	11 991	12 613	111	1 984	91	14 798
FS184 : Matjhabeng	B1	21, 3%	123 382	3 , 3	126 068	3 , 5	96 835	490	24 313	1 74 4	123 382	111 125	440	13 987	51 6	126 068

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FS185 : Nala	B3	42,5%	21 700	3 , 7	23 027	3 , 9	16 837	89	4 653	12 1	21 700	20 632	99	2 197	99	23 027
<b>Thabo Mofutsanyane</b>	<b>C1</b>	<b>84,9%</b>	<b>217 689</b>	<b>3 , 4</b>	<b>244 415</b>	<b>3 , 4</b>	<b>168 216</b>	<b>14 839</b>	<b>33 244</b>	<b>1 39 0</b>	217 689	<b>211 287</b>	<b>6 660</b>	<b>25 082</b>	<b>1 38 6</b>	244 415
FS191 : Setsoto	B3	51,9%	33 496	3 , 3	36 471	3 , 5	23 485	894	8 942	17 6	33 497	30 369	349	5 452	30 1	36 471
FS192 : Dihlabeng	B2	27,9%	38 590	3 , 3	41 468	3 , 1	29 598	1 896	6 904	19 2	38 590	35 430	646	5 283	10 9	41 468
FS193 : Nketoana	B3	32,7%	17 318	3 , 5	19 738	3 , 4	12 735	655	3 879	50	17 319	16 587	148	2 790	21 3	19 738
FS194 : Maluti a Phofung	B3	62,5%	100 226	3 , 4	115 151	3 , 5	80 585	9 676	9 157	80 8	100 226	101 408	4 405	8 806	53 1	115 151
FS195 : Phumelela	B3	59,7%	12 888	3 , 7	15 605	3 , 3	9 407	1 269	2 136	77	12 889	12 937	836	1 765	67	15 605
FS196 : Mantsopa	B3	37,5%	15 170	3 , 4	15 982	3 , 5	12 406	450	2 226	87	15 169	14 556	275	986	16 4	15 982
<b>Fezile Dabi</b>	<b>C1</b>	<b>96,7%</b>	<b>144 971</b>	<b>3 , 4</b>	<b>145 539</b>	<b>3 , 5</b>	<b>120 700</b>	<b>717</b>	<b>22 254</b>	<b>1 30 0</b>	144 971	<b>130 089</b>	<b>815</b>	<b>13 790</b>	<b>84 5</b>	145 539
FS201 : Moqhaka	B2	31,2%	45 661	3 , 5	42 789	3 , 6	40 495	215	4 705	24 6	45 661	38 915	202	3 357	31 5	42 789
FS203 : Ngwathe	B3	36,7%	37 099	3 , 2	36 793	3 , 7	30 172	159	6 510	25 7	37 098	33 560	181	2 718	33 5	36 793
FS204 : Metsimaholo	B2	24,2%	45 752	3 , 3	49 060	3 , 2	38 380	126	6 524	72 3	45 753	43 311	215	5 364	17 0	49 060
FS205 : Mafube	B3	50,1%	16 459	3 , 5	16 896	3 , 6	11 653	216	4 515	74	16 458	14 303	216	2 351	26	16 896
<b>Mangaung</b>	<b>METRO</b>	<b>24,5%</b>	<b>240 700</b>	<b>3 , 2</b>	<b>229 426</b>	<b>3 , 5</b>	<b>201 598</b>	<b>3 084</b>	<b>33 986</b>	<b>2 03 4</b>	240 702	<b>206 758</b>	<b>2 155</b>	<b>19 274</b>	<b>1 23 9</b>	229 426

Households		Type of main dwelling									
2011	2022	2011					2022				
Total Households	Total Households	Formal dwelling	Traditional dwelling	Informal dwelling	Other	Total	Formal dwelling	Traditional dwelling	Informal dwelling	Other	Total
100,0	100,0	81,1	2,4	15,7	0,9	100,0	88,5	1,2	9,7	0,6	100,0
4,6	4,3	87,6	0,4	11,5	0,5	100,0	91,0	0,3	8,1	0,5	100,0
1,4	1,3	83,2	0,2	16,1	0,5	100,0	84,8	0,3	14,5	0,4	100,0
1,9	1,7	91,4	0,4	7,8	0,5	100,0	94,6	0,3	4,6	0,5	100,0
1,3	1,2	86,6	0,7	12,2	0,4	100,0	92,3	0,4	6,5	0,7	100,0
22,1	22,5	79,1	0,4	19,3	1,2	100,0	88,2	0,4	10,9	0,6	100,0
2,0	2,1	82,6	0,5	16,1	0,8	100,0	91,0	0,5	7,4	1,2	100,0
1,1	1,0	83,8	0,5	14,8	0,8	100,0	83,6	0,1	14,0	2,3	100,0
1,5	1,8	80,4	0,4	18,7	0,5	100,0	85,2	0,8	13,4	0,6	100,0
15,0	14,9	78,5	0,4	19,7	1,4	100,0	88,1	0,3	11,1	0,4	100,0
2,6	2,7	77,6	0,4	21,4	0,6	100,0	89,6	0,4	9,5	0,4	100,0
26,4	28,9	77,3	6,8	15,3	0,6	100,0	86,4	2,7	10,3	0,6	100,0
4,1	4,3	70,1	2,7	26,7	0,5	100,0	83,3	1,0	14,9	0,8	100,0
4,7	4,9	76,7	4,9	17,9	0,5	100,0	85,4	1,6	12,7	0,3	100,0
2,1	2,3	73,5	3,8	22,4	0,3	100,0	84,0	0,8	14,1	1,1	100,0
12,2	13,6	80,4	9,7	9,1	0,8	100,0	88,1	3,8	7,6	0,5	100,0
1,6	1,8	73,0	9,8	16,6	0,6	100,0	82,9	5,4	11,3	0,4	100,0
1,8	1,9	81,8	3,0	14,7	0,6	100,0	91,1	1,7	6,2	1,0	100,0
17,6	17,2	83,3	0,5	15,4	0,9	100,0	89,4	0,6	9,5	0,6	100,0
5,5	5,1	88,7	0,5	10,3	0,5	100,0	90,9	0,5	7,8	0,7	100,0
4,5	4,4	81,3	0,4	17,5	0,7	100,0	91,2	0,5	7,4	0,9	100,0
5,6	5,8	83,9	0,3	14,3	1,6	100,0	88,3	0,4	10,9	0,3	100,0
2,0	2,0	70,8	1,3	27,4	0,4	100,0	84,7	1,3	13,9	0,2	100,0
29,2	27,1	83,8	1,3	14,1	0,8	100,0	90,1	0,9	8,4	0,5	100,0

## DISTRIBUTION OF HOUSEHOLDS BY SOURCE OF WATER, TOILET FACILITY AND ENERGY FOR COOKING

Province, district and local municipa lity	Source of water for household use						Toilet facilities								Energy for cooking							
	201 1			202 2			2011				2022				2011				2022			
	Regio nal/ 1	Other	Total	Regio nal/loc 2	Other	Total	Flush toilet	Other	None	Total	Flush toilet	Other	None	Total	Electri city	Gas	Other	Total	Electri city	Gas	Other	Total
<b>Free State</b>	742 117	81 16 9	823 286	776 522	68 72 8	845 250	552 264	245 294	25 72 7	823 285	644 697	186 068	14 48 5	845 250	695 565	23 89 7	102 258	821 720	663 967	138 663	41 14 8	843 777
<b>Lejwelep utswa</b>	165 960	16 28 7	182 247	176 502	13 30 4	189 807	140 891	35 471	5 88 6	182 248	163 578	23 166	3 06 2	189 807	158 687	3 52 1	19 698	181 906	148 268	33 122	8 07 9	189 469
FS181 : Masilonya na	14 587	1 89 0	16 477	15 289	2 56 4	17 853	12 365	3 579	53 2	16 476	16 162	1 486	20 5	17 853	14 555	33 1	1 567	16 453	14 010	2 839	96 0	17 809
FS182 : Tokologo	6 188	2 50 9	8 697	7 302	75 9	8 061	2 265	5 473	96 0	8 698	4 937	2 913	21 1	8 061	6 867	19 3	1 625	8 685	5 975	1 724	34 2	8 041
FS183 : Tswelopel e	9 131	2 86 0	11 991	12 558	2 24 1	14 798	9 734	1 504	75 2	11 990	12 313	2 093	39 3	14 798	10 514	27 1	1 191	11 976	11 941	2 366	45 6	14 762
FS184 : Matjhabe ng	117 046	6 33 6	123 382	119 966	6 10 2	126 068	101 003	19 302	3 07 7	123 382	109 797	14 239	2 03 1	126 068	108 193	2 23 2	12 715	123 140	97 421	23 402	5 06 5	125 887
FS185 : Nala	19 009	2 69 2	21 701	21 388	1 63 9	23 027	15 524	5 612	56 4	21 700	20 369	2 436	22 2	23 027	18 557	49 5	2 600	21 652	18 921	2 792	1 25 6	22 969

Source: Census 2022

In terms of the distribution of households by source of water, the **Regional/Local** increased from 165 960 in 2011 to 176 502 in 2022, as compared to the Province which also increased from 742 117 in 2011 to 776 522 in 2022. Other source decreased from 16 287 in 2011 to 13 304 in 2022 and the Province experienced a decline in terms of other sources of water from 81 169 in 2011 to 68 728 in 2022. The toilet facility using flush toilet increased from 140 891 in 2011 to 163 578 in 2022. The use of energy for cooking by electricity decreased from 158 687 to 148 268 as compared to the Free State Province which also decreased from 695 565 in 2011 to 663 976 in 2022.

The usage of Gas for cooking in the District increased from 3 521 in 2011 to 33 122 in 2022 and the Province also experienced an upsurge in the usage of gas as a source for cooking from 23 897 in 2011 to 138 663 in 2022. In terms of other sources used for cooking, the District recorded a sharp decline from 19 698 in 2011 to 8 079 and the Province experienced a decline from 102 258 in 2011 to 41 148 in 2022

**POPULATION DISTRIBUTION BY GENDER, SCHOOL ATTENDANCE AND SEX RATIO, 2011 AND 2022**

Province, district and local municipality	CENSUS 2011					CENSUS 2022					Gro wth Rate
	Total population			School attend ance (5-24 years)	Se x Rat io	Total population			School attend ance (5-24 years)	Se x Rat io	
	Male	Fema le	Total			Male	Fema le	Total			
Free State	1 328 967	1 416 623	2 745 590	736 002	93, 8	1 407 824	1 556 588	2 964 412	759 488	90, 4	0,7
Lejweleputs wa	308 191	316 555	624 746	158 066	97, 4	326 177	353 569	679 746	175 713	92, 3	0,8
FS181 : Masilonyana	30 248	29 648	59 895	14 768	10 2,0	30 652	33 148	63 800	16 808	92, 5	0,6
FS182 : Tokologo	14 410	14 576	28 986	7 001	98, 9	14 199	15 256	29 455	7 638	93, 1	0,2
FS183 : Tswelopele	22 864	24 761	47 625	13 031	92, 3	27 428	29 468	56 896	15 704	93, 1	1,7
FS184 : Matjhabeng	201 802	205 218	407 020	101 830	98, 3	210 469	228 565	439 034	112 067	92, 1	0,7
FS185 : Nala	38 867	42 353	81 220	21 435	91, 8	43 429	47 132	90 561	23 496	92, 1	1,1

**SOURCE: CENSUS 2022**

The distribution of the District population by gender, school attendance and sex ratio by 2011 and 2022 is as follows,

In 2011 female population in the District was higher than male, (female) 316 555 while (male) was 308 191 and the dominance of female population continued in 2022 by (353 569) and (male) 326 177. However it should be noted that they both experienced a positive growth over a period of 10 years ( male) in 2011 stood at 308 191 and in 2022 recorded a positive from by 326 177 and female from 316 555 in 2011 to 353 569 in 2022.

The same pattern could be seen repeating itself at the Provincial level of the female population at 1 416 623 in 2011 and male at 1 328 967 in 2011 and female population growing to 1 556 588 and male population growing by 1 407 824.

In terms of school attendance number of population attending school increased from 158 066 in 2011 to 175 713 in 2022 and the Province population attending school also increased from 736 002 in 2011 to 759 488 in 2022



**HIGHEST LEVEL OF EDUCATION BY SEX FOR POPULATION**

	<b>Male</b>	<b>Female</b>	<b>Total</b>
No schooling	11325	13252	<b>24577</b>
Some Primary	66743	69708	<b>136451</b>
Primary Completed	16961	18148	<b>35109</b>
Some Secondary	93810	105696	<b>199507</b>
Secondary Completed	72254	79773	<b>152026</b>
Higher	15077	20050	<b>35127</b>
<b>Total</b>	<b>276169</b>	<b>306627</b>	<b>582796</b>

**Source: Census 2022**

In the Lejweleputswa District, there is 24 577 of the population with no schooling in 2022. Those with some primary schooling or education sitting at 136 451 in 2022. Those who completed primary schooling in 2022 was recorded at 35 109. The District population with some secondary stands at 199 507 in 2022.

Those who completed secondary schooling is at 152 026 in 2022. The District population with higher education stands at 35127.

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**MATRIC HIGHER QUALIFICATION, LEJWELEPUTSWA**

	Male	Female	Total
Grade 12/ Standard 10/ Form 5/ Matric/ NCV Level 4/ Occupational Certificate NQF Level 4	71224	79290	150514
N4/NTC 4/ Occupational Certificate NQF Level 5	1071	1166	2237
N5/NTC 5/ Occupational Certificate NQF Level 5	660	934	1594
N6/NTC 6/ Occupational Certificate NQF Level 5	1297	1850	3147
Higher/ National/ Advanced Certificate with Grade 12/ Std10/ Occupational Certificate NQF Level 5	1024	1202	2226
Diploma with Grade 12/ Standard 10/ Occupational Certificate NQF Level 6	3875	5371	9246
Higher Diploma/ Occupational Certificate NQF Level 7	1619	2286	3905
Bachelors Degree/ Occupational Certificate NQF Level 8	3579	4954	8534
Honours Degree/ Postgraduate Diploma/ Occupational Certificate NQF Level 8	1179	1748	2928
Masters/ Professional Masters at NQF Level 9	516	368	884
PHD (Doctoral Degrees)/ Professional Doctoral Degree at NQF Level 10	254	171	425
<b>Total</b>	<b>86301</b>	<b>99340</b>	<b>185640</b>

**Source: Census 2022**

The number of people with grade 12/ standard 10 qualification in the District is at 150 514 in 2022. Those with N4/ Occupational Certificate at NQF level 5 qualification is at 2 237 in 2022. The number of people with N5/NTC5/ Occupational certificate NQF 5 is 1594 in 2022. The population that possesses N6/NTC6/Occupational certificate NQF 5 in the District is 3147. The number of people in the District with Higher/National/Advanced certificate with grade 12/Std10/Occupational NQF5 is 2 226 in 2022.

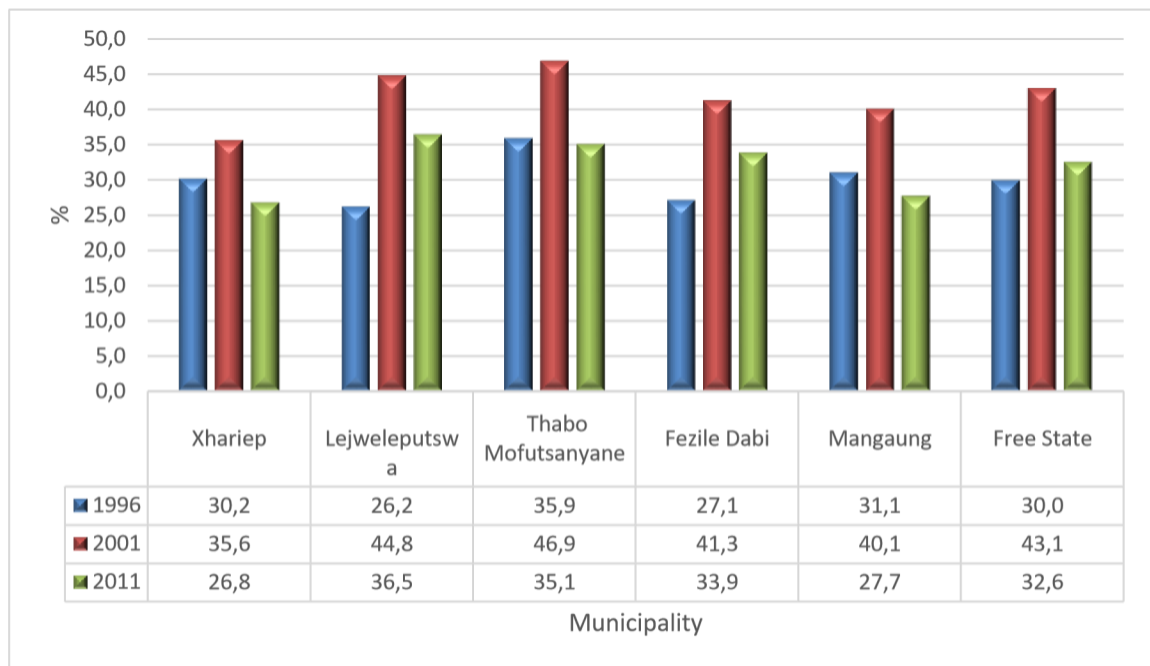
The District has a population of 9 246 in 2022 with Diploma with grade 12/Std10/ Occupational certificate NQF 6. The number of people with Higher Diploma/Occupational certificate NQF 7 in the District is 3 905 in 2022. The number of people with Bachelors Degree/Occupational certificate NQF 8 in the District is 8 534 in 2022.

The population of the District with Honours Degree/Postgraduate Diploma/ Occupational certificate NQF 8 is 2 928 in 2022. The number of people with Masters/ Professional Masters at NQF level 9 in the District is at 884 in 2022. The population of the District with PHD (Doctoral Degrees) Professional Doctoral Degree at NQF level 10 is 425 in 2022.

Province, district and local municipality	MIIF CATEGORY	Government transfers and subsidies as a % of total	CENSUS 2011					CENSUS 2022					Gro wth Rat e
			Total population			Scho ol atten danc e (5- 24 years )	Se x Ra tio	Total population			Scho ol atten danc e (5- 24 years )	Se x Ra tio	
			Male	Fem ale	Tota l			Male	Fem ale	Tota l			
Free State			1 328 967	1 416 623	2 745 590	736 002	93 ,8	1 407 824	1 556 588	2 964 412	759 488	90 ,4	0,7
Xhariep	C1	91, 6%	60 249	61 695	121 945	31 103	97 ,7	63 244	68 657	131 901	32 587	92 ,1	0,8
FS161 : Letsemeng	B3	49, 1%	19 852	18 777	38 628	9 084	10 5, 7	21 056	22 045	43 101	9 830	95 ,5	1,1
FS162 : Kopanong	B3	47, 9%	24 083	25 087	49 171	12 374	96 ,0	24 567	27 265	51 832	12 659	90 ,1	0,5
FS163 : Mohokare	B3	51, 0%	16 314	17 831	34 146	9 646	91 ,5	17 621	19 347	36 968	10 099	91 ,1	0,8
Lejweleputs wa	C1	96, 5%	308 191	316 555	624 746	158 066	97 ,4	326 177	353 569	679 746	175 713	92 ,3	0,8
FS181 : Masilonyana	B3	39, 8%	30 248	29 648	59 895	14 768	10 2, 0	30 652	33 148	63 800	16 808	92 ,5	0,6
FS182 : Tokologo	B3	48, 5%	14 410	14 576	28 986	7 001	98 ,9	14 199	15 256	29 455	7 638	93 ,1	0,2
FS183 : Tswelopele	B3	59, 4%	22 864	24 761	47 625	13 031	92 ,3	27 428	29 468	56 896	15 704	93 ,1	1,7
FS184 : Matjhabeng	B1	21, 3%	201 802	205 218	407 020	101 830	98 ,3	210 469	228 565	439 034	112 067	92 ,1	0,7
FS185 : Nala	B3	42, 5%	38 867	42 353	81 220	21 435	91 ,8	43 429	47 132	90 561	23 496	92 ,1	1,1
Thabo Mofutsanya ne	C1	84, 9%	342 877	392 802	735 679	218 696	87 ,3	387 852	443 569	831 421	223 777	87 ,4	1,2
FS191 : Setsoto	B3	51, 9%	52 340	59 698	112 038	32 339	87 ,7	59 948	67 970	127 918	34 689	88 ,2	1,3
FS192 : Dihlabeng	B2	27, 9%	61 153	67 551	128 704	33 843	90 ,5	60 864	69 571	130 434	31 000	87 ,5	0,1
FS193 : Nketoana	B3	32, 7%	28 611	31 713	60 324	17 259	90 ,2	31 260	35 228	66 488	17 055	88 ,7	0,9

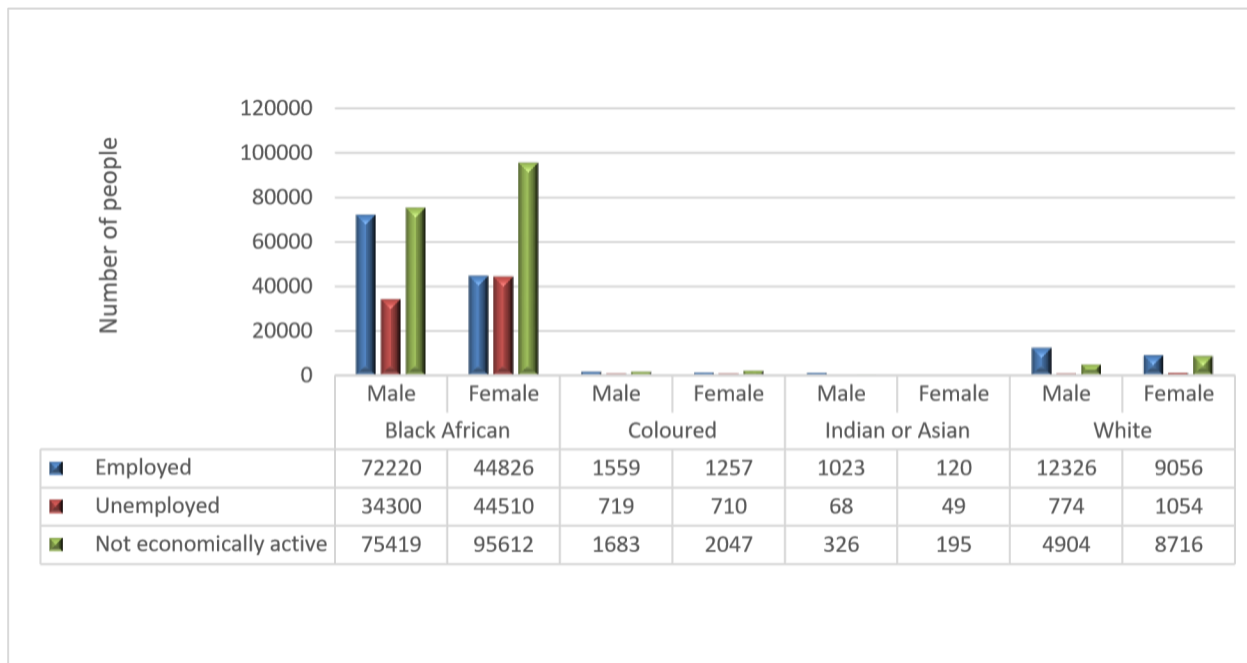
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FS194 : Maluti a Phofung	B3	62, 5%	153 209	182 575	335 784	108 045	83 ,9	184 386	214 074	398 459	113 419	86 ,1	1,7
FS195 : Phumelela	B3	59, 7%	23 162	24 611	47 772	13 325	94 ,1	25 033	27 191	52 224	13 090	92 ,1	0,9
FS196 : Mantsopa	B3	37, 5%	24 402	26 654	51 056	13 885	91 ,6	26 361	29 536	55 897	14 523	89 ,3	0,9
<b>Fezile Dabi</b>	<b>C1</b>	<b>96, 7%</b>	<b>242 342</b>	<b>245 694</b>	<b>488 036</b>	<b>121 309</b>	<b>98 ,6</b>	<b>244 738</b>	<b>265 174</b>	<b>509 912</b>	<b>123 954</b>	<b>92 ,3</b>	<b>0,4</b>
FS201 : Moqhaka	B2	31, 2%	79 477	81 055	160 532	37 396	98 ,1	74 579	80 831	155 410	37 328	92 ,3	-0,3
FS203 : Ngwathe	B3	36, 7%	57 424	63 096	120 520	31 829	91 ,0	63 460	71 502	134 962	32 426	88 ,8	1,1
FS204 : Metsimaholo	B2	24, 2%	77 636	71 472	149 108	35 503	10 8, 6	77 992	80 399	158 391	38 730	97 ,0	0,6
<b>FS205 : Mafube</b>	B3	50, 1%	27 805	30 071	57 876	16 580	92 ,5	28 707	32 443	61 150	15 470	88 ,5	0,5
<b>Mangaung</b>	<b>ME TR O</b>	<b>24, 5%</b>	<b>375 308</b>	<b>399 876</b>	<b>775 184</b>	<b>206 827</b>	<b>93 ,9</b>	<b>385 812</b>	<b>425 620</b>	<b>811 431</b>	<b>203 457</b>	<b>90 ,6</b>	<b>0,4</b>

**EMPLOYMENT STATUS****UNEMPLOYMENT RATES (OFFICIAL DEFINITION) OF FREE STATE MUNICIPALITIES, 1996-2011****StatsSA: Census, 2011**

The district is one of the worst municipalities with highest rate of unemployment in the Free State province in the 2011 census. It is standing at 36.5%. Although the picture for all municipalities is not satisfying, in the Free State, Lejweleputswa has the highest numbers of unemployment. This must be attributed partly to mining closures. The revival of the district agency must be to establish some form employment opportunities in the district. Mining closures do not help the situation either. There must be strategies used by local economic development agencies to steer the employment in the right direction. Efforts must be to engage youth to establish sustainable enterprises.

### EMPLOYMENT STATUS BY POPULATION AND SEX OFFICIAL EMPLOYMENT STATUS BY POPULATION GROUP AND GENDER IN LEJWELEPUTSWA

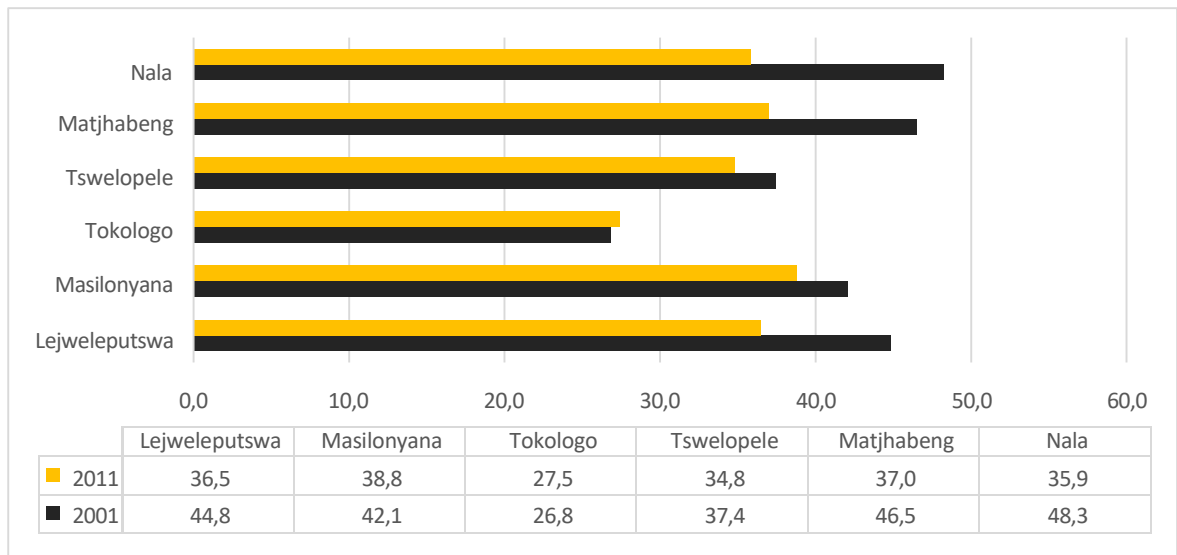


StatsSA: Census, 2011

The table above depicts the official employment status by population group and gender in the Lejweleputswa District, with black African male being the highest with **72220** employed followed by African female at **44826**, and white males with **12326** employed, and white females at **9056**, male Coloured at 1559 and Coloured female at **1257**. The Indian, male employment is at **1023** while female Indians is **120**.

The unemployment of Black African male is **34300**, and Black African female is **44510**. The White male unemployment is standing at **774** and White female the rate of unemployment is at 1054. The Coloured male unemployment is at **719** and the Coloured female is **710**. The Indian male is 68 and Indian female is at **49**.

It is quite clear that the Black African population group is the most affected both males and females and the district should focus on creating more employment opportunities to significantly reduce the rate of unemployment from **36, 5%** to **5%** by 2030.

**LEJWELEPUTSWA YOUTH UNEMPLOYMENT RATE**

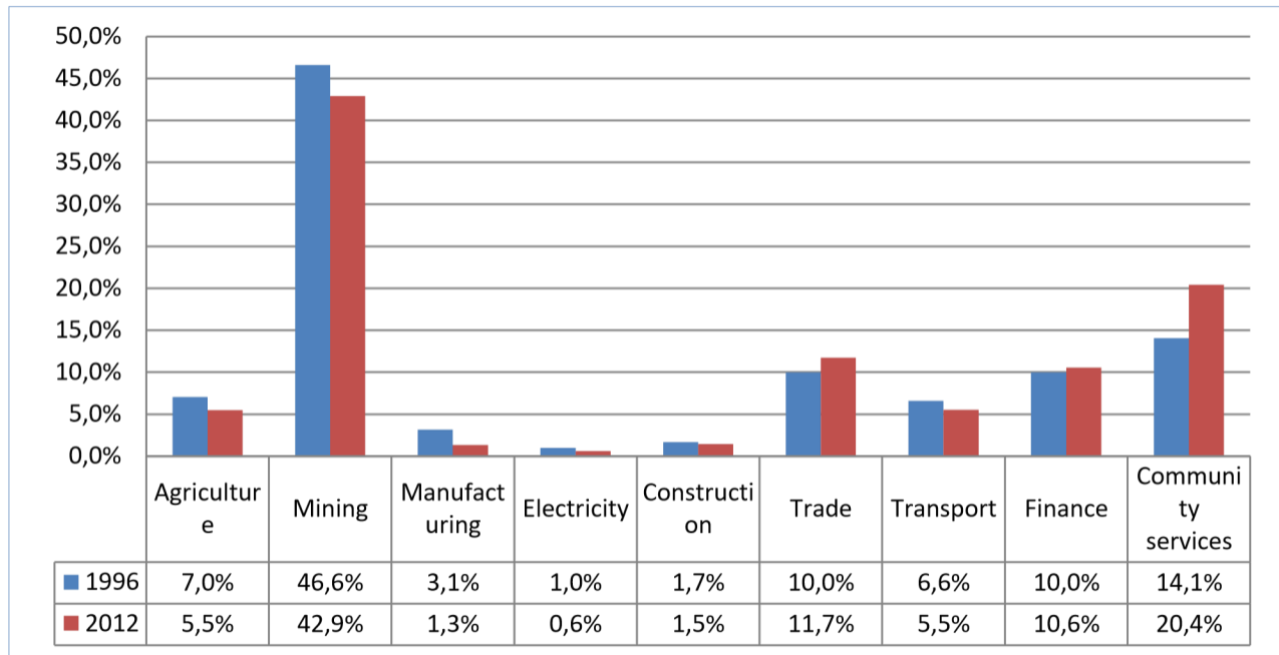
StatsSA: Census, 2011

The table above depicts a picture of the youth unemployment in Lejweleputswa with Masilonyana being the hardest hit municipality at a rate of **38.8%** unemployment followed by Matjhabeng with **37.0%**, Nala standing at **35.9%**, Tswelopele at 34.8% and Tokologo being the least with **27.5%**.

This situation calls for Lejweleputswa to prioritize youth and women when embarking of EPWP projects and SMME's development in an attempt to address youth and women unemployment.



LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL REPORT 2023-2024  
**GDP CONTRIBUTION BY INDUSTRY**



Source: Global Insight, Regional explorer, 2013

The table above shows GDP contribution by sector and mining is still the leading sector in terms of GDP contribution and the agricultural sector has declined by from 7.0% in 1996 to 5.5% in 2012 while the community services has increased from 14.1% in 1996 to 20.4% in 2012. Manufacturing has drastically decreased from 3.1% in 1996 to 1.3% due to the declining mining activities. The trade sector has also soared from 10.0% in 1996 to 11.7% and the transport sector has decreased from 6.6% in 1996 to 5.5% in 2012. 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%	
<b>3 Manufacturing</b>	<b>2.5%</b>	<b>2.1%</b>	<b>2.9%</b>	<b>2.2%</b>	<b>2.1%</b>	<b>5.2%</b>	
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%	
<b>7 Transport</b>	<b>6.3%</b>	<b>5.2%</b>	<b>5.0%</b>	<b>7.8%</b>	<b>5.6%</b>	<b>11.8%</b>	
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: HIS 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 forecasted to grow further.

**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 2023/24 irregular, unauthorized 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 115 work opportunities with the EPWP Integrated Grant.
- 3 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	Extent of the identified road network which has been classified according to RISFSA and/or RCAM.
Asset Usage	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.

## **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

## **SUPPLYCHAINMANAGEMENT**

- 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.

## FINANCIALHEALTHOVERVIEW

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	R153,761,000	R22,937,000	R176,698,000	R171,180,757
Interest Received	R5,555,000	R1,950,000	R7,505,000	R9,819,349
Other Income	R97,000	R100,000	R197,000	R480,100
Gain on Disposal of Assets	0	0	0	R2,354
Total Revenue	R159,413,000	R24,987,000	R184,400,000	R181,482,570
Less Total Operating Expenditure	(R207,703,110)	(R24,987,000)	(R232,690,110)	(R226,353,273)
Net total	(R48,290,110)	0	(R48,290,110)	(R44,873,057)

Operating Ratios	
Detail	
Employee Costs including Councilors remuneration	60.59%
Repairs and Maintenance	0.21%
Finance Charges and Impairment	0%

## 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

<b>Total Capital Expenditure: 2020/21 to 2023/24(R'000)</b>				
<b>Detail</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
<b>Original Budget</b>	R13,550,000	R13,150,000	R8,800,000	R7,400,000
<b>Adjustment Budget</b>	R14,238,700	R13,150,000	R8,800,000	R1,350,000
<b>Actual</b>	R9,963,831	R5,477,154	R1,605,982	R8,750,000

**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 standardized 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 standardized 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	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
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.	Finalize the 4th quarterly Report for previous financial year.	August 2024
4.	Submit draft 2023/24 Annual Report to Internal Audit .	August 2024
5.	Municipal entities submit draft annual reports to MM.	August 2024
6.	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant).	August 2024
7.	Mayor tables the unaudited Annual Report.	August 2024
8.	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General.	August 2024
9.	Annual Performance Report as submitted to be provided as input to the IDP Analysis Phase.	October 2024
10.	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data.	Nov – Dec 24
11.	Municipalities receive and start to address the Auditor General's comments.	November 2024
12.	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report.	January 2025
13.	Audited Annual Report is made public and representation is invited.	February 2025
14.	Oversight Committee assesses Annual Report.	
15.	Council adopts Oversight report.	
16.	Oversight report is made public.	
17.	Oversight report is submitted to relevant provincial council	March 2025
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 nine (39) Councilors, 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 MS Baleni**  
**Corporate Services:**  
**Including HR**  
**And Legal Services**



**Cllr PP Maseko**  
**Municipal Infrastructure**  
**Support Services**



**Cllr BA Kabi**  
**Community Services**



**Cllr MJ Meli**  
**Economic Small Business And**  
**Rural Development Including**  
**Agriculture And Tourism**






**Cllr D Kotzee**  
**Finance Including Budget**  
**And Treasury**



**Cllr SE Tsuinke**  
**Municipal Health Services**  
**And Disaster Management**  
**Including Fire-Fighting**

# 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 MS Baleni	Chairperson of Corporate Service Including HR and Legal service
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 PP Maseko	Chairperson of Municipal Infrastructure Support Service
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 MA Dithebe	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	7	50	350
Mpac Meetings	11	13	143
Corporate services Portfolio Committees	3	13	39
Finance Portfolio Committees	4	10	40
Led Portfolio Committees	2	13	26
Public Participation Committee	-	-	-
Municipal Health Services	3	14	42
Community Service and Special Programmers Portfolio Committees	1	12	12
Municipal Support and Infrastructure Portfolio Committees	3	10	30
Mayoral Committees	6	16	96
Rules Portfolio Committee	-	-	-
Language and Public Places	-	-	-
Ethics and Disciplinary Committee	-	-	-
IDP, Pms Policy development and Monitoring Portfolio Committee	3	12	36
Total	43	163	814

**2.1.5 EXECUTIVE MAYORAL COMMITTEE**

The Executive Mayor is at the center of the system of governance; therefore executive powers are vested in her to manage the day-to-day affairs. This means that she 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 2023 - 30 June 2024:**

Name of Member	Capacity
Cllr KV Van Rooyen	IDP, PMS, Policy Development Including Monitoring and Evaluation
Cllr PP Maseko	Municipal Infrastructure Support Services
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 MS Baleni	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**

<b>SECTION 80 COMMITTEES</b>			
<b>Committee</b>	<b>Functions</b>	<b>Chairperson</b>	<b>Executive Manager</b>
Municipal Infrastructure	Roads Infrastructure	Cllr PP Maseko	Mr SJ Nzume
Financial Including Budget And Treasury	Income and Expenditure, Supply Chain, BTO, Revenue Management, Asset Management, Stores, Financial Statements, GRAP Statements	Cllr D Kotzee	Mr MK Khoabane
Community Services	Sport	Cllr BA Kabi	Mr SJ Nzume
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 E Lesenyelo
Municipal Health Services & Disaster management Including Fire Fighting	Municipal Environmental Protection and Disaster Management	Cllr SE Tsuinke	Mr SJ Nzume
Corporate Services Including HR and Legal Services	Human Resource Development, Support services. Access Control), Committee Services, Legal Services, Gender / Disability related matters.	Cllr MS Baleni	Me SC Abrams
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 SJ Lehasa(ISANCO) Cllr LJ Maile(ADEC)	Salga
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) ,	Salga
Disciplinary and Ethics Committee	A Styger(Da)	Cllr MA Dithebe ( Anc), Cllr TW Letlhake ( Da), Cllr MM Molutsi (Anc), M Pienaar ( FF+), M Molefi (Anc)	Salga

**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:**

Municipal Manager	Mr ML Makhetha
Executive Manager: Corporate Services	Me SC Abrams
Executive Manager: Financial Services	Mr MK Khoabane
Executive Manager: Local Economic Development	Mr E Lesenyelo
Acting Executive Manager: Basic Services	Mr SJ Nzume

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 ML Makhetha**  
**Accounting Officer**



**Mr M.K Khoabane**  
**Chief Financial Officer**



**Mr S Lesenyelo**  
**Director LED**



**Me S.C Abrams**  
**Director: Corporate Services**



**Mr S.J Nzume**  
**Acting Director EHS**



Performance Agreement Status		
Name of official	Department	Performance Agreement Signed? Y/N
Mr ML Makhetha	Municipal Manager	Yes
Me SC Abrams	Corporate Services	Yes
Mr MK Khoabane	Financial Services	Yes
Mr E Lesenyelo	Local Economic Development	Yes
Mr SJ Nzume	Acting 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 utilization 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 Idp 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 utilized 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 ML Makhetha
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 ML Makhetha
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 organize 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.

**1. RISK MANAGEMENT****INTRODUCTION**

The purpose of this report is to provide the Risk Management Committee with an annual overview of the current risk management activities, key risks facing the municipality, and the measures in place to mitigate these risks. This report aims to ensure transparency and accountability in the management of municipal risks; provides a clear and concise view of the LDM's risk landscape and demonstrating a commitment to risk management. This report sets out the outcomes of the 2023/2024 financial year processes facilitated by the LDM Risk Management Participants as stipulated in the 2023/2024 Implementation Plan.

**1.1 MEETING DATES**

NO.	DATE OF THE MEETING	COMMENTS
1.	27 NOVEMBER 2023	Achieved
2.	19 JANUARY 2024	Achieved
3.	26 JANUARY 2024	Achieved (rescheduled to the 09 <sup>th</sup> Feb)
4.	21 FEBRUARY 2024	Achieved
5.	29 APRIL 2024	Achieved
6.	09 - 10 MAY 2024 (Fraud C ICT Risk Identification Workshop)	Achieved
7.	09-10 JULY 2024 (RISK IDENTIFICATION WORKSHOP)	Achieved
8.	13 AUGUST 2024	Achieved

**1.2 APPROVAL OF 2023/2024 POLICIES**

NO	POLICY	RMC APPROVAL	COUNCIL APPROVAL
1.	<u>Risk Management Framework</u> Risk Management Policy Risk Management Strategy	19 JAN 2024	APPROVED AS DRAFT - 31 JAN 2024
2.	Fraud Prevention Policy	19 JAN 2024	APPROVED AS DRAFT - 31 JAN 2024
3.	Whistle Blowing Policy	19 JAN 2024	
4.	Risk Implementation Plan	19 JAN 2024	

**2. RISK MANAGEMENT STRATEGY**

The municipality employs a comprehensive risk management framework designed to identify, assess, mitigate, and monitor risks. The strategy includes:

- Risk Identification: Regularly identifying potential risks through consultations with Risk Owners, Champions, and stakeholder feedback.
- Risk Assessment: Evaluating the likelihood and impact of identified risks. When analysing risks, it is important to understand the effectiveness of the existing controls that are in place. Controls effectiveness measures strength of the current controls to provide an indication of confidence the business should have in them or whether additional controls are necessary.
- Risk Mitigation: Implementing strategies to manage and reduce risks to acceptable levels.
- Risk Response or treatment involves identifying and implementing mitigating controls.
- Risk Monitoring: Continuously monitoring the risk environment and the effectiveness of mitigation measures.

**3. KEY RISKS AND MITIGATION STRATEGIES**

The realisation of our Integrated Development Plan (IDP) and Service Delivery & Budget Implementation Plan (SDBIP) depends on management being able to take calculated risks in a way that does not jeopardise the direct interests of stakeholders.

**A. STRATEGIC RISKS**

Municipal strategic risks refer to potential threats or challenges that can significantly impact the long-term goals, mission, and overall strategic direction of a municipality. The Risk Management Unit revises the strategic risks assessments annually and the reassessment is done in consultation with the Risk Owners and the Risk Management Chairperson. The risk registers have been provided separately to the Risk Report in annexure A and it is recommended that the same register should be carried forward to 2024/2025 Financial Year and used in 2024/2025 to monitor, evaluate and report on strategic risks mitigations actions plans implementations as well as to be used by internal audit to prepare the risk-based three year rolling and 2024/2025 operational plans

During the Fourth quarter assessments and 2024/2025 Risk Identification it was noted that LDM needs to prioritize budgeting for training of the employees, development of Policy Guidelines and Standard Operating Procedure Manuals for all the departments.



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RISK NO	STRATEGIC RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
1.	Failure to implement ICT security measures	Corporate Services	25	25	Unchanged	1. Develop ICT security policies such as Firewall and Anti-virus and Window defender etc.  2. Implementation of ICT security policies such as Firewall, Anti-virus and window defenders  3. Implementation of ICT security training awareness.	QUARTERLY REPORTING
2.	Political Interference on administration	Exec Mayor/Speaker	25	20	Changed	1. Develop a policy to regulate & promote ethical behaviour in line with Code of Conduct of Councillors.  2. Conduct workshop with Councillors on Ethics and Code of conduct for Councillors	QUARTERLY REPORTING
3.	Failure to prevent and investigate UIFW expenditure	Finance	25	20	Changed (20%)	1. Develop and implement UIFW Preventions and Management Policy.  2. Develop and implement UIFW Reduction Strategy.  3. Develop and implement Standard Operating Procedures Manuals to prevent and investigate UIFW expenditures.  4. Provide skills development trainings to MPAC Committee on UIFW preventions and investigations.	QUARTERLY REPORTING

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RISK NO	STRATEGIC RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
						5. Conduct investigations against UIFW expenditures and implement report recommendations.  6. Take corrective actions against non-compliances and wrong doings.  7. Develop and quarterly review of UIFW expenditure registers	
4.	Failure to identify opportunities to achieve the vision of the institution	ALL	25	20	Changed (20%)	1. Develop, support and fund entrepreneurial and innovation development programmes.  2. Identify and initiate investments opportunities & marketing them to investors.  3. Full participations into DDM Forums and make meaningful contributions.  4. Incubate, train, develop, fund and support SMMEs and Cooperatives.  5. Develop infrastructural plan requirements and ensure that it is fully funded for implementations.	QUARTERLY REPORTING
5.	Outdated Disaster Management Plan (Inability to conduct disaster Community based Risk Assessments)	Disaster Management	25	20	Changed (20%)	1. Review and implement Disaster Management Plans.  2. Develop and implement Disaster Management Policies.	QUARTERLY REPORTING

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RISK NO	STRATEGIC RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
						3. Conduct Community-Based Disaster Risk Assessments through outsourcing.  4. Capacitation and resourcing of Disaster Management Unit.	
6.	Inability to create an enabling environment for SMMEs & Cooperatives	LED	25	20	Changed (20%)	1. Review LED Strategy and ensure alignment with IDP & Provincial Initiatives.  2. Develop Implementation Plan of LED Strategy, monitor and evaluate implementations.  3. Capacitate and resource LED to operate optimally and properly.  4. Incubate, train, develop, fund and support SMMEs and Cooperatives.  5. Develop infrastructural plan requirements and ensure that it is fully funded for implementations.	QUARTERLY REPORTING
7.	Inadequate Records Management System	Corporate Services	25	20		1. Review the records management policy in line with the Provincial Archives' guidelines.  2. Implement records management policy.  3. Develop records management Standard Operating Procedure Manuals.  4. Implement records management Standard Operating Procedure Manual.	QUARTERLY REPORTING

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RISK NO	STRATEGIC RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
						5. Constitute records management committee and its Terms of Reference.  6. Provide Records management Skills development training awareness.  7. Centralise systems of records management. 8. Standardise records management systems.  9. Implement automated or electronic records management systems.  10. Capacitate and resource the records management unit	
8.	Non-functionality of HR Committees	Corporate Services	25	20	Changed (20%)	1. Develop the relevant HR policies and Standard Operating Procedures to regulate the functioning of the policies.  2. Implementation of the relevant HR policies and Standard Operating Procedures to regulate the functioning of the Committees.  3. Provide the relevant HR Skills trainings to Committees.  4. Capacitation and resourcing of all HR Committees.	QUARTERLY REPORTING
9.	Inability to provide support, coordination & facilitation to Local municipalities and	Municipal Manager	25	20	Changed (20%)	1. Financial and physical capacitation and resourcing of District municipality to effectively	QUARTERLY REPORTING

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RISK NO	STRATEGIC RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
	Lejweleputswa Development Agency					<p>render its functions and shared service support functions.</p> <p>2. Provide skills development trainings to improve share service support to local municipalities and LDA.</p> <p>3. Develop and implement annual programmes to assist local municipalities and LDA regarding performance management, internal auditing, risk management and budget allocations for service delivery and ensure that it is fully funded.</p> <p>4. Develop and implement Memorandum of Understandings and Service Level Agreements to regulate terms and conditions for rendering shared service support functions</p>	
10.	Ineffective systems to prevent, detect and respond to fraud and corruption incidents	ALL	25	20	Changed (20%)	<p>1. Identify all functional areas which are highly exposed to fraud and corruption and develop rotation policy.</p> <p>2. Regular rotation of bid-committee members</p> <p>3. Regular rotations of officials working at the highly exposed fraud and corruption risks functional areas, proper segregation of duties and impose compulsory leaves to be taken.</p> <p>4. Regular trainings of bid-committee members, SCM, Finance and HR Officials.</p>	QUARTERLY REPORTING

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RISK NO	STRATEGIC RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
						5. Take correction actions against non-compliances and wrong doings.  6. Provide fraud and corruption awareness trainings workshops	

**B: OPERATIONAL RISKS**

RISK NO	KEY PERFORMANCE INDICATOR	RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
1.	Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards	Failure to develop the annual procurement plan	Finance	25	25	Unchanged	1. Develop annual procurement plan aligned with the SDBIP & Budget (to include the KPI in the 2024/2025 IDP & SDBIP)	30 JUNE 2024

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RISK NO	KEY PERFORMANCE INDICATOR	RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
2.	Post Audit Action Plan matters for 2022/23 relating to leadership, predetermined objectives and other matters addressed by 30 June 2024	Failure to implement AG's recommendations.	MM	25	25	Unchanged	1. Develop a credible Post Audit Action Plans based on the root cause of external and internal audit findings supported by the Audit Findings Database Trackers and ensure implementations.	30 JUNE 2024
3.	4 reports on environmental & waste awareness campaigns in the District by 30 June 2024.	Inadequate environmental compliance management	MM	25	25	Unchanged	<p>1. Develop and review Policy Guidelines and Standard Operating Procedure Manuals which is aligned to the required environmental norms and standards for implementations to guide and regulate environmental compliances requirements.</p> <p>2. Proper resourcing of EHS and Local Municipalities to manage and enforce environmental compliances management (provide quality and relevant posters, banners and Equipments).</p>	30 JUNE 2024

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RISK NO	KEY PERFORMANCE INDICATOR	RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
							3. Develop and review Environmental Health Management By-Laws and Air Quality Management By-Laws to enforce environmental compliances management.	
4.	Slow pace to acquire municipal vehicles (Pool cars) for daily operations	Ineffective fleet management system	Finance	25	25	Unchanged	Develop fleet management policy	30 JUNE 2024
5.	Suppliers and service providers paid within 30 days of receipt of valid invoice, with no disputed delivery of goods / services throughout 2023/2024 by 30 June 2024.	Failure to pay service providers within 30 days	MM	25	25	Unchanged	1. Regular information sharing with end-users to speedily submit approved invoices for services rendered to BTO for payments to be effected within 30 days timelimits. 2. End-users should develop and review their respective procurement plans for submissions to BTO for consolidations and implementations to ensure compliances with SCM prescripts.	30 JUNE 2024



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RISK NO	KEY PERFORMANCE INDICATOR	RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
6.	Water quality monitoring	Failure to analyse water samples	EHS	25	25	Unchanged	1. Develop and review Policy Guidelines and Standard Operating Procedure Manuals which is aligned to the required norms and standards for implementations to guide and regulate analysis of water samples and recommendations implementations. (Service Provider appointed on a month to month)	30 JUNE 2024
7.	4 quarterly Reports on implementation of New staff regulations	Failure to implement staff regulations	Corporate Services	25	25	Unchanged	1. Perform skills gap analysis of Staff Regulations Task Team, identify skills gaps and develop skills development plans for regular implementations.  2. Regular capacitation and resourcing of Staff Regulations Task Team to properly and effectively perform their duties.	
8.	4 quarterly risk assessment performed by 30 June 2024	Failure to identify relevant risks that affect the municipality	MM	25	20	Changed (20%)	To conduct Fraud & Risk awareness workshops	30 JUNE 2024

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RISK NO	KEY PERFORMANCE INDICATOR	RISK DESCRIPTION	DIRECTORATE	INHERENT RISK RATING	RESIDUAL RISK RATING	CHANGE	ACTION PLANS	DUE DATE
9.	Coordinate an effective and efficient response to incidents and disasters throughout the district by 30 June 2024.	Failure to promptly respond to disaster in the District	Disaster Management	25	20	Changed (20%)	1. Develop and review Policy Guidelines and Standard Operating Procedure Manuals which is aligned to the required disaster management norms and standards for implementations to guide and regulate disaster management compliance requirements. 2. Proper resourcing of Disaster Management to manage and enforce disaster management compliances in the local municipalities.	31 MAR 2024
10.	4 quarterly OHS reports on incidents and inspections by 30 June 2024	Ineffective Occupational Health and Safety (OHS) implementation	Corporate Services	25	16	Changed	1. Develop and review OHS Policy Guidelines and Standard Operating Procedure Manuals for implementations to guide, regulate and promote OHS in LDM working place.	30 JUNE 2024

The Risk Management Committee reviewed Operational Risk Registers and the subsequent working sessions were held to review the Operational Risk Registers in order to complete outstanding tasks, pending the Risk Management Committee reviews for additional work completed. It is also recommended that the same Operational Registers should be carried forward to 2024/2025 Financial Year and used in 2024/2025 to monitor, evaluate and report on operational risks mitigations actions plans implementations.

#### **C. FRAUD & ICT RISKS**

Fraud and ICT Risk Identification Workshop was conducted on the 09-10 May 2024 facilitated by the Risk Management Chairperson – Mr Tshimomola with various departments in attendance to identify and assess Fraud and ICT risks. Fraud and ICT Risk Registers were developed. See the attached.

#### **4. 2023/2024 NON-ACHIEVED KPIs**

- To be reported in the first quarter of 2024/2025

#### **5. MONITORING AND INFORMATION**

**Stakeholder Engagement**:- During the 2023/24 financial year, on a quarterly basis, the Risk Management Unit met with Risk Owners and Champions for assessments, monitoring and ensured consistent and effective communication with all stakeholders about risk management activities and their importance.

#### **6. RISK MANAGEMENT CHALLENGES**

- **Resource Constraints**: Limited resources to purchase the Risk Management automated system for implementing comprehensive risk management measures.
- **Unavailability of the Risk Owners**: During the assessments, the Risk Management Team struggles to secure the appointments with the Risk Owners, which makes it difficult to finalize the assessments and compile progress reports.
- **Business Continuity**:- lack of business continuity policy and plans.

## **7. FUTURE INITIATIVES**

- **Workshop for the Councillors** on Risk Management Strategic Documents
- **Collaboration with External Experts:-** to partner with external experts to gain insights in SCM and Contract Management, emerging risks and mitigation techniques.
- **Enhanced stakeholder Engagement:-** Increasing efforts to engage the stakeholders in risk awareness and preparedness activities.
- **Develop Business Continuity Policy and Departmental Plans**

## **8. CONCLUSION**

This report ensures the Risk Management Committee is informed about the municipality's risk management practices and the steps being taken to mitigate key risks. It provides a foundation for informed decision-making and supports the ongoing improvement of risk management processes. Effective risk management is critical to the municipality's ability to achieve its objectives and deliver services to the community. By continuously improving our risk management processes and fostering a culture of risk awareness, we aim to minimize the impact of potential risks and ensure the municipality's resilience.

### **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.
- 2023/24 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	4	4	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 realize 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 practice 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 endeavors' 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 (2023/24)	No
All current budget-related policies for the 2023/24 budget	Yes
The annual report for 2023/24	Yes
The annual report for 2023/24 to be published	March 2025
All performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2023/24) 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



## 1. INTRODUCTION

The Audit Committee of Lejweleputswa District Municipality ("the Committee") herewith presents its Draft Annual Report for the financial year ended June 2024.

## 2. RESPONSIBILITY

The Committee, has been established in terms of the provisions of Section 166 of the Local Government: Municipal Finance Management Act No. 56 of 2003 ("MFMA") as well as Section 14 of the Planning and Performance Management Regulations of 2001.

The Committee is an independent advisory committee appointed by Municipal Council. The Committee was appointed effectively from the 1<sup>st</sup> of February 2024, during the second half of the 2023/2024 financial year, and will conclude its term of three (3) years on the 31<sup>st</sup> of January 2027.

The Committee is focussed on ensuring the integrity of the Lejweleputswa District Municipality's financial and performance reporting, improving the effective internal control environment, promote accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of compliance with legislation.

## 3. AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Committee is constituted of five independent members. Members were appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

During the 2023/2024 financial year one special and three ordinary meetings were held. The attendance is reflected in the table below:

Name of Member	Position	Attended	Apologies	Total
Mr. P V Chwene	Chairperson	3	1	4
Me T L Pino	Member	4	0	4
Mr. L J Nkomo	Member	3	1	4
Me. N R Phatlane	Member	4	0	4
Mr. T J Macholo	Member	4	0	4

The following stakeholders participate in the meetings of the Committee either on a permanent or Ad Hoc basis:

1. The Auditor General's office (External Auditor);
2. Municipal Manager;
3. Chief Financial Officer;
4. Corporate Services Executive Manager;
5. Local Economic Development Executive Manager;
6. Environmental Health and Disaster Services Executive Manager;
7. MPAC Chairperson;
8. Internal Audit Unit;
9. Performance Management Unit;
10. Chairperson of the Risk Management Committee;
11. Chief Risk Officer;
12. Free State Department of Co-operative Governance and Traditional Affairs; and
13. Free State Provincial Treasury Representatives.

#### **4. TERMS OF REFERENCE**

The Committee has adopted formal Terms of Reference as its Audit Committee Charter ("the Charter") on the 21<sup>st</sup> June 2024. The Charter is subjected to a review on an annual basis. The Charter serves as a guide to the Committee in navigating its roles and responsibilities and to give effect to its mandate in clear terms.

The Committee responsibilities entail the following:

- Internal Control Environment,
- Internal Audit,
- Adequacy, reliability and accuracy of financial reporting and information,
- Risk Management,
- Compliance with Laws and Regulations,
- Performance Management,
- Effective Governance,
- Annual Financial Statements, and
- Any other matters referred to it by Council.

#### **5. REPORT ON THE OPERATIONS OF THE AUDIT COMMITTEE**

In discharging its responsibilities as stated above and in its terms of reference, the Committee has developed a schedule of quarterly meetings and has adopted a standard agenda aligned to the Municipal Finance Management Act, Act 56 of 2003 and also to reporting guidelines as published from time to time by National Treasury. The attendance of the meetings is disclosed in paragraph 3 above.

At its meetings during the 2023/2024 reporting period, the Committee focussed on financial reporting, internal and external audit, performance, compliance and risk management. It also reviewed the charters for both the Audit and Performance Committee and the annual Internal Audit Plan and recommended for approval to council.

The Committee commenced its work during the second half of the 2023/2024 financial year, and it could not provide an opinion on the effectiveness of internal control during the first half of the financial year. However, its opinion on the second half of the financial year is that the system of internal control was not efficient and effective.

The Committee has identified deficiencies in the system of internal control, breaches and deviations. There was an apparent non-responsiveness between management and Internal Audit in the reporting period whereby compliance reports were not submitted timeously and thus rendering Internal Audit ineffective in its reporting obligations to the Audit Committee. As reported by management this was partly attributed to the changes in the management during the first half of the financial year.

In addition, the Audit Committee has raised matters such as timeous reporting, non-compliance to the laws and regulations, non-adherence to the adopted schedule of meetings, follow-ups from previous resolutions and matters previously reported, which were not been attended to fully or addressed satisfactorily.

However, Municipal Council and Management have taken appropriate steps in strengthening the control environment, by appointing the Committee, ensuring that performance reporting and evaluations gaps are addressed. Given the inherent nature of the municipality's business, there will always be areas of improvement, these are highlighted herein under and narrated as follows:

##### **5.1 Financial Reporting**

In addressing our key objective, which is to assist and advise the Lejweleputswa District Municipality in ensuring the integrity of their financial reporting, the 2023/2024 Annual Financial Statements shall be reviewed at a Special Audit Committee Meeting of the 23<sup>rd</sup> August 2024, which shall focus on the following:

- Compliance with financial reporting standards and governance reporting requirements,
- Areas requiring significant judgements to be made in applying accounting policies,
- The appropriateness of accounting policies,
- The procedures and controls around estimates in applying accounting policies,
- Whether the Annual Report and accounts, is fair, balanced, understandable and provides the information necessary for stakeholders to assess the performance of the Municipal Council and its employees, and
- Any relevant correspondence from regulators.

## **5.2 Year-End Statutory Audit**

The Auditor General presented the Audit Strategy for the year ended 30 June 2024 prior to the commencement of the year end audit. The Committee considered and approved this Audit Strategy. There was an overall increase of 6% in the proposed audit fees from the previous year mainly as a result of an average tariff increase. The Audit Committee requested that the Auditor General's office must have a closer collaboration with Internal Audit Unit so as to increase areas of reliance and ultimately reduce audit fees.

The Committee remains optimistic that the Municipality will retain its unqualified opinion with improvement in matters of emphasis henceforth or at best, attain a clean audit if such matters are addressed robustly and with the commitment and support of all relevant stakeholders.

## **5.3 Control Environment**

### **5.3.1 Internal Control Environment**

The assessment made by the Committee in relation to the control environment is informed by the assertions made by Management, Internal Audit Unit as well as the External Auditors' reports. The implementation and execution of the Risk Based Internal Audit Plan led to a continuous evaluation of the internal control environment.

The Committee has approved a risk-based three-year Rolling Internal Audit Strategy and an annual operational audit plan in the third quarter of the financial year. All proposed internal audit assignments were not executed. There still critical challenges in the proper functioning of the Internal Audit, noting that its performance still need to independently reviewed.

We highlight the following items from our audit engagements:

### **5.3.2 Performance information**

Timely collation, packaging and submission of portfolio of evidence on municipality's performance still remains a challenge.

### **5.3.3 Compliance**

Compliance to adopted laws, regulations and policies still remains a challenge.  
Our opinion that the control environment is ineffective and needs to be strengthened in the next financial year.

### **5.3.4 Risk Management**

The control environment is not effective as risk management was technically not functioning, there is no link between the risk register, the Risk-Based Audit Plan.

The Committee cannot express view on risk management function as there were challenges with the reporting lines to the Committee pertaining to the work of the Risk committee performed.

Due to the fact the Risk Management Committee and Audit Committee are established separately, the Committee plans to work closely with the Risk Management Committee in the next financial year in order to ensure that the risk management function in the municipality is properly performed.

#### **5.3.5 Compliance with Laws and Regulations**

The Committee has noted the initiatives that management has implemented towards the establishment of an effective compliance program focusing at this stage on the MFMA and legislated duties. The completion and reporting on the compliance program are reported to the Committee during ordinary meetings, however, compliance remains an area of concern, which the Municipality should zoom into and find ways or a model for improvement. The Committee is concerned with the Unauthorised, Irregular, Fruitless and Wasteful expenditure as disclosed from Auditor-General and the Finance Department and the lack of consequence management.

#### **5.3.6 Performance Management**

During the review of Performance Management Systems, the Committee identified that the management has not cascaded it to all staff in terms the Local Government: Staff Regulations of 2021.

The Performance Evaluation of the Municipal Manager and Managers Directly Reporting to the Municipal Manager were attend by the Chairperson. The quarterly reviews, half yearly and annual performance assessment were done for prior years and year under review. It is viewed that these assessments are serious compliance matter and must be adhered to in the on-coming financial year without fail, and the Municipal Manager must ensure that evaluations are conducted on the Key Performance Indicators, which adhere to the SMART principle and are aligned to the IDP and SDBIP.

The Committee noted that Quarterly Performance Reports were submitted, however there was delays in submission of Portfolio of Evidence that impacted on Internal Audit to perform its functions. The Committee raised and expressed concerns that management did not set measurable key performance indicators which are service delivery oriented, but more operational in nature. There was no clear distinction between input, output and outcomes indicators in respect of each departmental priorities and objectives as set out in the IDP and SDBIP.

There hasn't been much significant progress in the setting of the Key Performance Indicators and targets, and improvement on the collation, packaging and submission of the portfolio of evidence. However, management needs to improve on aligning with the Circular 88 of the MFMA. The KPI's should be redefined using the SMART (**S**imple, **M**easurable, **A**ttainable, **R**eliable, **T**ime bound) principle and this is one of the first steps towards a clean audit opinion on the predetermined objectives. The next area of focus for the ensuing year will be to define technical indicators underpinning the KPIs.

#### **5.3.7 Effective Governance**

The municipality has developed and implemented necessary policies to regulate and guide the day-to-day decision making and ensure appropriate control environment.

The municipality has established governance structures in place, e.g. MPAC, Audit Committee, Risk and ICT Steering Committee however these are not functioning optimally to ensure that reports are tabled before council in accordance with the prescribed timeliness.

#### **5.3.8 IT Governance**

An Information Technology Governance Framework was developed to assist and guide day to day decision making and ensure the appropriate control environment.

It be noted that the ICT Steering Committee has been established by Council, however its functioning has not been reported to the Audit Committee as required.

#### **5.3.9 Lejwe Le Putswa Development Agency**

The Audit Committee and Internal Audit at the Municipality are extended to cover the Development Agency. This is done to ensure consistency and/or alignment in the application of applicable policies and procedures in improving governance as well as the control environment.

The Development Agency continues to struggle with adequate resourcing and this has limited its ability to deliver on its mandate. The going concern status of the Development Agency remains a critical area of concern to the Audit Committee and this is a red flag not to be ignored.

The Agency also have non-compliance challenges with the laws, regulations and policies as adopted by council. The Accounting Officer is not providing adequate oversight on the Agency in terms of its operations and accountability.

The Agency has the potential to grow as it sees itself in a turf that is economically vibrant and can only do better. The Board of Directors, Shareholder Municipality and Management will have to search for additional income to address the funding challenges facing the Agency. The Committee remains optimistic that lasting solutions will be found in addressing other challenges facing the Agency.

### **6. INTERNAL AUDIT**

The Accounting Officer is obliged, in terms of section 165 of the MFMA, to ensure that the entity has a system of internal audit under the control and direction of the Committee.

The Audit Manager reports functionally to the Committee and administratively to the Municipal Manager, with unfettered access to the Executive Mayor.

The Committee is partly satisfied about the performance of the function and has raised concern in their interaction with the Internal Audit during the year under review. The Committee is of the view that the internal audit function did not properly discharging its functions and responsibilities effectively. The Committee expects that charters, programmes, evaluations and training plans will contribute to the internal audit function becoming more efficient, more responsive to challenges and better able to provide audit reports of a high quality to management and the committee on a timely basis.

### **7. COUNCIL RESOLUTIONS**

During the year under review, the Committee has not tabled quarterly reports to council.

### **8. EVALUATION**

There has not been any performance evaluation on the functioning of the both Internal Audit and Audit Committee in the financial year under review.

### **9. APPRECIATION**

The Audit Committee wishes to thank the Accounting Officer of Lejweleputswa District Municipality, municipal officials and all other stakeholders for the cordial manner in which the preparation of the 2023/2024 financial year audit was conducted together with the enthusiasm portrayed by management in ensuring that issues raised/identified in prior year audits were addressed. This is a task, and however daunting it may seem, with a collective effort by all – from the lowest ranking support staff to Executive Management and Councillors, the municipality will surely reach greater heights and be a benchmark municipality not only in the province but

nationally. In the end, a clean audit is a result of everybody's effort and determination and fundamentally, it is achievable!

The Audit Committee takes cognizance circumstances that Council and management found itself during the 2023/2024 financial year, whereby there were changes in the senior management structure, as most of the senior managers were in acting capacity during the first half of the financial year. This impact on the performance of the municipality to be consistent with the implementation of the IDP and the SDBIP.

The appointment of the functional Audit Committee in the second half of the financial year also impacted on effective governance and compliance in the municipality. However, the Audit Committee is confident that in the 2024/2025 financial year, the Audit Committee shall execute its responsibilities effectively as detailed in the approved Audit Charter. Also there will be improvement in the Internal Audit function in implementing its internal audit plan.



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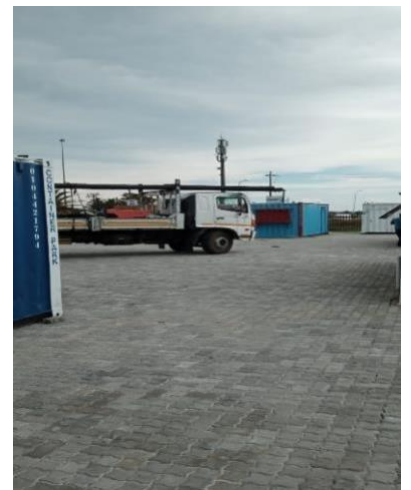
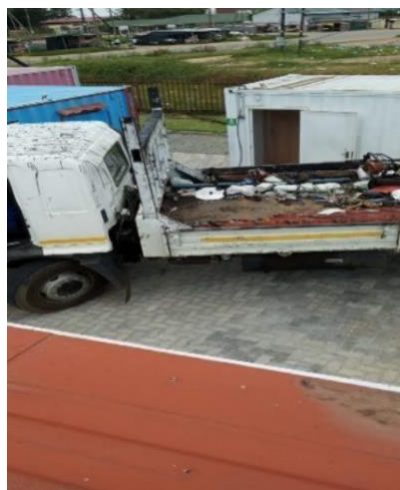
**PV CHWENE**

**Member and Chairperson**

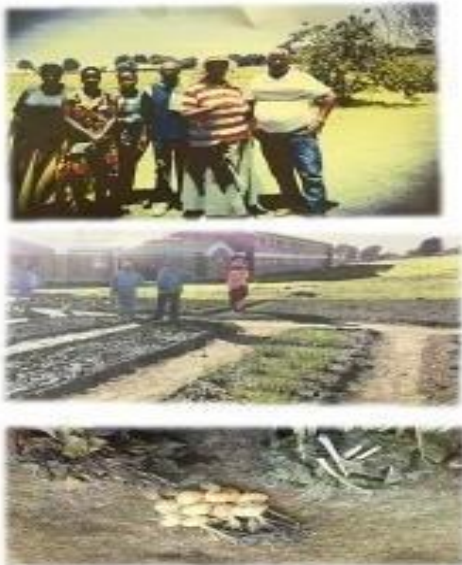
On behalf of Lejweleputswa District Municipal Audit Committee

## 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 action has motivated 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 needed 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 regularly 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 centres, 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 2024;
- 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 provide rs 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 December 2020.

## **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 2023/2024.

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) Basic Service Delivery;
- (2) Local Economic Development;
- (3) Municipal Institutional Transformation and Development;
- (4) Municipal Financial Viability and Management and
- (5) Good Governance and Public Participation

### 1.3 FOLLOWED PERFORMANCE SYSTEM FOR 2023/24

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 2023/24 and the Budget was approved by Council in June 2023. 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.

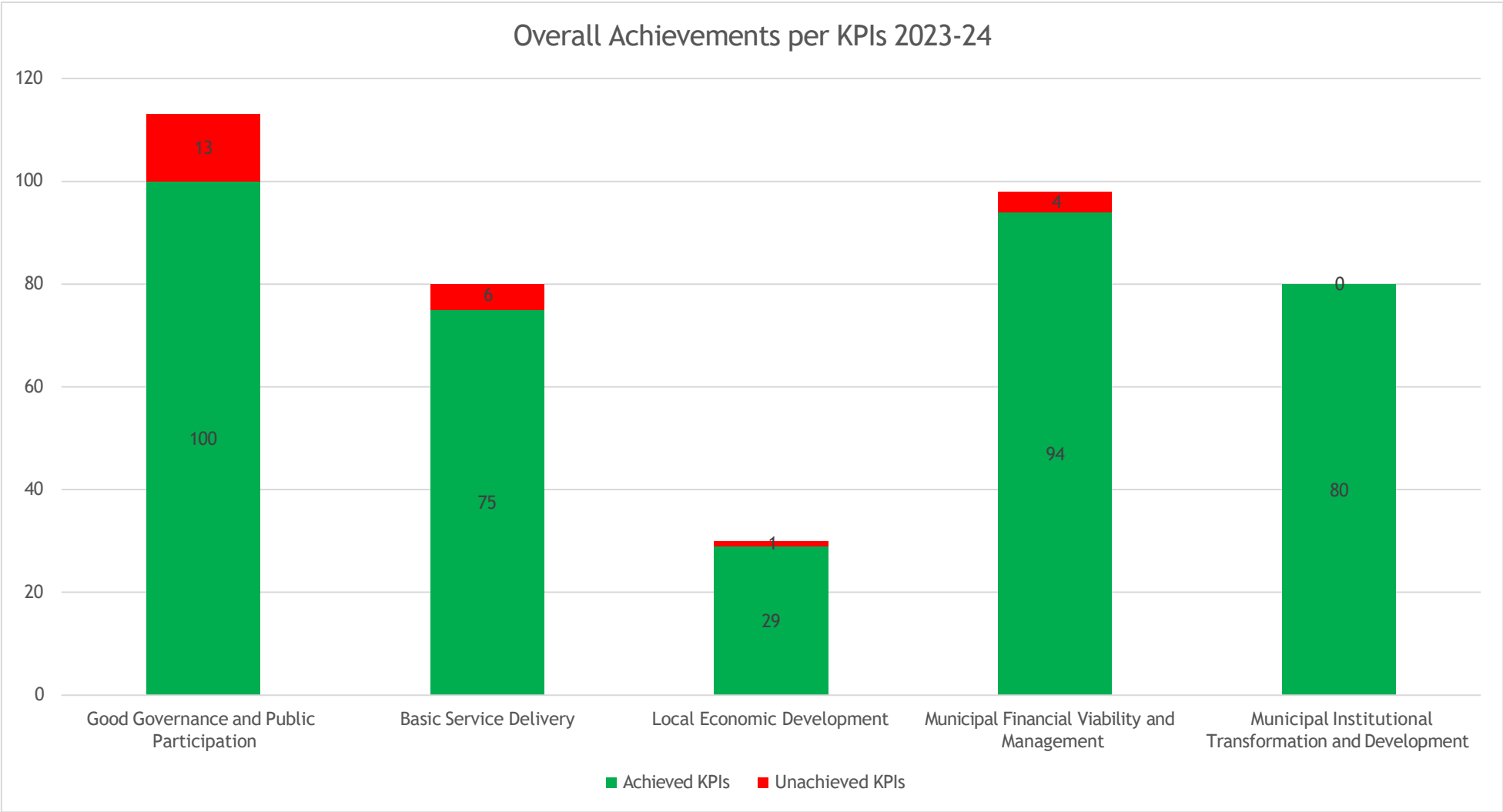
The overall assessment of actual performance against targets set for the Key Performance Indicators as documented in the SDBIP is illustrated in terms of the following assessment methodology:

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

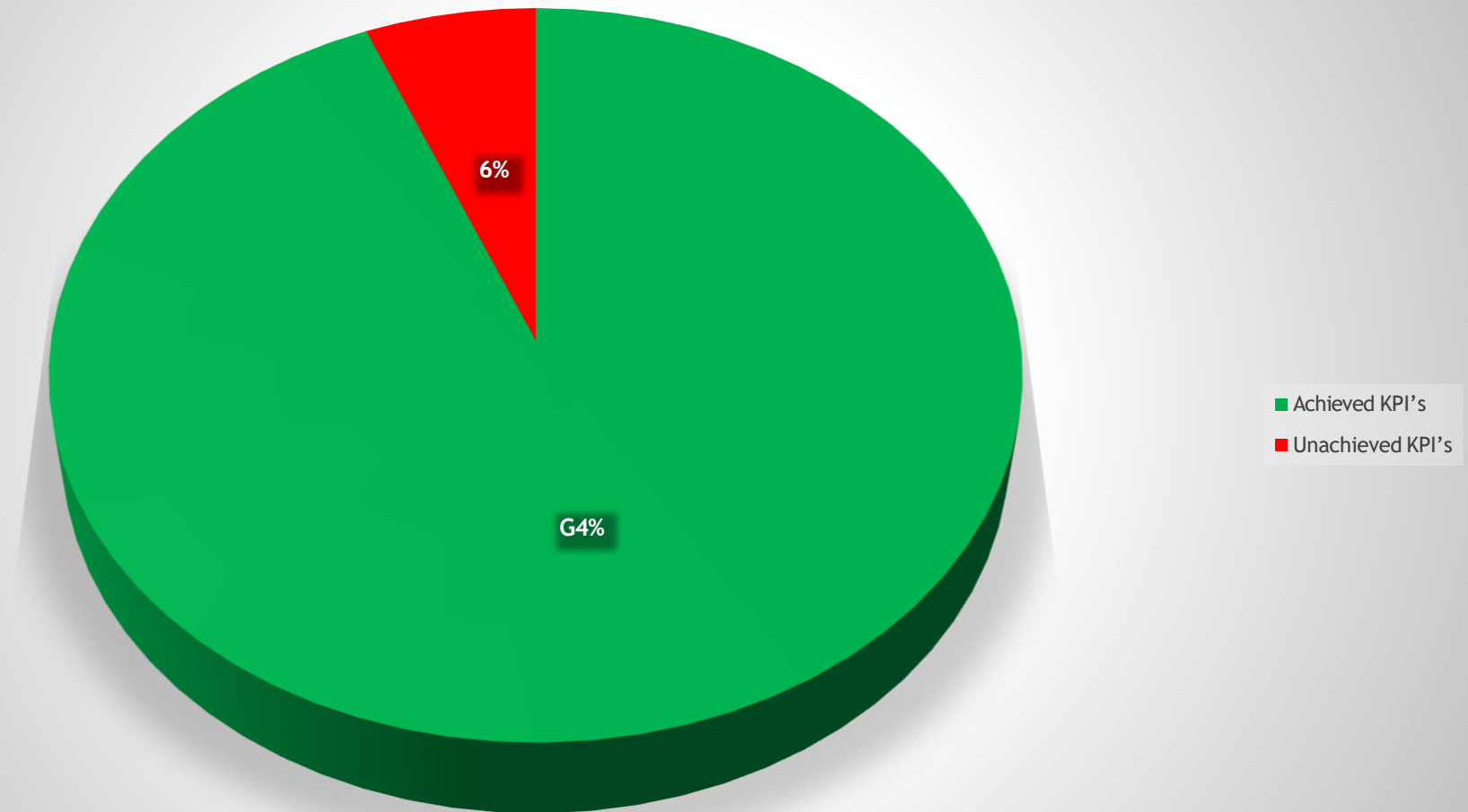


**PLANNED TARGETS VS ACTUAL RESULTS FOR THE 2023/2024 FINANCIAL YEAR (JULY 2023 – JUNE 2024)**

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
<b>Achieved KPI's</b>	<b>377</b>	99	75	29	94	80
<b>Unachieved KPI's</b>	<b>25</b>	14	6	1	4	0
<b>Total KPI's</b>	<b>402</b>	<b>113</b>	<b>81</b>	<b>30</b>	<b>98</b>	<b>80</b>



## Overall Performance on KPAs for 2023-2024



## KPA 1 Good Governance: Office of Executive Mayor

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 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 C 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.	2 IDP Rep Forum Meetings by 30 June 2024.	Number of IDP Rep Forum Meetings by 30 June 2024.	IDP Rep Forum	3	5	2	2	Achieved	
1.2	Moral regeneration	To promote ethical behaviour C social values C 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 2024.	Number of moral regeneration awareness campaigns in the district targeting learners, gangsterism and drug abuse held by 30 June 2024.	Moral regeneration	6	6	6	6	Achieved	
1.3	Elderly, Women,	To strengthen a meaningful	Develop and implement annual	Community awareness	Number of community	Targeted Campaigns	1	1	1	1	Achieved	

## KPA 1 Good Governance: Office of Executive Mayor

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
	Disability, and Children's Programmer	community participation and interaction program.	community participation and interaction program.	campaigns in the district targeting the interest of designated groups i.e. elderly, women, and people with disabilities and children by 30 June 2024	awareness campaigns in the district targeting the interests of designated groups'. A. elderly, B. Women, C. People with disabilities and D. Children	A.Elderly, B.Women, C. People with disabilities and D. Children	1	1	1	1	Achieved	
							1	2	1	1	Achieved	
							1	1	1	1	Achieved	
1.4	Mandela day	To participate in the 67minutes Mandela day in July.	Celebrate Mandela day	1 Mandela Day held by 30 June 2024	Number of Mandela day held by 30 June 2024	Mandela day	1	1	1	1	Achieved	
1.5	HIV C AIDS	To raise awareness towards the reduction in the prevalence of HIV/AIDS in the district	In collaboration with the District Department of Health and all stakeholders work with HIV/AIDS profile HIV/AIDS awareness campaigns and promote regular HIV testing & disclosure amongst Communities within the District.	4 HIV/AIDS awareness campaigns in the district targeting youth, men and women schools held by 30 June 2024	Number of HIV/AIDS awareness campaigns in the district targeting youth, men, women and schools held by 30 June 2024	HIV and AIDS 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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
1.6	Functional District AIDS council	To promote functionality of DAC	Coordinate District Aids Council meetings	Coordinate 2 District Aids Council meetings by 30 June 2024	Number of DAC meetings coordinated by 30 June 2024	DAC	4	4	2	4	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 2024	Number of youth development activities organized by June 2024	Youth development	2	2	2	2	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 2024	Number of reports generated on families assisted by 30 June 2024	Grant -in -Aid	4	4	4	4	Achieved	
1.9	OR Tambo Games	To plan, coordinate C support sports amongst the youth	Ensure exposure of youth to new opportunities in sports.	Host 1 annual OR Tambo Games by 30 June 2024	Number of annual OR Tambo Games hosted by 30 June 2024	OR Tambo games	1	1	1	1	Achieved	
1.10	National Campaign	Ensure coordination of Freedom Day celebration	Coordinate Freedom Day celebration	Coordinate 1 Freedom Day celebration by 30 June 2024	Number of Freedom Day celebration coordinated by 30 June 2024	Freedom Day celebration	1	1	1	1	Achieved	
1.11	16 Days of Activism	Ensure coordination of 16 days of activism against women and children abuse in the district	Raise awareness campaign of 16 days of activism against women and children abuse	Convene one campaign on 16 days of activism against women and children abuse by 30 June 2024	Number of campaign on 16 days of activism against women and children abuse launched 30 June 2024	16 Days of activism	1	1	1	1	Achieved	

## KPA 1 Good Governance: Office of Executive Mayor

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
1.12	Grade 12 motivation Programmer	To motivate grade 12 learners to pass with better results	Conduct motivational talk	1 Motivational talk by 30 June 2024	Number of motivational talks conducted by 30 June 2024	Grade 12 motivation Programme	1	2	1	1	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 2024	Number of Food Gardens Coordinated within the District by 30 June 2024	Poverty Alleviation	4	4	4	4	Achieved	
1.14	16 Days of Activism	Ensure coordination of 16 days of activism against women and children abuse in the district	Raise awareness campaign of 16days of activism against women and children abuse	Convene one campaign on 16 days of activism against women and children abuse by 30 June 2024	Number of campaignson16 days of activism against women and children launched 30 June 2024	16 Days of activism	1	1	1	1	Achieved	
1.15	External student assistance Programme	Roll out support to indigent students with bursaries to register and attend tertiary institutions in pursuit of post matric qualifications	Allocate bursaries to students in the district	Provided bursary opportunities to students in the district by 30 June 2024.	Report on bursaries by 30 June 2024	Student Bursaries	1	1	1	1	Achieved	
1.16	Culture and Heritage	Preserve our cultural heritage by educating the	Ensure that the District organizes annual cultural day/expo to	Annual cultural day celebrated by 30 June 2024	Number of cultural days celebrated by 30 June 2024	Cultural Day	New		1	1	Achieved	

## KPA 1 Good Governance: Office of Executive Mayor

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23	Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		youth in our District	celebrate our rich African cultural diversity								
1.17	District Sports and Mayoral games	Engage youth in District Mayoral sports and games to encourage them to be active in sports	To partner with local municipalities within the District in organising and hosting 2 mayoral District Sports and games annually	2 annual Mayoral District sports and games are hosted by 30 June 2024	Number of Mayoral District sports and games are hosted by 30 June 2024	District Sports and Mayoral games	New	2	1	Not Achieved	Not Achieved Announcement of date of Election had an impact on the Achievement of an Indicator. <b>Remedial Action:</b> Reprioritization of this Programmers and their Execution will be in Q1 and Q2 of 2024/25
1.18	Gender Commission	To address gender issues within our District establish District gender commission	Establish District gender commission in partnership with local municipalities and relevant stake holders	2 District gender commission established by 30 June 2024	Number of District Commissions established by 30 June 2024	Gender Commission	New	2	1	Not Achieved	Not Achieved Announcement of date of Election had an impact on the Achievement of an Indicator. <b>Remedial Action:</b> Reprioritization of this Programmers and their Execution will be in Q1 and Q2 of 2024/25



## KPA 1 Good Governance: Office of the Speaker

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
1.19	Social Cohesion	To revive morality and good values	Develop and implement annual community participation and interaction Programme aimed at reviving morals and values.	1 Boys and men GVB C Femicide dialogue	1GBV C Femicide dialogue by 30 June 2024	Social Cohesion	1	2	1	1	Achieved	
1.20	Back to School	To address poverty challenges	Identify needy learners in the district to assist with uniform.	1 program by 30 June 2024	1 program by 30 June 2024	Back to School	1	1	1	1	Achieved	
1.21	Facilitate access to ID document and other related documents	Mobilizing community members to access departmental facilities	By mobilizing community members in local municipalities	Outreach programs in local municipalities by 30 June 2024	Number of outreach Programme coordinated by 30 June 2024	Facilitate access to ID document and other related documents	4	4	4	3	Not Achieved	Funds were exhausted due to transporting members of the communities to home affairs for their Identity documents <b>Remedial Action:</b> Proper budgeting and making proper



## KPA 1 Good Governance: Office of the Speaker

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
					1 RULES Committee meetings Convene section 79 committees							Due to approval committees will take place earlier in the next fiscal period
1.2 4	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 2022-23 annual report by March 2024	Number of Public Participation convened in 5 local municipalities by 30 June 2024	MPAC Public Participation (meetings on annual report)	5	5	5	4	Not Achieved	Matjhabeng did not take place due to strike <b>Remedial Action:</b> Will ensure that all public participation to take place earlier between( February-March) to avoid dissappointments
1.2 5	Skills Development	To enhance skills	Organize skills development workshops	Convene number of skills development skills with accredited institutions by 30 June 2024	Number of skills development for councillors with accredited institutions by 30 June 2024	Skills/short courses.	3	3	1	1	Achieved	
1.2 6	Speakers' forum.	Provide platform of participation by all Speakers in the District.	Convene 2 Speakers forum a year	2 Speakers forum Convened.	Number of Speakers Forums Convened by 30 June 2024.	Speakers' forum.	2	1	2	2	Achieved	
1.2 7	Enhance and strengthen	Create positive competition of ward councillors	Organize ward committee and ward	1 Annual ward Councillors and	1 Annual ward Councillors and	Councillors and Ward	1	1	1	1	Achieved	

## KPA 1 Good Governance: Office of the Speaker

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
	the ward committee system	C ward committees	Councillors good performance awards	ward committee awards ceremony	ward committee awards ceremony	Committee Competition						
1.28	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.	District Women's Celebration Summit.	1	1	1	1	Achieved	
1.29	Effective Way to Promote Youth Participation	To contribute to the development of government programs	Convene Youth Councils	1 Youth Council convened by 30 June 2024	Number of Youth Councils convened by 30 June 2024	Youth Council	1	1	1	1	Achieved	
1.30	Arts and cultures	To promote local artist	Afford them the opportunity by attending arts and cultural festivals provincially and nationally to expose their talents	Number Artists afforded the opportunity	Number of Artists afforded the opportunity by 30 June 2024	Promotion of Local Artists	New		2	2	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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
1.31	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 2024 and risk register and risk mitigation plans subsequently updated.	Number of quarterly risk assessment performed by 30 June 2024 and risk register and risk mitigation plans subsequently updated.	Risk Management	4	4	4	4	Achieved	
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.	Submit 1 signed SDBIP to Council, Cogta and Treasury for the 2023/24 budget year and	Number of signed SDBIP submitted to Council and Cogta and Treasury for the 2023/24 budget year	SDBIP	1	1	1	1	Achieved	
1.33	Performance	To enhance the:	Fully comply with the provisions of the	Signed Performance Agreements for all	Number of annual performance	Performance Agreements	5	5	5	5	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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
	Management Development System	Achieving individual employee goals of employees along with organizational objectives. Also, enhance the skills and personal development of employees and encourage work that helps in fulfilling business goals.	municipality's Performance Management Development System from planning to reporting.	staff members including Section 57 Managers, and MM by July 2023	agreements signed and approved by council by 14 July 2023.  All Staff Performance Agreements signed by - within 60 days of the new year	Staff Performance Agreements	1	0	1	0	Not Achieved	Non-achievement was due to non-alignment of job descriptions and staff establishment.  <b>Remedial Action:</b> Will cascade in phases formally from 2024-25
1.34	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 2023/24 Non-formal: Quarter 1 (October) and	Number of performance assessment reports not later than 30 days after the end of each quarter by 30 June 2024	Performance Assessments	4	4	4	4	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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
				Quarter 3 (April) assessments  Formal Assessments: Midterm assessments (February/March) and Annual Assessments (November/December) After Audit Outcomes								
1.35	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 2022/23 signed-off and submitted to the Auditor-General by 31 August 2023	Number of annual performance reports by 31 August 2023.	Annual Performance Report	1	1	1	1	Achieved	
1.36	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 2023/24	Number of Signed-off Mid-term performance report approved by council for 2023/24	Mid-term report approved	1	1	1	1	Achieved	
1.37	Performance Management	To ensure Good Governance practices to	Fully comply with the provisions of the municipality's Performance	Submit 1 audited annual report for 2022/23 to Provincial Treasury, CoGTA and	Number of audited annual report for 2022/23 submitted to Provincial	Performance Management / Audited annual report	1	1	1	1	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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		ensure effective, functioning municipality	Management System from planning to reporting,	National Treasury by 31 January 2024.	Treasury, CoGTA and National Treasury by the end of 31 January 2024.							
1.38	Performance Monitoring and evaluation	To provide an effective MCE framework, which is, designed to measure progress towards achievement of the overall goal and objectives.	Fully comply with the provisions of the municipality's Performance Management System from planning to reporting.	Submit quarterly performance monitoring C evaluation report to Council by 30 June 2024	Number of performance monitoring and evaluation reports submitted to Council by 30 June 2024.	Performance Monitoring and evaluation	4	4	4	4	Achieved	
1.39	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.	IGR Meetings (Political, Technical, CFO, DCF, CSF) convened by 30 June 2024	Number of IGR meetings held by 30 June 2024.	IGR	4	4	4	4	Achieved	
1.40	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	4 quarterly Internal Audit reports on the performance assessment of the effectiveness of the controls within the municipality	Number of quarterly Internal Audit reports on the performance assessment of the effectiveness of the controls within the municipality	Internal audit reports	4	2	4	2	Not Achieved	Non-achievement was due to the delay in the appointment of the audit committee. <b>Remedial Action:</b> All the quarterly



## KPA 1 Good Governance: Office of the Municipal Manager

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
				submitted to the Audit - Committee by 30 June 2024	submitted to the Audit - Committee by 30 June 2024.							reports were taken in June 2024
1.41	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 C MPAC	4 quarterly performance reports and a draft annual report for 2022/23 internally audited and submitted to the Audit Committee C MPAC by 30 June 2024.	A. Number of quarterly performance report internally audited  B. and annual report submitted to the Audit Committee C MPAC by 30 June 2024.	Internal Audit/Performance report internally audited	4	2	4	1	Not Achieved	Non-achievement was due to the delay in the appointment of the audit committee. <b>Remedial Action:</b> All the quarterly reports were taken in June 2024
							1	1	1	0		
1.42	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 to ensure proper	1 Post Audit Action Plan matters for 2022/23 relating to leadership, predetermined objectives and other matters addressed by 30 June 2024	Post Audit Action Plan matters for 2022/23 relating to leadership, Predetermined objectives and other matters addressed by 30 June 2024.	Post Audit Action Plan	1	1	1	1	Achieved	
1.43	Adverts in the Media	Ensure effective branding of	Reflect quarterly Communication of Achievements of the	Advertise in various mediasources by 30 June 2024.	Number of Adverts in the Media by 30 June 2024.	Adverts in the Media	10	17	10	17	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 2022/23	Annual Target 2023/24	Annual Target 2023/24 Achieved/Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		LDM and communication with all its stakeholders	Municipality through newsletters, print or electronic Data								
1.44	Municipal support	To address issues of service delivery in local municipalities within the area of the District	To partner with identifies local municipalities within the District to deal with service delivery backlogs	A report on Local municipalities supported within the District by 30 June 2024	Number of reports on local municipalities supported within the District to deal with service delivery backlogs by 30 June 2024	Municipal support	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 2022/23		Annual Target 2023/24	Annual Target 2023/24 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 2024.	Number of roads assessments reports by 30 June 2024	Road infrastructure Assessment	1	1	1	1	Achieved	
2.2	Municipal Support	To provide environmental sustainability throughout the District	Letsema project in the District	4 Reports on Letsema Cleaning Campaign and 1 report on Greening Campaign submitted by 30 June 2024	Number of reports on Letsema project A. Cleaning Campaign B. Greening Campaign submitted by 30 June 2024	Letsema cleaning and greening campaign	1	1	4	3	Not Achieved	Non-Achievement: budget was inadequate and limiting as the need is greater.  <b>Remedial Action:</b> Will ensure planning is done according to the budget allocation and a request was sent to increase the budget.
									1	1	Achieved	
2.3	EPWP	To facilitate the creation of jobs for unemployed communities.	Create temporary jobs for unemployed communities	Employ 115 people from communities by 30 June 2024	A. Number of jobs created by 30 June 2024  B. Quarterly reports	EPWP - Cleaning Services	110	118	115	115	Achieved	
						EPWP	4	4	4	4		

## 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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
EHP PROJECTS												
2.4	Municipal health services	To provide Municipal Health Services effectively C 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 2024.	Monthly Water Quality reports on the status of water in the 5 local municipalities submitted by 30 June 2024	Number of Monthly Water Quality reports on the status of water in the 5 local municipalities submitted by 30 June 2024	Water Quality Monitoring	12	8	12	10	Not Achieved	Non-achievement was due to non-payment of service provider caused by the end of the service provider’s term of contract. The service provider was then put on a month to month contract and this led to delays in processing payments. Remedial Action: A service provider has been appointed on a two-year contract and this will avert late/delayed payments.
2.5	Municipal health services	To provide Municipal Health Services effectively C equitably in the district.	Ensure equitable allocation and distribution of Municipal Health Services resources across the District to ensure fair and	Monthly reports on compliance of food selling outlets in the 5 Local Municipality	Number of monthly reports on compliance of food selling outlets in the 5 Local Municipality	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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
			equitable health services within the district	submitted by 30 June 2024.	submitted by 30 June 2024.							
2.6	Municipal health services	To provide Municipal Health Services effectively C 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 2024.	Number of monthly reports on food sampling in the 5 Local Municipalities by 30 June 2024.	Food sampling	12	9	12	10	Not Achieved	Non-achievement was due to non-payment of service provider <i>caused by the end of the service provider's term of contract. The service provider was then put on a month to month contract and this led to delays in processing payments.</i> <b>Remedial Action:</b> A service provider has been appointed on a two-year contract and this will avert late/delayed payments.
2.7	Municipal health services	To provide Municipal Health Services effectively C	Ensure equitable allocation and distribution of Municipal Health	4 reports on environmental awareness campaigns in the	Number of reports submitted on environmental awareness	Environmental Health awareness campaigns	4	13	4	6	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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		equitably in the District.	Services resources across the District to ensure fair and equitable health services within the District	District by 30 June 2024	campaigns in the District by 30 June 2024							
2.8	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 2024	Number of Reports on air quality management in the District submitted by 30 June 2024	Air Quality Management	4	7	4	4	Achieved	
2.9	Exhumation	Ensure that exhumation processes are followed as per legislation	By conducting exhumation as per legislation	1 Report on Exhumation by 30 June 2024	Number of exhumation reports by 30 June 2024	Exhumation	1	1	1	1	Achieved	
2.10	Environmental Management Service	To provide Municipal Environmental Services effectively and equitably in the District.	Ensure equitable allocation and distribution of Municipal Health Services resources across the District	4 reports on waste management compliance submitted in the District by 30 June 2024	Number of reports on waste management compliance submitted in the District by 30 June 2024	Waste management Audits	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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
			to ensure fair and equitable health									
2.1 1	Waste Campaign	To provide Municipal Environmental Services effectivelyC equitably in the District.	Ensure equitable allocationand distribution of Environmental Management Services resources across the District to ensure fair and equitable health	4 reports on waste management campaigns in the District by 30 June 2024	Number of reportson waste management campaigns in the District by 30 June 2024	Waste Campaign: • Capacity building and training • Waste SMME - Support Cleaning of illegal dumping sites	4	7	4	4	Achieved	
<b>DISASTER MANAGEMENT CENTRE</b>												
2.1 2	Disaster Management response and recovery	To ensure effectiveC efficient disaster management response and recovery in the district.	Coordinate an effective and efficient response to incidents and disasters throughout the district	Coordination of rapid and efficient response to disasters and post-disaster recovery and rehabilitation 30 June 2024	Number of responses to incidents and disasters 30 June 2024.	Disaster Relief: • Fire • Floods Earth Subsidence	4	4	4	6	Achieved	
2.1 3	Disaster Management	To ensure effectiveC efficient disaster management	Conduct disaster awareness campaigns in 5 local municipalities	Quarterly disaster awareness campaigns in schools and	Number of quarterly disaster awareness campaigns in	Disaster awareness campaigns	4	4	4	6	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 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		services in the district.		communities in the district by 30 June 2024.	vulnerable communities conducted in the district by 30 June 2024.							
2.1 4	Disaster Management Forum Meetings	To promote and facilitate IGR stakeholders in the District	Facilitate 4 Disaster Management Forum Meetings	4 District Management Forum meetings held by 30 June 2024	Number of District Management Forum meetings held by 30 June 2024	Disaster Management Forum meetings	4	4	4	4	Achieved	
2.1 5	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	4 fire safety awareness campaigns in the district conducted by 30 June 2024	Number of Fire Safety awareness campaigns conducted by 30 June 2024	Fire Safety awareness campaigns	4	4	4	4	Achieved	
2.1 6	Disaster Management	Attendance of Provincial Advisory Forum Meetings	Attendance of 1 Provincial Advisory Forum meetings	1 Provincial Advisory Forum meetings attended by 30 June 2024	Number of Provincial Advisory Forum meetings attended by 30 June 2024	Provincial Advisory Forum meetings	4	4	1	2	Achieved	



## Key Performance Area 3 : Local Economic Development & Planning

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
LED Section												
3.1	Local Economic Development and Growth	To ensure the Economic development and growth	1 LED strategy advertisement and service provider appointment letter	1 LDM LED Strategy advert by 30 June 2024	A report on the LED strategy advertisement and service provider appointment letter	LED Strategy			1	0	Not Achieved	Non-achievement was due to budget constraints <b>Remedial Action:</b> Sourced external funding and there is positive commitment. It will be done in 2024-25
3.2	SMME's Development support	To ensure SMME's development and support	To offer development support to Local Municipality's requests for SMME's and Cooperatives	10 SMME's/ Cooperatives requests from Municipalities supported by 30 June 2024	A report on the Municipalities requests for support for SMMEs and Cooperatives	Municipal SMME's and Cooperative requests support	10	6	10	14	Achieved	
3.3	Economic Stakeholder Relations	To strengthen Stakeholder	To support Stakeholder	2 LDM LED Business Forum	Number of LDM LED Business Forum convened	District LED Business Forum	1	1	2	2	Achieved	

## Key Performance Area 3 : Local Economic Development & Planning

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		Relations through IGR	Relations Framework	meeting convened by 30 June 2024								
3.4	Small Medium and Micro Enterprises (SMMES) development and support	To ensure SMME development and support	To offer funding opportunities to SMMEs and Cooperatives Seminar	2 SMME /Cooperatives workshop convened by 30 June 2024	Number of SMME/Cooperatives Seminar convened	SMME and Cooperatives seminar	1	1	2	2	Achieved	
Tourism Section												
3.5	Tourism Development and Support	Support Programme for tourism development and growth	To offer support to Tourism SMME's / Cooperatives	Tourism SMMEs / Cooperatives supported by 30 <sup>th</sup> June 2024	A report on the number of Tourism SMME's supported.	Tourism SMMEs/ Cooperatives support	1	0	4	4	Achieved	
3.6	Tourism Development and Support	Support Programme for tourism development and growth	Convene District tourism Forum	1 District tourism Forum convened by 30 June 2024.	Number of District Tourism Forum Meetings convened	District Tourism Forum			1	1	Achieved	
3.7	Tourism Development and Support	Support Programme for tourism development and growth	Enhance capacity for tourism promotion	1 Tourism Indaba show supported and attended by June 2024	Number of Tourism Indaba shows supported and attended	Tourism Indaba show	1	1	1	1	Achieved	
IDP Section												
3.8	District IDP Managers Forum	To facilitate and coordinate District IDP	Facilitate and Coordinate District IDP	3 District IDP Managers Forum Meetings	Number of District IDP Managers	District IDP Managers Forums	3	3	3	4	Achieved	

## Key Performance Area 3 : Local Economic Development & Planning

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		Managers forum meetings	Managers forum Meetings.	coordinated by 30 June 2023	Forum Meetings coordinated							
3.9	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	4	4	2	Not Achieved	
3.10	District IDP Framework.	Ensure implementation of a District wide 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	
3.11	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	5	1	1	Achieved	

## Key Performance Area 4: Municipal Financial Viability

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 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 2024	Number of Reports Developed and submitted on Time by 30 June 2024	Performance reports	12	12	12	12		
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	Post Audit Action Plan matters for 2022/23 relating to leadership, predetermined objectives and other matters addressed by 30 June 2024	Post Audit Action Plan matters for 2022/23 relating to leadership, predetermined objectives and other matters addressed by 30 June 2024.	Post Audit Action Plan	1	1	1	1		

## Key Performance Area 4: Municipal Financial Viability

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
			organizational performance. Regulations to ensure proper									
4.3	Implement financial control	To ensure financial management practices that enhances viabilityC 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	100% cash-backed approved budget for 2024/25 financial year.	100% cash-backed approved budget for 2024/25 financial year	Funded Annual Budget	1	1	1	1		
4.4	Municipal Investments	To ensure financial management practices that enhances viabilityC compliance with the requirements of MFMA C other relevant	Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting	12 Return on Investment report Submitted by 30 June 2024	Number of Investments reports developed and submitted on time	Investments reports	12	12	12	12		

## Key Performance Area 4: Municipal Financial Viability

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		legislation in order to achieve a clean audit.	norms and standards									
4.5	Implement financial control	To ensure financial management practices that enhances viabilityC compliance with the requirements of MFMA C 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	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	6		
4.6	Implement financial control	To ensure financial management practices that enhances viabilityC compliance with the requirements of MFMA C other relevant legislation in	Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting	Suppliers and service providers paid within 30 days of receipt of valid invoice, with no disputed delivery of goods / services	Number of days it takes to pay suppliers and service providers after receipt of valid invoice, with no disputed delivery of goods / services throughout 2023/24.	30 Days Compliance	12	12	12	12		

## Key Performance Area 4: Municipal Financial Viability

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		order to achieve a clean audit.	normsand standards	throughout 2023/24.								
4.7	Implement financial control	To ensure financial management practices that enhances viabilityC compliance with the requirements of MFMA C other relevant legislation in order to achieve a cleanaudit.	Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting normsand standards	Prepare 4 reports on payment vouchers and accompanying supporting documents of filed,registered and keptin safe custody Quarterly throughout 2023/24 financial years.	Number of reportson payment vouchers and accompanying supporting documents of filed,registered and keptin safe custody Quarterly throughout 2023/24 financial year.	Payments reports	4	4	4	4		
4.8	Implement financial control	To ensure financial management practices that enhances viability C compliance with the requirements of MFMA C other relevant legislation in order to	Plan, implement, monitor and reportfinancial management activities in accordance with MFMA, its associated regulations and prescribed accounting	Prepare 4 reports on contracted services creditorson the system reconciled to supporting documentation Quarterly throughout 2023/24 financial years.	Number of reports on contracted services creditors on the system reconciled to supporting documentation quarterly throughout 2023/24 financial years.	Contracted Services			4	4		

## Key Performance Area 4: Municipal Financial Viability

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		achieve a clean audit.	norms and standards									
4.9	Implement financial control	To ensure financial management practices that enhances viability C compliance with the requirements of MFMA, its associated regulations and 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 2024	Number of biannual assets verification performed and asset registers updated with all assets movements, and report any damaged / missing items by 30 June 2024	Assets Verification	2	2	2	2		
4.10	Implement financial control	To ensure financial management practices that enhances viability C compliance with the requirements of MFMA, its associated regulations and other relevant legislation in order to	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 2022/23 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 2022 /23 financial year that is compliant with Annexure A of MFMA Circular 50	Audit File	1	1	1	1		



## Key Performance Area 4: Municipal Financial Viability

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		achieve a clean audit.										
4.11	Implement financial control	To ensure financial management practices that enhances viability C compliance with the requirements of MFMA C 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 2023	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		
4.12	Implement financial control	To ensure financial management practices that enhances viability C compliance with the requirements of MFMA C other relevant legislation in	Plan, implement, monitor and report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting	Nil / Zero amount of unauthorized, irregular and fruitless C wasteful expenditure incurred due to non-compliance to the municipality's Supply Chain	Amount of unauthorized, irregular and fruitless C wasteful expenditure incurred due to non-compliance to the municipality's Supply Chain Management	Internal Controls/UIFW	4	3	4	0		Training and understanding on budget Knowledge by user departments on fruitless and wasteful expenditure System glitches resulting to lack of access to confirm available funds and vote accuracy

## Key Performance Area 4: Municipal Financial Viability

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		order to achieve a clean audit.	norms and standards	Management Policy, Supply Chain Management Regulations, 2005 and the MFMA by 30 June 2024	Policy, Supply Chain Management Regulations, 2005 and the MFMA by 30 June 2024							<b>Remedial Action:</b> Training and workshops More supervision and guidance Skills audit and allocation of tasks/duties based on capacity and knowledge.
4.13	Implement financial control	To ensure financial management practices that enhances viability C 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 2023/24 produced and submitted to the Executive Mayor by 30 June 2024	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 2024.	Monthly and Quarterly Reports	12	12	12	12		
							4	4	4	4		
4.14	Implement financial control	To ensure financial management	Plan, implement, monitor and	12 signed-off monthly bank reconciliation	Number of signed-off monthly bank	Bank Reconciliation	12	12	12	12		

## Key Performance Area 4: Municipal Financial Viability

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
		practices that enhances viability C compliance with the requirements of MFMA, its associated regulations and other relevant legislation in order to achieve a clean audit.	report financial management activities in accordance with MFMA, its associated regulations and prescribed accounting norms and standards	statements of all bank accounts by 30 June 2024.	reconciliation statement of all bank accounts by 30 June 2024.							
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 2024.	Number of updates of the municipality's website performed by 30 June 2024.	ICT Service	12	12	12	12		

## Key Performance Area 5: Municipal Transformation and Organizational Development

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 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 2024	Number of signed portfolio committee agendas and minutes developed and distributed by 30 June 2024	Portfolio committee	16	13	16	16		
5.2	MAYCO Meetings	To adhere to administrative responsibilities	Develop and distribute signed MAYCO agendas and minutes	4 MAYCO meetings by 30 June 2024.	Number of signed MAYCO agendas and minutes by 30 June 2024.	MAYCO meetings	4	7	4	6		
5.3	Council Meetings	To adhere to administrative responsibilities	Develop and distribute signed council agendas and minutes	4 Council meetings by 30 June 2024	Number of signed council agendas and minutes by 30 June 2024.	Council meetings	4	7	4	6		
5.4	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 C Institutional	Convene quarterly LLF meetings by 30 June 2024	Number of LFF meetings convened towards the promotion of sound labour relations in the workplace by 30 June 2024	LLF meetings	4	4	4	4		

## Key Performance Area 5: Municipal Transformation and Organizational Development

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
			policies pertaining to labour relations.									
5.6	Experiential training	To give TVET students 18 months of experiential training so that they can be able to get a diploma	Placement of students within the district for experiential training.	Place 10 students within the district for experiential training by 30 June 2024	Number of students successfully placed for experiential training by 30 June 2024.	Experiential training	10	15	10	14		
5.7	Skills Development	Upgrading and skilling of employees, unemployed and councillors	Compile a WSP for submission to LGSETA	Submit Workplace Skills Plan (WSP) by 30 April 2024	SUBMISSION OF WSP TO LGSETA NOT LATER THAN 30 APRIL 2024	WORKPLACE SKILL PLAN	1	1	1	1		
5.8	Skills Development for Staff	To upgrade the skills of the staff members	Staff members to attend workshops/seminars/congresses to gain new knowledge and skills	5 employees to attend seminars/congresses/seminars by June 2024	Number of employees who attended seminars/workshop/congresses	Skills Development	10	23	5	5		
5.9	Study Assistance for employees	To roll out financial support to staff members to further their studies.	Provide financial assistance to staff members of the LDM to further their studies	Provide financial assistance to at least 8 employees in a form of internal bursary by 30 June 2024.	Number of LDM employees provided with internal bursaries to further their studies by 30 June 2024	Study Assistance. Employee bursaries	5	11	8	25		

## Key Performance Area 5: Municipal Transformation and Organizational Development

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
5.10	Employee Wellness Programme	Conduct employee wellness programs	Conduct employee wellness programs for the LDM.	Conduct quarterly employee- wellness Programmes by 30 June 2024	Number of employee wellness Programmes conducted by 30 June 2024	Employee wellness	4	3	4	4		
5.11	Employment Equity plan	To ensure that the municipality achieves progress towards employment equity in the workplace, develop, review and submit Employment Equity report to the Department of Labour	Review Employment Equity Plan and submit Employment Equity report annually to the Department of Labour.	Review 5 year Employment Equity Plan to align with staff regulations and Submit Employment Equity report annually to the Department of Labour by 30 June 2024.	5 year Employment Equity Plan Reviewed and  1 employment equity report submitted to the Department of Labour by 30 January 2024.	Employment Equity plan Report	1	1	1	1		
							1	1	1	1		
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 monthly security Reports for the LDM by 30 June 2024	Number of monthly security reports by 30 June 2024.	Security Management	12	12	12	12		
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 2024	Number of reports on incidents and inspections by 30 June 2024	Occupational health and safety (OHS)	4	4	4	4		

## Key Performance Area 5: Municipal Transformation and Organizational Development

ID	Municipal Focus Area	IDP Strategic Objective	Strategies	KPI	Unit of Measurement	Project Name	Baseline 2022/23		Annual Target 2023/24	Annual Target 2023/24 Achieved/ Not Achieved	Comments by Internal Audit	Remedial Action and Reasons for Over/Under Achievement
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 2024	Departmental Skills Development Plan submitted by June 2024	Skills Development Plan	1	0	1	1		
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	4	0	4	4		
5.16	Refurbishment of municipal Building	To ensure that Municipal Building is refurbished	Refurbishment of Municipal Building	Report on Refurbished Municipal Building by 30 June 2024	Number of reports on Municipal Building refurbishment by 30 June 2024	Municipal Building Refurbishment	1	1	1	1		

# **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 Organizational development.

KPA and Indicators	Municipal	
	2022/23	2023/24
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 137 permanent officials as at 30 June 2024, 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	Male				Female				Total
Levels	A	C	I	W	A	C	I	W	
<b>Top Management</b>	<b>3</b>	<b>0</b>	0	0	1	0	0	0	4
<b>Senior management</b>	5	1	0	2	1	0	0	0	<b>9</b>

Occupational	Male				Female				Total
Levels	A	C	I	W	A	C	I	W	
<b>Professionally qualified and experienced specialists and mid- management</b>	6	1	0	2	7	0	0	0	16
Skilled technical <b>and academically</b> qualified workers, junior <b>management, supervisors, foremen and superintendents</b>	15	1	0	1	17	0	0	1	<b>35</b>
Semi-skilled <b>and discretionary decision making</b>	23	0	0	0	31	3	0	0	57
Unskilled and defined decision making	9	0	0	0	7	0	0	0	16
<b>Total permanent</b>	<b>61</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>64</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>137</b>
<b>Non- permanent employees</b>	5	0	0	0	5	0	0	0	10
<b>Grand total</b>	<b>66</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>69</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>147</b>

**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	9	2	0	1	6	1	0	0	19
Corporate Services	15	0	0	1	24	0	0	0	<b>40</b>
Financial Services	8	0	0	0	13	0	0	0	21
LED	5	0	0	0	3	1	0	0	9
Basic Service Delivery	20	1	0	3	22	1	0	1	48
<b>Total permanent</b>	<b>57</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>68</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>137</b>
Non- permanent	5	0	0	0	5	0	0	0	10
<b>Grand total</b>	<b>62</b>	<b>3</b>	<b>0</b>	<b>5</b>	<b>73</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>147</b>

**c) Vacancy rate**

The approved organogram for the Municipality had 137 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	4	1
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	57	-

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Per Post Level		
Post level	Filled	Vacant
Total	137	1
Per Functional Level		
Functional area	Filled	Vacant
Municipal <b>Manager</b>	19	-
<b>Corporate Services</b>	40	-
Financial <b>Services</b>	21	-
LED	9	-
<b>Basic Services Delivery</b>	48	1
<b>Total</b>	<b>137</b>	<b>1</b>

**d) Employee turnover rate**

A high employee turnover may be costly to a municipality and might negatively affect productivity, service delivery and institutional memory/Organizational 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
2023/24	137	4	5	

## 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	2022/23	2023/24
Office of the Municipal <b>Manager</b>	0	0
<b>Corporate Services</b>	4	0
Financial <b>Services</b>	0	0
LED	0	0
<b>Basic Services Delivery</b>	1	2
<b>Total</b>	5	2

### 4.3.2 SICK LEAVE

## LEJWELEPUTSWA DISTRICT MUNICIPALITY ANNUAL REPORT 2023-2024

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 2023/24 financial year shows a decrease when comparing it with the 2022/23 financial year.

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

Department	2022/23	2023/24
Office of the Municipal Manager	227	72
Corporate Services	837	551
Financial Services	368	109
LED	97	73
Basic Services Delivery	820	560
<b>Total</b>	2349	1365

### 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
<b>Total</b>		<b>24</b>

#### 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 (2023/4)					
		Learnership		Skills programs and other short courses		Total	
		Actual	Target	Actual	Target	Actual	Target
MM and S57	Female			1	1	1	1
	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



#### 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))
<b>Financial officials</b>				
Accounting Officer	1	Yes	1	1
Chief Financial Officer	1	Yes	1	1
Senior managers	0	No	0	0
Any other financial officials	0	No	0	0
<b>SCM officials</b>				
Heads of SCM unit	0	No	0	0
SCM senior managers	1	Yes	1	1
<b>TOTAL</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

## 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)	
2021/22	R113,029,034	R159,150,990	71.02%
2022/23	R122,451,558	R171,268,032	71.50%
2023/24	R137,136,797	R226,353,273	60.59%

*Operating expenditure*

**Note:** During the 2023/24 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	2022/23	2023/24		
Description	Actual	Original budget	Adjusted budget	Actual
	(R'000)			
Councilor's (Political office bearers plus other)				
Salary	R6,987,403	R6,477,068	R6,561,068	R6,543,747
Pension contributions/medical Aid	R965,028	R994,292	R1,003,562	R1,062,540
Motor vehicle allowance	R1,835,272	R1,834,684	R1,834,684	R1,972,793
Cell phone allowance	R544,189	R1,113,840	R1,020,570	R762,161
Housing allowance	-	-	-	-
Other benefits or allowances	-	R800,000	R800,000	R727,294
In-kind benefits	-	-	-	-
Sub Total	R10,331,892	R11,219,884	R11,219,884	R11,160,345
Salary	R2,055,340	R6,436,021	R4,121,656	
Pension contributions/medical aid contribution	R533,389	-	-	-

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Financial year	2022/23	2023/24		
Description	Actual	Original budget	Adjusted budget	Actual
	(R'000)			
Motor vehicle allowance	R318,901	-	-	-
Cell phone allowance	R50,609	R130,800	R113,700	R64,633
Housing allowance	R137,886	-	-	-
Performance bonus	R416,698	R949,546	R795,041	R547,056
Bonus 13 <sup>th</sup> cheque	R119,228	-	-	-
Other benefits or allowances	R468,026	-	-	-
In-kind benefits	-	-	-	-
Sub total	<b>R4,100,077</b>	<b>R7,516,367</b>	<b>R5,030,397</b>	<b>R4,247,660</b>
<b>Other municipal staff</b>				
Basic Salaries and Wages	R63,810,001	R67,282,539	R67,319,526	R71,894,681
Pension Contributions	R10,774,345	R12,018,987	R12,068,987	R11,482,518
Medical Aid Contributions	R5,442,477	R6,055,543	R5,955,543	R5,834,503
Motor vehicle allowance	R12,017,510	R12,614,331	R13,323,146	R13,690,631
Cell phone allowance	R286,233	R326,472	R309,125	R361,232
Housing allowance	R534,985	R582,572	R570,258	R584,303
Overtime	R121,640	R1,499,483	R1,337,242	R127,036
Other benefits or allowances	R14,021,521	R12,537,602	R12,098,659	R17,142,199
Sub total	<b>R112,119,666</b>	<b>R112,917,529</b>	<b>R112,982,486</b>	<b>R121,117,103</b>
Total Municipality	<b>R122,451,558</b>	<b>R131,653,780</b>	<b>R129,232,767</b>	<b>R137,136,797</b>

# **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 2023/24 financial performance, the municipality made a deficit of R45,777,644 in comparison to R10,801,846 deficit in 2022/23. 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% dependent 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 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 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.

##### **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;

Repair and Maintenance Expenditure 2023/24			
	Original Budget	Adjustment Budget	Actual
Repairs and maintenance expenditure	R1,592,496	R1,381,324	R496,821

- 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 2023/2024		
Details	Name	Actual Value
Asset 1	Office Equipment	R4,564,663
Asset 2	Building	R867,013
Asset 3	Computer Software	R120,600
Asset 4	Motor Vehicles	-
Asset 5	Emergency equipment	-
Asset 6	Infrastructure	-
Asset 7	Plant and equipment	R243,239
Asset 8	Furniture and fixtures	R1,305,993

#### 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 2024	
<b>Name of municipality:</b>		Lejweputswa District Municipality		
<b>Financial Year</b>		30 June 2024		
<b>Current ratio:</b> Current Assets / Current Liabilities (Norm 2:1)				
			<b>30 JUNE 2023</b>	<b>30 June 2024</b>
Current Assets		R110,382,951	R73,117,904	
Current Liabilities		R24,617,164	R35,773,190	
<b>Current Ratio</b>			<b>4.4</b>	<b>2 (times)</b>
<b>Comment:</b> 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				
<b>Cash/ Cost Coverage Ratio:</b> ((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)				
			<b>30 JUNE 2023</b>	<b>30 June 2024</b>
Cash and cash equivalents		R106,197,292	R70,619,898	
Unspent Conditional Grants		R1,089,050	R5,543,966	
Bank Overdraft		R0	R0	
Short term investment		R0	R0	
Monthly fixed operational exp.		R13,618,009	R18,563,021	
Depreciation		R3,835,565	R4,472,286	
Amortisation		R82,629	R57,382	
Provision for bad debts		R0	R0	
Actuarial Loss		-R933,854	-R1,081,503	
Impairment Loss		R464,098	R151,212	
Loss on disposal of assets		R436,923	-R2,354	
Operating expenditure		R163,416,108	R222,756,250	
<b>Cash/ Cost Coverage</b>			<b>7.6</b>	<b>3.5 (months)</b>
<b>Comment:</b> 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.				

<b>Net debtor days:</b> $((\text{Gross Debtors} - \text{Bad debt Provision}) / \text{Actual Billed Revenue}) \times 365$ days (Norm: 30 days)					
			<b>30 JUNE 2023</b>	<b>30 June 2024</b>	
Gross debtors closing balance			R 31,263,251	R31,173,144	
Bad debt			R -31,001,755	-R31,152,967	
provision <b>Net</b>					(days)
<b>Comment:</b> 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					
<b>Grant dependency:</b> Government grants and Subsidies / Total Revenue x 100					
			<b>30 JUNE 2023</b>	<b>30 June 2024</b>	
Total revenue			R 161,509,615	R181,480,216	
Government grants and			R 152,118,277	R171,180,757	
Subsidies <b>Grant</b>			<b>94.2</b>	<b>94.3</b>	(%)
<b>Comment:</b> 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 2024 financial year. The ratio decreased with 0.1% in comparison with June 2023 where the municipality were more dependable on grants.					



<b>COMPONENT B: SPENDING AGAINST CAPITAL BUDGET</b>
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**CAPITALEXPENDITURE****Introduction to spending against capital budgets**

Total Capital Expenditure: 2021/22 to 2023/24 (R'000)			
Detail	2021/22	2022/23	2023/24
Original Budget	R13,150,000	R8,800,000	R7,400,000
Adjustment Budget	R13,150,000	R8,800,000	R8,750,000
Actual	R5,447,154	R1,605,982	R7,101,508

**COMMENT ON CAPITAL EXPENDITURE**

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

**FUNDING OF CAPITAL BUDGET: 2023/2024**

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
- Furniture
- 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 2023/2024 financial year.

<b>COMPONENT D: OTHER FINANCIAL MATTERS</b>
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## **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 member 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-Player

## SECTION B

# LDA Annual Report

The logo for the Lejwele Putswa Development Agency (LDA) features a large, stylized yellow swoosh that curves over the letters 'LDA'. The letters are in a bold, black, sans-serif font.

**LDA**

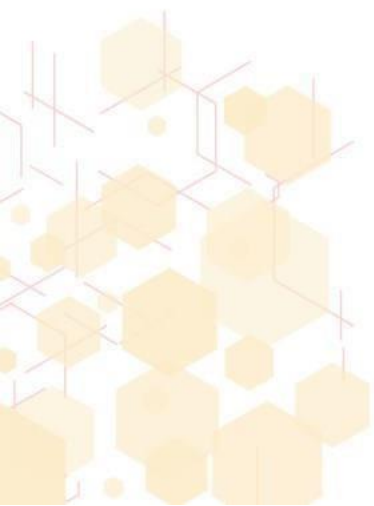
LEJWE LE PUTSWA DEVELOPMENT  
AGENCY

The background of the report cover is a light gray with a subtle pattern of overlapping hexagons. On the right side, there are several yellow hexagons of different sizes, some of which are outlined in red. On the left side, there is a cluster of yellow hexagons, some of which are outlined in red. The overall design is modern and geometric.

# ANNUAL REPORT 2023/24

# **CHAPTER 1**

## **FOREWORDS**





## 1.1.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.

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**CLLR VERONICA NTAKUMBANA**  
**EXECUTIVE MAYOR**



**MATJHABENG**  
Local Municipality



**Tokologo**  
Local Municipality



**TSWELOPELE**  
Local Municipality





## 1.2.REPORT BY THE CHAIRPERSON

As we reflect on the 2022/2023 financial year, it is clear that the Lejwe le Putswa Development Agency (LDA) is navigating a pivotal period in its journey. The landscape in which we operate is evolving rapidly, and the LDA has responded with a strategic realignment that is both bold and necessary.

Our efforts, guided by the vision of sustainable economic development, have been underpinned by the unwavering commitment to innovation, collaboration, and excellence.



As we reflect on the 2022/2023 financial year, it is clear that the Lejwe le Putswa Development Agency (LDA) is navigating a pivotal period in its journey. The landscape in which we operate is evolving rapidly, and the LDA has responded with a strategic realignment that is both bold and necessary. Our efforts, guided by the vision of sustainable economic development, have been underpinned by the unwavering commitment to innovation, collaboration, and excellence.

The LDA's renewed focus on catalysing economic growth within the Lejweleputswa District has been central to our operations this year. Through a series of strategic initiatives, we have sought to address the pressing challenges faced by our district—challenges that include high unemployment rates and deepening poverty. Our mission to champion sustainable economic development has seen us embark on innovative projects and secure critical funding that will, over time, reshape the economic landscape of our region.

The accomplishments of this past year are a testament to the robust planning and execution efforts spearheaded by our dedicated team, and supported by our stakeholders. Our project portfolio, exemplifies the LDA's commitment to driving regional economic development and creating sustainable job opportunities. As we move forward, our focus will remain on ensuring that these initiatives are not only successful in the short term but also contribute to the long-term economic resilience of the Lejweleputswa District Municipality.

The collaboration with local municipalities, government departments, and private sector partners has been crucial in realizing our goals. The support and guidance of the Executive Mayor and the LDM Municipal Manager has been instrumental in aligning our efforts with the broader District Development Model, ensuring that our strategies contribute meaningfully to the vision of "One District; One Plan; One Budget; One Approach.". As we prepare to face the challenges and opportunities of the coming year, I am confident that the LDA is well-positioned to make significant strides in fulfilling its mandate. The foundation we have laid in the past year will serve as a strong platform for future growth and development.

In closing, I extend my heartfelt gratitude to our CEO, management team, and all staff members for their relentless dedication and hard work. It is through your collective efforts that the LDA continues to be a beacon of hope and a driver of positive change in our community. Let us continue to push the boundaries of what is possible, and together, build a future that we can all be proud of.

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**MR. SIBONGILE BESANI**  
**BOARD CHAIRPERSON**  
**LEJWE LE PUTSWA DEVELOPMENT AGENCY**



### 1.3.OVERVIEW BY THE CEO

The Lejwe le Putswa Development Agency (LDA) stands on the cusp of a transformative era—one that promises to usher in true economic renewal within the Lejweleputswa District and the broader Free State Province. Over the past financial year, the LDA has embarked on a bold journey of self-redefinition, seeking purpose and relevance in a rapidly changing environment. This introspective process has culminated in the formulation of a new strategy, one that aligns the agency more closely with our vision of unleashing innovation for sustainable economic development.

Our mission is clear: to champion sustainable economic growth in the Lejweleputswa District through innovative catalytic projects, digital adaptation, and strategic project funding facilitation.

We are guided by the BUCIE values—Boldness, Ubuntu, Collaboration, Innovation, and Excellence. These values will be the driving force behind our efforts to amplify our impact on the district's economy and beyond.

To realize our vision, we have set six strategic objectives:

1. Promote economic development through the creation of sustainable job opportunities.
2. Position Lejweleputswa as a vibrant investment and commercial hub, attracting growth and prosperity.
3. Ensure the long-term financial sustainability of the agency by diversifying revenue streams to support ongoing operations.
4. Enhance employee satisfaction and well-being, leading to increased productivity and retention.
5. Review and improve organisational policies and Standard Operating Procedures (SOPs) to increase efficiency and effectiveness.
6. Increase awareness of the LDA and its services among residents, businesses, and stakeholders in the district.

Our district is among the hardest hit by the current economic downturn. The slump in commodity prices, particularly in the mining and agriculture sectors, has exacerbated the situation. Unemployment has soared to 50.9% (Census 2022, StatsSA), with few new job opportunities being created. Even more concerning is the poverty rate, which stands at 45.9%, a stark indicator of the critical need for economic development initiatives that can create jobs and improve the livelihoods of our citizens. The National Development Plan, adopted by the government in 2012, emphasises the importance of a developmental state in addressing the root causes of poverty and inequality. At the LDA, we recognise that inclusive growth cannot be achieved without simultaneously building a capable state, and we have made significant strides in improving and professionalizing our human capital.

The progress we have made would not have been possible without the unwavering support and cooperation of our stakeholders. The board has been instrumental in guiding us towards our objectives, and local municipalities have been invaluable partners in the implementation of our projects. A notable achievement was the relaunch of the ZR Mahabane project as Lejwe-Bricks (Pty) Ltd, gearing the company into a more structured organisation that can grow in a sustainable way by attracting its own funding, gaining revenue through the sales of its products and making sure that it can cover all of its overheads independently.



In the same breath we also note the progress made in the Matjhabeng Industrial Park Project, which will host our new digital hub and light industry manufacturing tenants, significant funding was put behind both of the latter projects with an expectation of possible future returns to the LDA as the main programme management institution deriving royalties year-on-year post establishment phase of the projects.

As we refine and transform our operations, we look forward to an exciting and challenging year ahead, as we break new ground with an impressive portfolio of programs and projects. Let us continue to push boundaries and become a formidable force for change in our district and the province, driving the stimulation of our regional and provincial economy. In closing, I would like to extend my deepest gratitude to all staff members for their unwavering commitment and diligent work. Your efforts have been crucial in keeping the LDA focused on its mandate to fight the scourge of poverty, unemployment, and inequality in our district.



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**Mr. LUCKY MOTSAMAI**  
**CHIEF EXECUTIVE OFFICER**  
**LEJWE LE PUTSWA DEVELOPMENT AGENCY**



#### **1.4.VISION**

Unleashing innovation for sustainable economic development.

#### **1.5. MISSION**

Champion sustainable economic development in the Lejweleputswa district through innovative catalytic projects, digital adaptation, and strategic project funding facilitation.

#### **1.6. VALUES: B.U.C.I.E**

##### **Boldness:**

Boldness emphasises having the courage and determination to take risks, pursue ambitious goals, and make meaningful changes.

##### **Ubuntu:**

This value emphasises interconnectedness and the importance of treating others with empathy, respect, and dignity.

##### **Collaboration:**

Collaboration stresses the significance of working together, leveraging diverse perspectives and skills to achieve common goals.

##### **Innovation:**

Innovation encourages thinking creatively, challenging the status quo, and seeking to drive progress and growth.

##### **Excellence:**

It focuses on striving for the highest standards of quality, performance, and continuous improvement in all endeavours.

#### **1.7.OBJECTIVES**

- To promote economic development in the district through the creation of sustainable job opportunities.
- To position Lejweleputswa as a vibrant investment and commercial hub, attracting growth and prosperity.
- To ensure the long-term financial sustainability of the agency by diversifying revenue streams to support ongoing operations.
- To enhance employee satisfaction and well-being, leading to increased productivity and retention.
- To review and enhance organisational policies and Standard Operating Procedures (SOPs) to improve efficiency and effectiveness.
- To increase awareness of the LDA and its services among residents, businesses, and stakeholders in the district.

## **CHAPTER 2**

# **GOVERNANCE**

## **2.1.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.

## **2.2.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:

- Six Non-executive Directors
- The Chief Executive Officer
- The LDM MMC for LED is a permanent invitee.
- The LDM Municipal Manager is a permanent invitee.
- The Audit Committee Chairperson.

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



## 2.3 BOARD OF DIRECTORS

The Board of Directors of LDA is pleased to affirm our commitment to fostering robust partnerships with key stakeholders, recognizing their critical role in the achievement of our strategic objectives and the realization of impactful outcomes. We have diligently developed and refined our processes to enhance these partnerships, ensuring that stakeholders are integral to the performance and fulfilment of our mandate.

By carefully identifying stakeholders based on their influence within the communities they serve, we have been able to tailor our engagement strategies to support our mission effectively. This collaborative approach not only strengthens our organisational performance but also aligns with our overarching goal of “unleashing innovation for sustainable economic development”. We invite stakeholders and potential investors to join us in this journey, confident that our collective efforts will yield substantial benefits for all parties involved.



**Sibongile Besani**

Chairperson



**Adv. Moferefere Dhlamini**

Member



**Reneilwe Maenetja**

Member



**Mamotshehoa Oliphant**

Member



**Lemmy Mule**

Member



**Tshediso Tlali**

Member



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 SIBONGILE BESANI	ADV SOLOMON DHLAMINI	MS RENEILWE MAENETJA	MR TSIDISO TLALI	MS ELLEN OLIPHANT	MR LEMMY MULE
25/08/2023	1	1	0	1	1	1
01/11/2023	1	1	1	0	1	1
05/12/2023	1	1	1	1	1	1
21/11/2023	1	1	1	1	0	1
28/11/2023	0	1	0	1	1	1
22/01/2024	1	1	1	1	1	1
15/02/2024	1	0	1	1	1	1
08/05/2024	1	1	1	1	1	0
Number of meetings attended	7	7	6	7	7	7

## 2.4. AUDIT COMMITTEE REPORT

### 2.4.1. INTRODUCTION

The Audit Committee of Lejweleputswa District Municipality ("the Committee") herewith presents its Draft Annual Report of Lejwe le Putswa Development Agency ("LDA") for the financial year ended June 2024.

## 2. RESPONSIBILITY

The Committee, has been established in terms of the provisions of Section 166 of the Local Government: Municipal Finance Management Act No. 56 of 2003 ("MFMA") as well as Section 14 of the Planning and Performance Management Regulations of 2001. The Committee is an independent advisory committee appointed by Municipal Council. The Committee was appointed effectively from the 1st of February 2024, during the second half of the 2023/2024 financial year, and will conclude its term of three (3) years on the 31st of January 2027.

The establishment of the Committee was based on a 'shared model', between the Lejwe Le Putswa District Municipality, the parent municipality and the LDA, as the entity. The Committee is primarily focussed on ensuring the integrity of the LDA's financial and performance reporting, improving the effective internal control environment, promote accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of compliance with legislation. However, for the year under review, it was not provided with the opportunity to discharge its responsibilities accordingly.

#### **2.4.2. AUDIT COMMITTEE MEMBERS AND ATTENDANCE**

The Committee is constituted of five independent members. Members were appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003). During the 2023/2024 financial year held one special and three ordinary meetings for the parent municipality, which were meant to be on a 'shared basis' with the LDA, however this was not implemented as planned. The Committee has observed this may be attributed to a communication breakdown between the parent and the entity. The attendance is reflected in the table below:

NAME OF MEMBER	POSITION	ATTENDED	APOLOGIES	TOTAL
Mr. P V Chwene	Chairperson	3	1	4
Me. N R Phatlane	Member	4	0	4
Me T L Pino	Member	3	1	4
Mr. T J Macholo	Member	4	0	4
Mr. L J Nkomo	Member	4	0	4

#### **2.4.3. TERMS OF REFERENCE**

The Committee has adopted formal Terms of Reference as its Audit Committee Charter ("the Charter") on the 21st June 2024. The Charter is subjected to a review on an annual basis. The Charter serves as a guide to the Committee in navigating its roles and responsibilities and to give effect to its mandate in clear terms.

#### **The Committee responsibilities entail the following:**

- o Internal Control Environment,
- o Internal Audit,
- o Adequacy, reliability and accuracy of financial reporting and information,



- o Risk Management,
- o Compliance with Laws and Regulations,
- o Performance Management,
- o Effective Governance,
- o Annual Financial Statements, and
- o Any other matters referred to it by Council.

#### **2.4.4. REPORT ON THE OPERATIONS OF THE AUDIT COMMITTEE**

In discharging its responsibilities as stated above and in its terms of reference, the Committee has developed a schedule of quarterly meetings and has adopted a standard agenda aligned to the Municipal Finance Management Act, Act 56 of 2003 and also to reporting guidelines as published from time to time by National Treasury. The attendance of the meetings is disclosed in paragraph 3 above. At its meetings during the 2023/2024 reporting period, the Committee was unable to execute its responsibilities over the LDA regarding financial reporting, internal and external audit, performance, compliance and risk management. The Committee commenced its work during the second half of the 2023/2024 financial year, and it could not provide an opinion on the effectiveness of internal control of the LDA during the first half of the financial year. However, its opinion on the second half of the financial year is that the system of internal control was not efficient and effective.

The overall conclusion of the Committee, is that it has observed deficiencies in the system of internal control, breaches and deviations at the LDA. The Committee did not receive compliance reports rendering Internal Audit ineffective in its reporting obligations to the Audit Committee. In addition, the Audit Committee has raised matters such as timeous reporting, non-compliance to the laws and regulations, non-adherence to the adopted schedule of meetings, follow-ups from previous resolutions and matters previously reported, which were not been attended to fully or addressed satisfactorily.

The Committee is unable to provide opinion on the performance of the LDA as it has not received both financial and non-financial performance reports of the Agency during the year under review. The Audit Committee and Internal Audit at the Municipality operation were expected to be on 'shared basis'. This was meant to ensure consistency and/or alignment in the application of applicable policies and procedures in improving governance as well as the control environment. The LDA continues to struggle with adequate resourcing and this has limited its ability to deliver on its mandate. The going concern status of the Development Agency remains a critical area of concern to the Audit Committee and this is a red flag not to be ignored. The LDA also have non-compliance challenges with the laws, regulations and policies as adopted by council. The Accounting Officer is not providing adequate oversight on the Agency in terms of its operations and accountability.

The LDA has the potential to grow as it sees itself in a turf that is economically vibrant and can only do better. The Board of Directors, Shareholder Municipality and Management will have to search for additional income to address the funding challenges facing the Agency. The Committee remains optimistic that lasting solutions will be found in addressing other challenges facing the Agency.

#### **2.4.5. EVALUATION OF ANNUAL FINANCIAL STATEMENTS**

The Committee was not provided adequate time to be able to:

- review and discuss the audited annual financial statements to be included in the annual report,
- with the AGSA and the management;
- review the AGSA's management report and management's response thereto;
- review changes in accounting policies and practices;
- review the Agency's compliance with legal and regulatory provisions;
- review significant adjustments resulting from the audit.

#### **2.4.6. INTERNAL AUDIT**

The Accounting Officer of the parent municipality is obliged, in terms of section 165 of the MFMA, to ensure that the entity has a system of internal audit under the control and direction of the Committee. The Committee is not satisfied about the performance of the Internal Audit function and has raised concern in their interaction with the Internal Audit during the year under review. The Committee is of the view that the internal audit function did not properly discharging its functions and responsibilities effectively with regard to the LDA.

The Committee expects that charters, programmes, evaluations and training plans will contribute to the internal audit function becoming more efficient, more responsive to challenges and better able to provide audit reports of a high quality to management and the committee on a timely basis. There has not been any performance evaluation on the functioning of the both Internal Audit and Audit Committee in the financial year under review.

#### **2.4.7. APPRECIATION**

The Audit Committee is unable to extend a word of appreciation to the Chief Executive Officer of the LDA and the Board for the performance of the year under review. The Audit Committee takes cognisance circumstances that parent municipality and LDA management found itself during the 2023/2024 financial year, whereby there were notable changes in the operations of the LDA which had a huge impact on the performance of the LDA. The Audit Committee is confident that in the 2024/2025 financial year, the Audit Committee shall execute its responsibilities effectively as detailed in the approved Audit Charter. Also there will be improvement in the Internal Audit function in implementing its internal audit plan to ensure there internal control environment and general performance of the LDA is improved.





## **2.5. RISK MANAGEMENT**

### **2.5.1. 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.

### **2.5.2. 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.

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 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 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 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.

**RISK RESPONSE REQUIRED ACCORDING TO IMPACT AND LIKELIHOOD.**

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

**2.5.3. 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.

#### **2.5.4. 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:

- Organising, 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**

# **FINANCIAL HEALTH**



### 3.FINANCIAL HEALTH OVERVIEW

#### 3.1.FINANCIAL HEALTH

FINANCIAL OVERVIEW 2023/24			
DETAILS	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL BUDGET
GRANTS (LDM)	R 7 905 897	R 8 005 897	R 8 005 897
GRANTS (IDC)COMMITMENT	R	R 616 191	R 616 191
OTHER: W&R SETA	-	-	-
INTEREST RECEIVED	R 450 000	R 450 000	R 562 483.80
TENDER DOCUMENTS SALE	-	-	-
COMMITMENTS(ZR MAHABANE/LEJWE-BRICKS)	R 6 283 239	R 2 533 600	R 2 533 600
MATJHABENG LOCAL MUNICIPALITY	-	R 3 922 213	R 3 922 213
LGSETA	-	R 27 000	R 27 000
SUB TOTAL	<b>R 14 639 136</b>	<b>R 15 554 901</b>	<b>R 15 667 384.80</b>
LESS EXPENDITURE	(R 14 639 136)	(R 17 282 391)	(R 13 802 807.18)
NET TOTAL	-	<b>(R 1 727 493)</b>	<b>R 1 864 577.62</b>

OPERATING RATIOS	
DETAIL	AMOUNT
EMPLOYEE COSTS	R 4 722 893.88
REPAIRS AND MAINTENANCE	-
FINANCE CHARGES AND IMPAIRMENT	R 14 000

### **3.1.1.COMMMENT ON OPERATING RATIOS**

#### **3.1.1.1.EMPLOYEE COSTS**

Inadequate funds to cover both Human and Capital Cost.

LDA 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 (Mol). The LDA was registered with Companies & Intellectual Property Commission (CPIC) 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 f 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 can 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. ORGANISATIONAL**

#### **3.4.1. 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.

#### **3.4.2. 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.

#### **3.4.3. 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.

1. Identify a Project: Determine a project that aligns with organizational goals through needs assessment and stakeholder consultations.
2. Analyse Project Feasibility: Evaluate the project's technical, financial, and operational viability through a feasibility study and cost-benefit analysis.
3. Approve the Project: Present the project plan for formal approval and finalize the project charter.
4. Source Funding: Secure financial resources by identifying funding sources, submitting proposals, and negotiating agreements.
5. Facilitate Project Implementation: Execute the project according to the plan, monitor progress, and make adjustments as necessary.
6. Closure or Hand Over: Conclude the project by delivering final outputs, handing over to stakeholders, and conducting a post-implementation review.

### 3.4.4. DEVELOPMENT & APPROVAL OF POLICIES

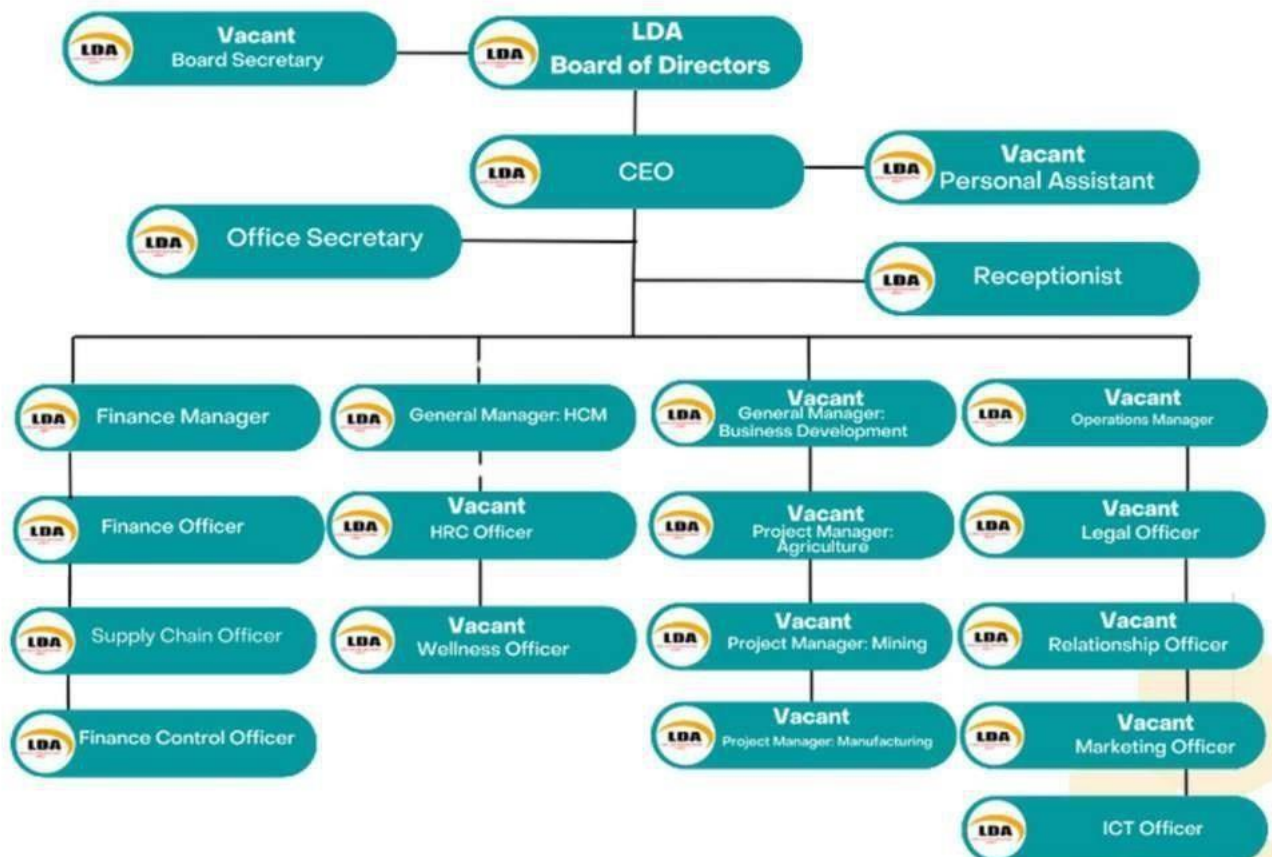
One of the key priorities in the establishment of any organization is to ascertain policy development and procedures to guide its operations. In this regard, the Board broadly accepted that in areas where the agency does not have policies, it will adopt the policies of the parent municipality to the 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, most of these policies have currently been revised and await board approval:

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



### 3.4.5. ORGANISATIONAL STRUCTURE

During the strategic session held in February 2024, the Board of the LDA, the executive as well as the staff members identified the need to consider to take the agency forward by developing a new organisational structure that aligns with the new strategy. The interim structure was developed and presented to the Board of directors for approval and adoption. In approving the second revision of the structure the Board pointed out that the CEO would have to prioritise the filling of the vacancies once the organisation is in a more favourable financial position, this is to allow the agency to operate at an optimal level. The adopted organisational structure is thus as follows:



### **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 organisation 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 pre-qualification 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 favouritism, 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 DELIVERY PERFORMANCE**







## **4. SERVICE DELIVERY PERFORMANCE**

### **4.1. INTRODUCTION**

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

### **4.2. 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.

### **4.3. PERFORMANCE DISCUSSIONS**

The SDBIP is a public document which was approved by the Executive Mayor of the district June 2023. 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;

1. A summary of the overall performance of the Municipality in terms of the National Key Performance Areas of Local Government for the quarter '
2. A summary of the performance of each Directorate for the quarter
3. 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

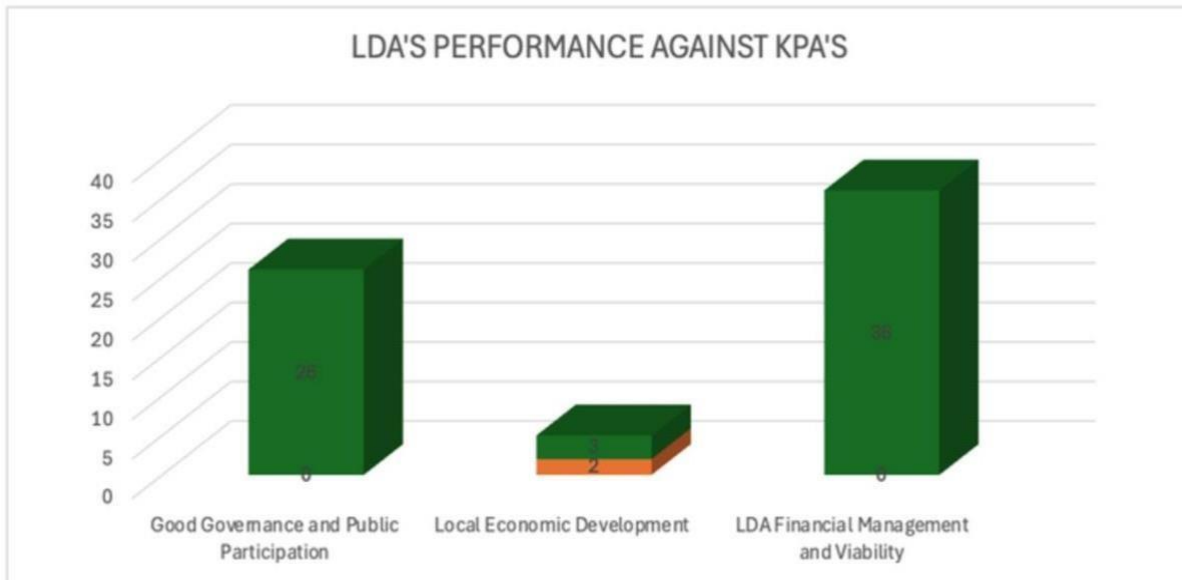
#### 4.4.SUMMARY OF OVERALL PERFORMANCE OF THE AGENCY FOR THE QUARTER PER KEY

##### 4.4.1. PERFORMANCE AREA.

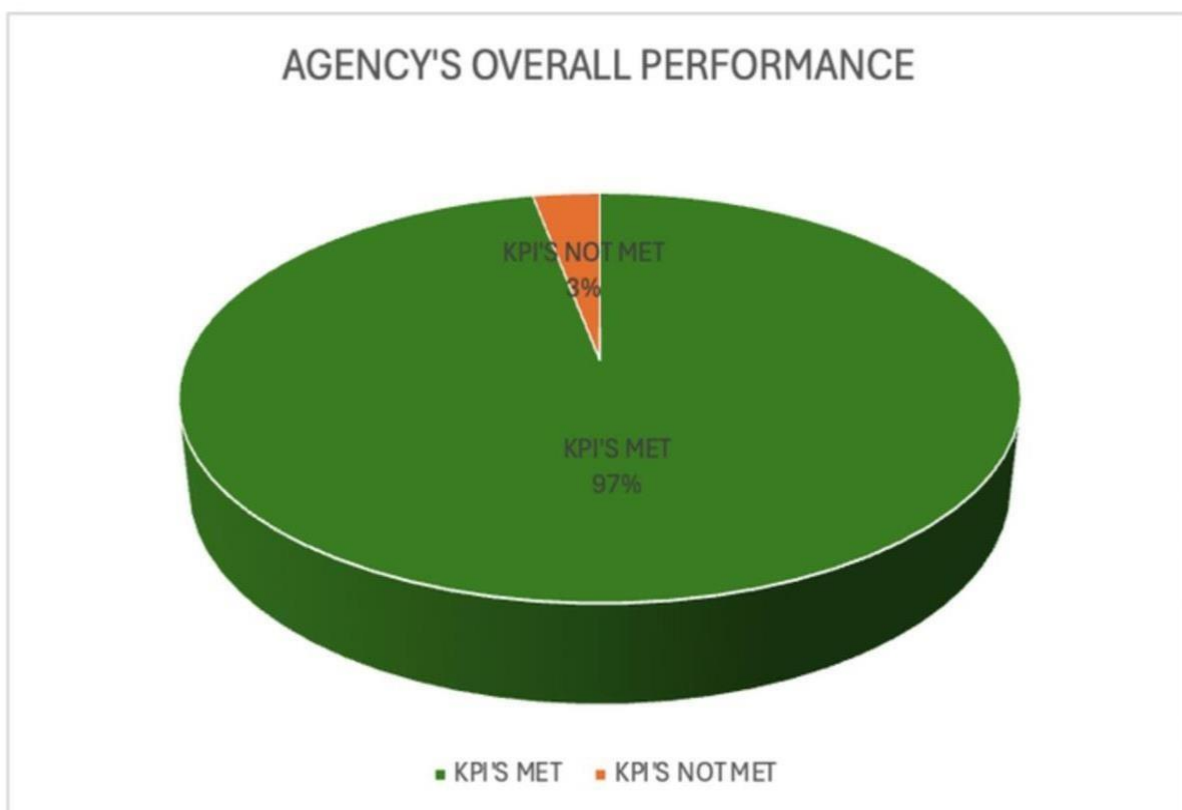
The following graph provides an overview of the performance of the Agency per Key Performance Areas (KPA) for the Year (1 July 2023 to 30 June 2024). The graph is followed by a summary which indicates both percentages and number of KPI's.

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	0	0	2	0
KPI'S MET	63	26	1	36
TOTAL KPI'S	65	26	3	36

## LEJWE LE PUTSWA DEVELOPMENT AGENCY'S PERFORMANCE AGAINST KPA'S



## LEJWE LE LEPUTSWA DEVELOPMENT AGENCY'S OVERALL PERFORMANCE





## CONSOLIDATED PERFORMANCE REPORT 2023-2024



KEY PERFORMANCE AREA: LOCAL ECONOMIC DEVELOPMENT									
ID	STRATEGIC OBJECTIVE	STRATEGIES	KEY PERFORMANCE INDICATOR	UNIT OF MEASUREMENT	ANNUAL BUDGET	BASELINE	ANNUAL TARGET	ANNUAL TARGETS ACHIEVED	REASONS FOR NON-ACHIEVEMENT AND REMEDIAL ACTION.
1.1	Promote local economic development and job creation	Phase two implementation of the Z R Mahabane Brick Manufacturing Plant	Prepare One (1) report on Phase two Implementation of the ZR Mahabane Project by 30 June 2024.	Number of reports on Phase two implementation of the ZR Mahabane Project.	RR2 500 000		1	1	Achieved
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 30 June 2024.	Number of reports on Branding, Marketing, website Implementation of the ICT Hub and 5 Roadshows.	R616 191	New KPI	1	0	Achieved
1.3	To offer artisan training through our service provider of choice to our Youth on the following Courses in our District: Municipal Finance, Basic Firefighting, Horticulture, FECT Municipal Finance and administration, NC Environmental Practice, GETC Poultry Production, NC Poultry Production and Mixed Farming Systems.	To capacitate our Youth	Capacitating 300 Youth on the following: Municipal Finance, Basic Firefighting, Horticulture, FECT Municipal Finance and administration, NC Environmental Practice, GETC Poultry Production, NC Poultry Production and Mixed Farming Systems by 30 June 2024	Number of Youth enrolled by 30 June 2024	External	New KPI	1	0	Achieved

## CONSOLIDATED PERFORMANCE REPORT 2023-2024



KEY PERFORMANCE AREA: FINANCIAL MANAGEMENT AND VIABILITY									
ID	STRATEGIC OBJECTIVE	STRATEGIES	KEY PERFORMANCE INDICATOR	UNIT OF MEASUREMENT	ANNUAL BUDGET	BASELINE	ANNUAL TARGET	ANNUAL TARGETS ACHIEVED	REASONS 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.	2022/2023 signed-off AFS prepared in accordance with GRAP and section 122 of MFMA by 31 August 2022	Auditor-General's Report on the 2022/23 AFS compliant with GRAP and section 122 of MFMA.		2021/2022 signed-off Annual Financial Statements and the related Auditor-General's Report	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 2024	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 2024	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 2024	Inhouse	A report on UIF & wasteful expenditure incurred due to non-compliance to the entity's SCM Policy and MFMA by 30 June 2024	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 throughout 2023/24	Suppliers and service providers paid within 30 days of receipt of valid invoice, with no disputed delivery of goods / services throughout 2023/24	Quarterly reports submitted to the Board for noting.	Inhouse	Suppliers and service providers paid within 30 days of receipt of valid invoice, with no disputed throughout 2022/23	4	4	Achieved

## CONSOLIDATED PERFORMANCE REPORT 2023-2024

### KEY PERFORMANCE AREA: FINANCIAL MANAGEMENT AND VIABILITY

ID	STRATEGIC OBJECTIVE	STRATEGIES	KEY PERFORMANCE INDICATOR	UNIT OF MEASUREMENT	ANNUAL BUDGET	BASELINE	ANNUAL TARGET	ANNUAL TARGETS ACHIEVED	REASONS FOR NON-ACHIEVEMENT AND REMEDIAL ACTION.
2.4	To ensure financial management practices that enhance viability & compliance with the requirements of MFMA & other relevant legislation	Proper management of assets and accountability	2 biannual assets verification performed, and asset registers updated with all assets movement report any damaged/missing items by 30 June 2024	Number of assets verification performed, and asset registers updated with all assets movements, and report any damaged/missing items by 30 June 2024		2022/23 Annual Assets Verification	2	2	Achieved
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	2023/24 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 regulations	12 signed-off monthly budget statement reports (Sec87) for 2023/24 produced and submitted to the Accounting Officer of the LDM by 30 June 2024	Number of signed-off monthly budget statement reports for 2023/24 produced and submitted to the Accounting Officer of the LDM by 30 June 2024	Inhouse	2022/23 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 accounting norms and standards	12 signed-off monthly bank reconciliation statements of all bank accounts by 30 June 2024.	Number of signed-off monthly bank reconciliation statement of all bank accounts by 30 June 2024.	Inhouse	Bank Reconciliation	12	12	Achieved

## CONSOLIDATED PERFORMANCE REPORT 2023-2024

### KEY PERFORMANCE AREA: FINANCIAL MANAGEMENT AND VIABILITY

ID	STRATEGIC OBJECTIVE	STRATEGIES	KEY PERFORMANCE INDICATOR	UNIT OF MEASUREMENT	ANNUAL BUDGET	BASELINE	ANNUAL TARGET	ANNUAL TARGETS ACHIEVED	REASONS FOR NON-ACHIEVEMENT AND REMEDIAL ACTION.
2.4	To ensure financial management practices that enhance viability & compliance with the requirements of MFMA & other relevant legislation	Proper management of assets and accountability	2 biannual assets verification performed, and asset registers updated with all assets movement report any damaged/missing items by 30 June 2024	Number of assets verification performed, and asset registers updated with all assets movements, and report any damaged/missing items by 30 June 2024		2022/23 Annual Assets Verification	2	2	Achieved
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	2023/24 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 regulations	12 signed-off monthly budget statement reports (Sec87) for 2023/24 produced and submitted to the Accounting Officer of the LDM by 30 June 2024	Number of signed-off monthly budget statement reports for 2023/24 produced and submitted to the Accounting Officer of the LDM by 30 June 2024	Inhouse	2022/23 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 accounting norms and standards	12 signed-off monthly bank reconciliation statements of all bank accounts by 30 June 2024.	Number of signed-off monthly bank reconciliation statement of all bank accounts by 30 June 2024.	Inhouse	Bank Reconciliation	12	12	Achieved



## CONSOLIDATED PERFORMANCE REPORT 2023-2024



KEY PERFORMANCE AREA: GOOD GOVERNANCE& PUBLIC PARTICIPATION									
ID	STRATEGIC OBJECTIVE	STRATEGIES	KEY PERFORMANCE INDICATOR	UNIT OF MEASUREMENT	ANNUAL BUDGET	BASELINE	ANNUAL TARGET	ANNUAL TARGETS ACHIEVED	REASONS FOR NON-ACHIEVEMENT AND REMEDIAL ACTION.
3.1	To ensure Good Governance practices to ensure effective, functioning of the Agency	Draft SDBIP for the 2023/24 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 2023	Submit 1 draft SDBIP for the 2023/24 budget year and 1 drafts of the annual performance agreements for the CEO of the same period to the Chairperson of the Board and Executive Mayor of the LDM by 14 July 2023	Fully comply with the provisions of the Agency's Performance Management System from planning to reporting		Submit 1 draft SDBIP for the 2022/23 budget year and 1 draft 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 2023/24 financial year concluded by 14 July 2023	Signed Performance Agreement & Plan for the CEO of the agency for 2023/24 financial year concluded by 14 July 2023	Signed Performance Agreement for CEO by 14 July 2023	R60 000	1 Signed Performance Agreements for the CEO for 2022-23 financial year by 31 July 2023	1	1	Achieved
3.3		Compliance with the PMS	4 quarterly performance assessment reports for CEO concluded and signed-off not later than 30 days after the end of each quarter during 2023/2024	Number 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 2022/23 signed-off and submitted to the Auditor-General by 31 August 2023	Number of annual performance reports by 31 August 2023.		Annual performance report for 2021/22	1	1	Achieved.
3.5			Submit 1-signed-off Mid-term budget and performance assessment report for 2023/24 to the Board of Directors of the Agency and Parent Municipality by 20 January 2024	Number of signed-off mid-term budget and performance assessment report for 2023/24 submitted to the Board of Directors of the Agency and Parent Municipality by 20 January 2024		2022/23 Mid-year budget and performance assessment report	1	1	Achieved
3.6			Submit 1 audited annual report for 2022/23 to the Accounting Officer of the Parent Municipality by 31 December 2023	Number of audited annual report for 2022/23 submitted to the Accounting Officer of the Parent Municipality by the end of 31 December 2023		Audited Annual Report for 2021/22	1	1	Achieved

## CONSOLIDATED PERFORMANCE REPORT 2023-2024



KEY PERFORMANCE AREA: FINANCIAL MANAGEMENT AND VIABILITY									
ID	STRATEGIC OBJECTIVE	STRATEGIES	KEY PERFORMANCE INDICATOR	UNIT OF MEASUREMENT	ANNUAL BUDGET	BASELINE	ANNUAL TARGET	ANNUAL TARGETS ACHIEVED	REASONS FOR NON-ACHIEVEMENT AND REMEDIAL ACTION.
3.7	To ensure financial management practices that enhance viability & compliance with the requirements of MFMA & other relevant legislation	Accounting for all finances and compliance to accounting policies.	Table 1 audited annual report for 2022/23 before the Board of Directors and Council of the Parent Municipality by 31 January 2024.	Number of audited annual report for 2022/23 tabled before the Board of Directors and the Parent Municipality by 31 January 2024		Audited Annual Report for 2021/22	1	1	Achieved
3.8		Compliance with Governance Structures and Legislation	4 Board Meetings held by 30 June 2024	Number of board meetings held by 30 June 2024		4 meetings of the board held in 2022/23	4	4	Achieved
3.9		Submission of monthly reports as per legislation and regulations	4 Mayco Meetings attended by 30 June 2024	Number of Mayco Meetings attended by 30 June 2024		4 Mayco Meetings held by 30 June 2023	4	4	Achieved
3.10	To provide information through the available ICT platforms of the entity and to improve its corporate image.	Number of updates of the Agency's website performed by 30 June 2024	4 updates of the Agency's website performed by 30 June 2024	Ensure that the entity's information is regularly updated on the entity's website and other digital communication platforms of the agency.		4 updates of the Agency's website performed by 30 June 2024	4	4	Achieved
3.11	To ensure oversight over the affairs of the agency	Provide reasonable assurance as to the effectiveness of internal controls of the municipality through Internal Audit service	4 Internal Audit reports on the assessment	Number of Internal Audit reports on the assessment of the effectiveness of the controls within the municipality submitted to the Audit-Committee by 30 June 2024		4 Internal Audit reports submitted to the Audit-Committee in 2022/23	4	4	Achieved



# **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	2023/2024
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 11 employees as at 30 June 2024. 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 (I) 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		6	0	0
Unskilled	0	0	0		1	0	0
Total Permanent	3	0	0		8	0	0

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 11 employees as at 30 June 2024. Filled positions are indicated below by post Levels. The position for the CEO is still vacant.

POST LEVEL	FILLED	VACANT
SENIOR MANAGEMENT	1	0
MIDDLE MANAGEMENT	1	0
LOWER MANAGEMENT	0	0
SKILLED TECHNICAL	8	0
UNSKILLED	1	0
TOTAL PERMANENT	11	0

### 5.1.3 SUSPENSIONS AND DISMISALS

No

Table below shows Municipal entity Entity's employees.

NUMBER OF EMPLOYEES	RESIGNATION	CURRENT STAFF
11	0	11

## 5.2. MANAGING MUNICIPAL ENTITY WORKFORCE

Entails analysing and coordinating employee behaviour at the Municipal entity.

### 5.2.1. 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 2022/2023 versus 2023/2024.



DIRECTORATE	2022/23	2023/24
CHIEF EXECUTIVE OFFICER	0	0
MIDDLE MANAGERS	0	0
LOWER MANAGERS	0	0
SKILLED TECHNICAL EMPLOYEES	54	186
UNSKILLED EMPLOYEES	0	0
TOTAL	54	186

### 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:

1. Annual report of the year under review has been tabled and adopted by Council.
2. Evaluation of Performance in terms of regulation 23.
3. 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 LUCKY MOTSAMAI	CEO	Male	1	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.MS PORTIA MATSHAI	Secretary CEO	Female	1	0
9. MS JABUNINI KAMBULE	Receptionist	Female	1	0
10.MS BULELWA KHEFI	General Worker	Female	0	0
11.MS ATHENKOSI MDASHU	General Worker	Female	1	0
TOTAL			0	0

THERE WERE NO EMPLOYEES THAT ATTENDED TRAINING.

#### 5.3.1 SKILLS DEVELOPMENT – BUDGET ALLOCATION

TOTAL PERSONNEL BUDGET	TOTAL SPEND	PERCENTAGE 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)
<b>FINANCIAL OFFICIAL</b>				
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
<b>TOTAL</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>2</b>

### 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.

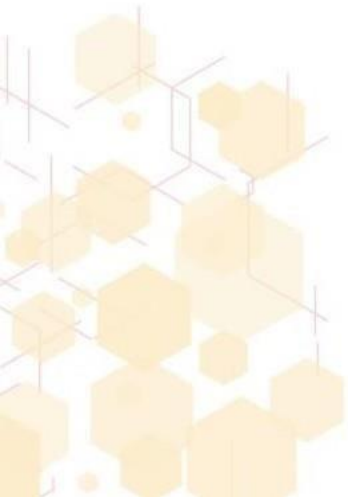
### 5.4 PERSONNEL EXPENDITURE

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 budget spent on two previous Fiscal periods.

FINANCIAL YEAR	TOTAL EXPENDITURE SALARY AND ALLOWANCES	TOTAL OPERATING EXPENDITURE
2022/2023	R5 702 956	R 3 716 144
2023/2024	R4 722 894	R 9 079 913

## **CHAPTER 6**

# **FINANCIAL PERFORMANCE**





## **6. FINANCIAL PERFORMANCE**

### **6.1 FINANCIAL MATTERS**

#### **6.1.1. COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE**

##### **6.1.1.1. 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**

#### **6.2.1. COMMENT ON OPERATING TRANSFERS AND GRANTS:**

The Agency is 100% depending on grants and subsidies.

### **6.3 ASSET MANAGEMENT**

#### **6.3.1. 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.

All 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:**

1. The accurate recording of essential asset information.
2. The accurate recording of asset movements.
3. Exercising strict physical controls over all assets.
4. Treating the assets correctly in the Agency's Financial Statements.
5. Providing accurate and meaningful management information.
6. Compliance with the Council's accounting policies and GRAP.
7. Adequate insuring of assets.
8. Maintenance of Council's assets.
9. Ensuring that managers are aware of their responsibilities with regard to the assets; and
10. Setting out the standards of management, recording and internal controls so as to safeguard the assets against inappropriate utilisation or loss

**6.3.2. COMMENT ON ASSET MANAGEMENT**

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

<b>REPAIR AND MAINTENANCE EXPENDITURE 2022/23 &amp; 2023/24</b>				
<b>(R'000)</b>				
	<b>ORIGINAL BUDGET</b>	<b>ADJUSTME NT BUDGET</b>	<b>ACTUAL</b>	<b>BUDGET VARIANCE</b>
<b>REPAIRS AND MAINTENANCE EXPENDITURE 2022- 23</b>	0	0	0	0%
<b>2023/24</b>	0	0	0	0%

**6.3.3. 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



RATIO CALCULATIONS FOR THE MONTH ENDED:			30 JUNE 2023		
Name of Agency:			Lejwe Le Putswa Development Agency		
Financial Year End:			30 June 2024		
Current ratio: Current Assets / Current Liabilities (Norm 2:1)					
			30 JUNE 2023	30 June 2024	
Current Assets			R 4 275 454	R 3 367 627	
Current Liabilities			R 1 827 034	R 2 010 838	
Current Ratio			2.3	1.8	(times)
<p>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 1.67, 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.- a decrease in Cash and Cash Equivalents with R 1 444 088- an increase in Unspent Conditional Grants R 27 000</p>					
<p>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)</p>					
			30 JUNE 2022	30 JUNE 2023	30 JUNE 2024
Cash and cash equivalents			R 10 154 295	R 4 233 619	R 2 758 800
Unspent Conditional Grants			R 1 020 137	R 616 190.58	R 643 191
Bank Overdraft			R -	-	-
Short term investment			R -	-	-
Monthly fixed operational exp.			R -	R 6 662 497	R 6 219 872
Depreciation			R	-	R 264 798
Amortization			R 201 738	R	R
Provision for bad debts			R -	-	-
Actuarial Loss			R -	-	R 3 000
Impairment Loss			-R 10 308	R	R
Loss on disposal of assets			R -	-	-
Employee related cost			R 5 038 231	R 5 702 956	R 5 864 524
Operating expenditure Cash/ Cost Coverage Ratio			R 2 1612 554	R 5.35 (months)	R 1 571 054
<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 2022	30 June 2023	30 June 2024	(%)
Total revenue		R 9 938 338	R 1 346 520	R 13 232 219	
Government grants and SubsidiesGrant dependency		R 9 117 322	R 903 946	R 11 928 110	
		100	100	100	
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 2024. The entity only depends on grants					

## 6.5 COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### 6.5. 1. CAPITAL EXPENDITURE

#### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGETS

TOTAL CAPITAL EXPENDITURE: 2021/22 TO 2023/24 (R'000)			
Detail	2021/22	2022/23	2023/24
Original Budget	R188 310	R254 641	350 527
Adjustment Budget	R379 350	R254 641	285 527
Actual	R365 237	R239 289	178 700

### 6.6.FUNDING OF CAPITAL BUDGET: 2022/2023

The budget will be funded from own sources.

#### 6.6.1. SOURCES OF FINANCE

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



## **6.7. COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS**

### **6.7.1. CASH FLOW**

#### **6.7.1.1. 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.

## **6.8. COMPONENT D: OTHER FINANCIAL MATTERS**

### **6.8.1. 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.





## Connect with Us:



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Welkom 9460**



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# AUDITOR GENERAL REPORTS

# Section C

## 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 2024, 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 Lejweleputswa District Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 and the Division of Revenue Act 5 of 2023 (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 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 38 to the annual financial statements, irregular expenditure of R23 855 845 (2023: R18 693 897) was incurred due to non-compliance to supply chain management (SCM) requirements.

#### Restatement of corresponding figures

8. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2024.

**Material impairment**

9. As disclosed in note 4 to the financial statements, receivables from non-exchange transactions were impaired by R31 158 866 (2023: R31 001 755).

**Material uncertainty relating to claims against the municipality**

10. With reference to note 33 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.

**Other matters**

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. This description, which is located at page xx in the, forms part of our auditor's report.



### Report on 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 information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
18. I selected the following material performance indicators related to basic service delivery and infrastructure presented in the annual performance report for the year ended 30 June 2024. 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 road conditions submitted by 30 June 2024
  - Monthly water quality reports on the status of water in the 5 local municipalities submitted by 30 June 2024
  - Monthly reports on compliance of food selling outlets in the 5 local municipality
  - Monthly reports on food sampling in the 5 local municipality by 30 June 2024
  - 4 reports on waste management compliance submitted in the district by 30 June 2024
19. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.
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
  - all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

- the reported performance information presented in the annual performance report in the prescribed manner.
- there is adequate supporting evidence for the achievements reported and for 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 matters

23. I draw attention to the matters 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.

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

### Basic service delivery

<p><i>Targets achieved: 81%</i></p> <p><i>Budget spent: Undeterminable/Unknown</i></p> <p><i>The budget spent is not available as the municipality's actual spending is not aligned with their key performance areas(programmes).</i></p>		
Key indicator not achieved	Planned target	Reported achievement
Monthly water quality reports on the status of water in the 5 local municipalities submitted by 30 June 2024	12	10
Monthly reports on food sampling in the 5 local municipality by 30 June 2024	12	10

### Report on compliance with legislation

26. 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.

27. 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.
28. 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.
29. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

#### **Annual financial statements**

30. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### **Expenditure management**

31. Reasonable steps were not taken to prevent irregular expenditure amounting to R23 855 845 as disclosed in note 38 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 SCM.

#### **Consequence management**

32. 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.

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

33. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM regulations 17(1)(a) and 17(1)(b).
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). Similar non-compliance was also reported in the prior year.
35. Sufficient appropriate audit evidence could not be obtained that contracts were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
36. The preference point system was not applied for some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000.



37. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5. Similar non-compliance was also reported in the prior year. Similar non-compliance was also reported in the prior year.

#### 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 indicators in the scoped-in key performance area (KPA) 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 in the scoped-in KPA 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 the basis for the opinion, and the 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.

46. Management did not ensure that the action plan was designed to address findings reported previously as a result repeat findings were identified.

*Auditor-General*

Bloemfontein

30 November 2024



AUDITOR - GENERAL  
SOUTH AFRICA

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## 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

6. The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), Sections: 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections: 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), Sections: 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), Sections: 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), Sections: 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), Sections: 133(1)(a), 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)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), Regulations: 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), Regulations: 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), Regulations: 36(1)(a), 38(1)(c), 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)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act 5 of 2023	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), Sections: 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 54A(1)(a), 56(1)(a), Sections: 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 96(b)  Parent municipality with ME: Sections: 93B(a), 93B(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), Regulations: 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)

Legislation	Sections or regulations
Managers Directly Accountable to Municipal Managers, 2006	
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1),31
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), Regulations: 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)

# Section C

## LDA



## Report of the auditor-general to the Free State Provincial Legislature and the council of the parent municipality of 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 2024, 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 2024 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 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 37 to the financial statements, irregular expenditure of R1 148 085 (2023: R414 746) was incurred, due to non-compliance with supply chain management (SCM) requirements.

**Material uncertainty relating to claims against the municipal entity**

8. With reference to note 31 to the financial statements, the municipal entity is the defendant in various claims against the municipal entity. The municipal entity 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.

**Other matter**

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

**Unaudited disclosures notes**

10. In terms of section 125(2)(e) of 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**

11. 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 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.
12. 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**

13. 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.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page xx, forms part of our auditor's report.

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

15. 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.

16. I selected the following material performance indicators related to local economic development presented in the annual performance report for the year ended 30 June 2024. I selected indicators that measure the municipal entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- Prepare one (1) report on phase two implementation of the ZR Mahabane project by 30 June 2024.
- Prepare a report on branding, marketing and website implementation of the ICT hub by 30 June 2024.
- Capacitating 300 youth on the following: municipal finance, basic firefighting, horticulture, FECT municipal finance and administration, NC environmental practice, GETC poultry production, NC poultry production and mixed farming systems by 30 June 2024.

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

18. I performed procedures to test whether:

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

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

20. I did not identify any material findings on the reported performance information for the selected indicators.

### Other matters

21. I draw attention to the matters below.

### Achievement of planned targets

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

### Local economic development

<i>Targets achieved: 33,3 %</i> <i>Budget spent: 90%</i>		
Key indicators not achieved	Planned targets	Reported achievement
Prepare a report on branding, marketing and website implementation of ICT Hub by 30 June 2024.	1	0
Capacitating 300 youth on the following: municipal finance, basic firefighting, horticulture, FECT municipal finance and administration, NC environmental practice, GETC poultry production, NC poultry production and mixed farming systems by 30 June 2024.	1	0

### Material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Local economic development. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

### 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 municipal entity'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 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.
28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

#### **Annual financial statements**

29. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of revenue and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
30. The annual financial statements were not submitted to the Auditor-General, for auditing, within two months after the end of the financial year, as required by section 126(2)(b) of the MFMA.

#### **Expenditure management**

31. Reasonable steps were not taken to prevent irregular expenditure amounting to R1 148 085 as disclosed in note 37 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 SCM requirements.

#### **Consequence management**

32. Irregular expenditure incurred by the municipal entity were not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).
33. Losses resulting from irregular expenditure were not recovered from the liable person, as required by municipal budget and reporting regulations 75(2).
34. 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).

#### **Strategic planning & performance management**

35. A mid-year performance review was not performed, as required by section 88(1)(a) of the MFMA.

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

36. Contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5.



### Other information in the annual report

37. 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 indicators in the scoped-in key performance area (KPA) presented in the annual performance report that have been specifically reported on in this auditor's report.
38. 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.
39. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
40. I did not receive the other information prior to the date of the 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

41. 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.
42. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, and the material findings on compliance with legislation included in this report.
43. 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, the Board of Directors and Municipal Public Accounts Committee (MPAC) re-occurred in the current year.

44. 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 2024



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	Sections 1, 87(5)(b), 87(5)(d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), 87(8), 88(1)(a), 95(d), Sections 97(e), 97(f), 97(h), 97(i), 99(2)(a), 99(2)(b), 99(2)(c), 102(1), 102(2)(a), Sections 112(1)(j), 116(2)(b), 116(2)(c)(ii), 122(1), 126(2)(b), 133(1)(a), 133(1)(c)(i), Sections 133(1)(c)(iii), 170, 172(3)(a), 172(3)(b)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), 17(1)(c), 19(a), Regulations 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), 28(1)(a)(i), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), Regulations 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 73(1)(a), 73(1)(b), 73(2)(a), 73(2)(b), 73(2)(d), 75(1), 75(2)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
Companies Act 71 of 2008	Sections 46(1)(a), 46(1)(b), 46(1)(c)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Municipal Systems Act 32 of 2000	Section 93B(a), 93C(a)(iv)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), Regulations 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

# Consolidated Audited Report

## Report of the auditor-general to the Free State Legislature and the council on Lejweleputswa District Municipality and its entity

### Report on the audit of the consolidated financial statements

#### 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 2024, consolidated 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 2024, 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 5 of 2023 (Dora).

#### 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 41 of the consolidated financial statements, irregular expenditure of R25 003 930 (2023: R19 108 643) was incurred, due to non-compliance with supply chain management (SCM) requirements.

### Restatement of corresponding figures

8. As disclosed in note 37 to the consolidated financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the consolidated financial statements of the group, and for the year ended, 30 June 2024.

### Material uncertainty relating to claims against the municipality

9. With reference to note 36 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 5 to the consolidated financial statements, receivables from non-exchange transactions were impaired by R31 157 866 (2023: R31 001 755).

### 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 2024. 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 2024
  - Monthly water quality reports on the status of water in the 5 local municipalities submitted by 30 June 2024
  - Monthly reports on compliance of food selling outlets in the 5 local municipality submitted by 30 June 2024
  - Monthly reports on food sampling in the 5 local municipalities by 30 June 2024
  - 4 reports on waste management compliance submitted in the district by 30 June 2024.
  - Prepare one (1) report on phase two implementation of the ZR Mahabane project by 30 June 2024.
  - Prepare a report on branding, marketing and website implementation of the ICT hub by 30 June 2024.
  - Capacitating 300 youth on the following: municipal finance, basic firefighting, horticulture, FECT municipal finance and administration, NC environment practice, GETC poultry production, NC poultry production and mixed farming systems by 30 June 2024.

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.
- All the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and 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 matters**

23. I draw attention to the matters 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.

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



**Basic service delivery – LDM**

<i>Targets achieved: 81%.</i> <i>Budget spent: Undeterminable/Unknown</i> <i>The budget spent is not available as municipality's actual spending is not aligned with their key performance areas (programmes)</i>		
Key indicator not achieved	Planned target	Reported achievement
Monthly water quality reports on the status of water in 5 local municipalities submitted by 30 June 2024	12	10
Monthly reports on food sampling in the 5 local municipalities by 30 June 2024	12	10

**Local economic development – LDA**

<i>Targets achieved: 33.3%.</i> <i>Budget spent: 90%</i>		
Key indicator not achieved	Planned target	Reported achievement
Prepare a report on branding, marketing, and website implementation of ICT Hub by 30 June 2024	1	0
Capacitating 300 youth on the following: municipal finance, basic firefighting, horticulture, FECT municipal finance and administration, NC environment practice, GETC poultry production, NC poultry production and mixed farming systems by 30 June 2024.	1	0

**Material misstatements**

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Local economic development. Management subsequently corrected all the misstatements, and I did not include any material finding in this report.

**Report on compliance with legislation**

27. 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.

28. 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.
29. 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.
30. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

#### **Annual financial statements**

31. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.
32. The annual financial statements were not submitted to the Auditor-General, for auditing, within two months after the end of the financial year, as required by section 126(2)(b) of the MFMA.

#### **Expenditure management**

33. Reasonable steps were not taken to prevent irregular expenditure amounting to R25 003 930 as disclosed in note 41 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**

34. 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.
35. Losses resulting from irregular expenditure were not recovered from the liable person, as required by municipal budget and reporting regulations 75(2).
36. 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

37. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by SCM policy, in contravention of SCM regulations 17(1)(a) and 17(1)(b).
38. 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). Similar non-compliance was also reported in the prior years
39. Sufficient appropriate audit evidence could not be obtained that contracts were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM regulation 43.
40. The preference point system was not applied for some of the procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000.
41. Some of the contracts were extended or modified without the approval of a properly delegated official, in contravention of SCM regulation 5. Similar non-compliance was also reported in the prior year.

### Strategic planning and performance management

42. A mid-year performance review was not performed, as required by section 88(1)(a) of the MFMA.

### Other information in the annual report

43. 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.
44. 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.
45. 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.
46. 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

47. 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.
48. 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.
49. 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.
50. 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.
51. Management did not ensure that the action plan was designed to address findings reported previously as a result, repeat findings were identified.

*Auditor - General*

Bloemfontein

31 January 2025



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 consolidated financial statements and the procedures performed on reported performance information for selected material performance indicators and on the group's compliance with selected requirements in key legislation.

#### Consolidated financial statements

3. 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.
  - 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.**

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

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), 93(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)

# Appendix A

## COMPOSITION OF COUNCIL

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

Proportional	Matjhabeng Municipality	Iswelopele Municipality	Nala Municipality	Masilonyana Municipality	Tokologo Municipality
16	15	2	3	2	1

## Appendix B

Types of Meetings	No of Meetings	Number of Members per Portfolio Committee	Agendas Distributed per Sitting
Council Meetings	7	50	350
Mpac Meetings	11	13	143
Corporate services Portfolio Committees	3	13	39
Finance Portfolio Committees	4	10	40
Led Portfolio Committees	2	13	26
Public Participation Committee	-	-	-
Municipal Health Services	3	14	42
Community Service and Special Programmers Portfolio Committees	1	12	12
Municipal Support and Infrastructure Portfolio Committees	3	10	30
Mayoral Committees	6	16	96
Rules Portfolio Committee	-	-	-
Language and Public Places	-	-	-
Ethics and Disciplinary Committee	-	-	-
IDP, Pms Policy development and Monitoring Portfolio Committee	3	12	36
<b>Total</b>	<b>43</b>	<b>163</b>	<b>814</b>

## APPENDIX L

Conditional Grand Received	Adjustment Budget 2023/24	Actual Amount 2023/24
Rural Roads assets management system	2,451,000	2,417,778
Expanded Public works programme	1,428,000	1,428,000
Local Government financial management	1,000,000	1,000,000
LG seta	0	0

## APPENDIX M

Capital Expenditure	Prior Year 2022/23	Adjustment Budget 2023/24	Actual Amount 2023/24
New Assets	R1,605,507	8,750,000	7,101,508
Upgrade/Renewal	R0	0	0

## APPENDIX R

Loans	Balance
ABSA BANK	0

## Section E

### AFS



# LDM AFS

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024



Lejweleputswa District Municipality  
Annual Financial Statements  
for the year ended 30 June 2024

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act No.11 of 1998) read with section 151(1) of the Constitution of the Republic of South Africa, 1996 ( Act No.108 of 1996)
<b>Nature of business and principal activities</b>	District municipality
<b>Mayoral committee from December 2021</b>	
Executive Mayor	Cllr NV Ntakumbana
Speaker	Cllr DJ Dikane
<b>Councillors</b>	Cllr SE Tsuinke - MMC Health Services 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 Corporate Services Cllr PP Maleka - MMC Infrastructure Cllr KV Van Rooyen - MMC IDP, PMS, Policy Development and Monitoring Cllr D Kotzee - MMC Finance
<b>Municipal demarcation code</b>	DC18
<b>Capacity of local authority</b>	Low capacity
<b>Grading of local authority</b>	4
<b>Accounting Officer</b>	Mr ML Makhetha
<b>Chief Financial Officer</b>	Mr MK Khoabane
<b>Registered office</b>	Office of the Municipal Manager Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459
<b>Business address</b>	Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459
<b>Postal address</b>	P.O. Box 2163 Welkom 9460
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor-General of South Africa

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Index

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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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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

## **Accounting Officer's Responsibilities and Approval**

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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 2025 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 is primarily responsible for the financial affairs of the municipality, he is 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 7.

The annual financial statements set out on pages 7 to 68, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2024 and were signed on its behalf by:

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**ML Makhetha**  
**Municipal Manager**

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Audit Committee Report

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The Audit Committee of Lejweleputswa District Municipality ("the Committee") herewith presents its Draft Annual Report for the financial year ended June 2024

### Audit Committee Members and Attendance

The Committee is constituted of five independent members. Members were appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

During the 2023/2024 financial year one special and three ordinary meetings were held. The attendance is reflected in the table below:

Name of member	Position	Attended	Apologies	Total
Mr. P V Chwene	Chairperson	3	1	4
Me T L Pino	Member	4	-	4
Mr. L J Nkomo	Member	3	1	4
Me. N R Phatlane	Member	4	-	4
Mr TJ Macholo	Member	4	-	4
		<hr/>	<hr/>	<hr/>
		-	-	-
		<hr/>	<hr/>	<hr/>

### Operations of the Audit Committee

In discharging its responsibilities and in its terms of reference, the Committee has developed a schedule of quarterly meetings and has adopted a standard agenda aligned to the Municipal Finance Management Act, Act 56 of 2003 and also to reporting guidelines as published from time to time by National Treasury. The attendance of the meetings is disclosed above.

At its meetings during the 2023/2024 reporting period, the Committee focussed on financial reporting, internal and external audit, performance, compliance and risk management. It also reviewed the charters for both the Audit and Performance Committee and the Annual Internal Audit Plan and recommended for approval to Council.

The Committee commenced its work during the second half of the 2023/2024 financial year, and it could not provide an opinion on the effectiveness of internal control during the first half of the financial year. However, its opinion on the second half of the financial year is that the system of internal control was not efficient and effective.

The Committee has identified deficiencies in the system of internal control, breaches and deviations. There was an apparent non-responsiveness between management and Internal Audit in the reporting period whereby compliance reports were not submitted timeously and thus rendering Internal Audit ineffective in its reporting obligations to the Audit Committee. As reported by management this was partly attributed to the changes in the management during the first half of the financial year.

In addressing our key objective, which is to assist and advice the Lejweleputswa District Municipality in ensuring the integrity of their financial reporting, the 2023/2024 Annual Financial Statements shall be reviewed at a Special Audit Committee Meeting of the 23<sup>rd</sup> August 2024.

### Year-End Statutory Audit

The Auditor General presented the Audit Strategy for the year ended 30 June 2024 prior to the commencement of the year end audit. The Committee considered and approved this Audit Strategy. There was an overall increase of 6% in the proposed audit fees from the previous year mainly as a result of an average tariff increase. The Audit Committee requested that the Auditor General's office must have a closer collaboration with Internal Audit Unit so as to increase areas of reliance and ultimately reduce audit fees.

The Committee remains optimistic that the Municipality will retain its unqualified opinion with improvement in matters of emphasis henceforth or at best, attain a clean audit if such matters are addressed robustly and with the commitment and support of all relevant stakeholders.

### Internal Audit

The Committee is partly satisfied about the performance of the function and has raised concern in their interaction with the Internal Audit during the year under review. The Committee is of the view that the internal audit function did not properly discharging its functions and responsibilities effectively. The Committee expects that charters, programmes, evaluations and training plans will contribute to the internal audit function becoming more efficient, more responsive to challenges and better able to provide audit reports of a high quality to management and the committee on a timely basis.



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Audit Committee Report

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### Appreciation

The Audit Committee wishes to thank the Accounting Officer of Lejweleputswa District Municipality, municipal officials and all other stakeholders for the cordial manner in which the preparation of the 2023/2024 financial year audit was conducted together with the enthusiasm portrayed by management in ensuring that issues raised/identified in prior year audits were addressed. This is a task, and however daunting it may seem, with a collective effort by all – from the lowest ranking support staff to Executive Management and Councillors, the municipality will surely reach greater heights and be a benchmark municipality not only in the province but nationally. In the end, a clean audit is a result of everybody's effort and determination and fundamentally, it is achievable!

The Audit Committee takes cognizance circumstances that Council and management found itself during the 2023/2024 financial year, whereby there were changes in the senior management structure, as most of the senior managers were in acting capacity during the first half of the financial year. This impact on the performance of the municipality to be consistent with the implementation of the IDP and the SDBIP.

The appointment of the functional Audit Committee in the second half of the financial year also impacted on effective governance and compliance in the municipality. However, the Audit Committee is confident that in the 2024/2025 financial year, the Audit Committee shall execute its responsibilities effectively as detailed in the approved Audit Charter. Also there will be improvement in the Internal Audit function in implementing its internal audit plan.

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**PV Chwene - Member and Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended 30 June 2024.

### **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 2024, the municipality had an accumulated surplus of R 70,105,405 and that the municipality's total assets exceed its liabilities by R 70,105,405.

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:

Mr More was the acting accounting officer at the beginning of the year until October 2023.

Mr Makhetha was appointed as the accounting officer in October 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 8.

### **5. Auditors**

Auditor-General of South Africa.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	70,619,898	106,197,292
Receivables from non-exchange transactions	4	15,277	261,496
VAT receivable	5	2,477,829	3,466,334
		<b>73,113,004</b>	<b>109,925,122</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	53,724,893	51,462,358
Intangible assets	7	116,306	53,088
Investments in controlled entities	8	100	100
		<b>53,841,299</b>	<b>51,515,546</b>
<b>Total Assets</b>		<b>126,954,303</b>	<b>161,440,668</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	9	28,597,932	24,395,592
Transfers payable (non-exchange)	11	5,483,724	-
Unspent conditional grants and receipts	12	60,242	1,056,723
Long service awards	10	1,348,000	597,000
Employee benefit obligation	10	523,000	551,000
		<b>36,012,898</b>	<b>26,600,315</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	10	16,651,000	15,577,000
Long service awards	10	4,185,000	4,292,000
		<b>20,836,000</b>	<b>19,869,000</b>
<b>Total Liabilities</b>		<b>56,848,898</b>	<b>46,469,315</b>
<b>Net Assets</b>		<b>70,105,405</b>	<b>114,971,353</b>
		<b>70,105,405</b>	<b>114,971,353</b>

\* See Note 34

**Lejweleputswa District Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Statement of Financial Performance**

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Licences and permits	14	93,500	-
Proceeds from disposal of property, plant and equipment	15	25,330	246,572
Operational revenue	16	361,280	398,106
Interest earned	17	9,819,349	8,689,197
<b>Total revenue from exchange transactions</b>		<b>10,299,459</b>	<b>9,333,875</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Transfer and Subsidies	18	153,977,481	152,118,277
Fines, Penalties and Forfeits	19	-	50,500
<b>Total revenue from non-exchange transactions</b>		<b>153,977,481</b>	<b>152,168,777</b>
<b>Total revenue</b>	13	<b>164,276,940</b>	<b>161,502,652</b>
<b>Expenditure</b>			
Employee related cost	20	(125,976,452)	(112,119,666)
Remuneration of councillors	21	(11,160,345)	(10,331,892)
Transfers and subsidies	22	(16,015,835)	(7,767,454)
Depreciation and amortisation	23	(4,529,668)	(3,912,534)
Operating lease expenditure	25	(730,122)	(765,317)
Inventory consumed	26	(3,306,123)	(3,244,301)
Contracted services	27	(24,378,545)	(15,219,365)
Operational cost	28	(23,480,721)	(20,365,970)
<b>Total expenditure</b>		<b>(209,577,811)</b>	<b>(173,726,499)</b>
Gain (loss) on disposal of assets and liabilities		2,354	(452,274)
Actuarial gains / (losses)	10	1,081,503	933,854
Impairment loss	24	(156,112)	(464,098)
		<b>927,745</b>	<b>17,482</b>
<b>Deficit for the year</b>		<b>(44,373,126)</b>	<b>(12,206,365)</b>

\* See Note 34

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2022</b>	<b>127,876,835</b>	<b>127,876,835</b>
Net income (losses) recognised directly in net assets	(162,769)	(162,769)
Surplus/(deficit) for the year previously stated	(9,765,380)	(9,765,380)
Opening balance as previously reported	117,948,686	117,948,686
Prior year adjustments*	(2,977,333)	(2,977,333)
<b>Balance at 01 July 2023</b>	<b>114,971,353</b>	<b>114,971,353</b>
Net income (losses) recognised directly in net assets	(492,822)	(492,822)
Surplus/(deficit) for the year	(44,373,126)	(44,373,126)
Total changes	(44,865,948)	(44,865,948)
<b>Balance at 30 June 2024</b>	<b>70,105,405</b>	<b>70,105,405</b>
Note(s)		

\* See Note 34

**Lejweleputswa District Municipality**  
Annual Financial Statements for the year ended 30 June 2024

**Cash Flow Statement**

Figures in Rand	Note(s)	2024	2023 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		988,505	-
Grants - LDM		152,981,297	153,175,000
Interest income		9,660,663	8,321,853
Other receipts		298,668	448,608
Grants - Masilonyana		22,687,000	-
		<u>186,616,133</u>	<u>161,945,461</u>
<b>Payments</b>			
Employee costs		(133,493,385)	(120,460,501)
Suppliers		(64,420,758)	(44,230,937)
Transfers paid - Masilonyana		(17,203,206)	-
		<u>(215,117,349)</u>	<u>(164,691,438)</u>
<b>Net cash flows from operating activities</b>	31	<b><u>(28,501,216)</u></b>	<b><u>(2,745,977)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(6,980,908)	(1,545,982)
Proceeds from sale of property, plant and equipment		25,330	246,572
Purchase of intangible assets	7	(120,600)	(60,000)
<b>Net cash flows from investing activities</b>		<b><u>(7,076,178)</u></b>	<b><u>(1,359,410)</u></b>
<b>Cash flows from financing activities</b>			
Employee benefit obligation payments		-	(492,119)
Movement in long service awards		-	(731,027)
<b>Net cash flows from financing activities</b>		<b><u>-</u></b>	<b><u>(1,223,146)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(35,577,394)</u></b>	<b><u>(5,328,533)</u></b>
Cash and cash equivalents at the beginning of the year		106,197,292	111,525,825
<b>Cash and cash equivalents at the end of the year</b>	3	<b><u>70,619,898</u></b>	<b><u>106,197,292</u></b>



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## 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
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Licences and permits	-	100,000	100,000	93,500	(6,500)	
Proceeds from disposal of property, plant and equipment	-	-	-	25,330	25,330	
Operational revenue	97,000	-	97,000	361,280	264,280	X1
Interest received - investment	5,555,000	1,950,000	7,505,000	9,819,349	2,314,349	X2
<b>Total revenue from exchange transactions</b>	<b>5,652,000</b>	<b>2,050,000</b>	<b>7,702,000</b>	<b>10,299,459</b>	<b>2,597,459</b>	

##### Revenue from non-exchange transactions

##### Transfer revenue

Government grants & subsidies	153,761,000	22,937,000	176,698,000	153,977,481	(22,720,519)	X3
<b>Total revenue</b>	<b>159,413,000</b>	<b>24,987,000</b>	<b>184,400,000</b>	<b>164,276,940</b>	<b>(20,123,060)</b>	

#### Expenditure

Employee remuneration	(120,433,896)	2,421,013	(118,012,883)	(125,976,452)	(7,963,569)	X4
Remuneration of councillors	(11,219,884)	-	(11,219,884)	(11,160,345)	59,539	X5
Transfers and Subsidies	(17,135,230)	(23,020,169)	(40,155,399)	(16,015,835)	24,139,564	X6
Depreciation and amortisation	(5,871,350)	-	(5,871,350)	(4,529,668)	1,341,682	X7
Impairment loss/ Reversal of impairments	-	-	-	(156,112)	(156,112)	
Operating lease expenditure	-	-	-	(730,122)	(730,122)	X9
Inventory consumed	(2,461,992)	75,988	(2,386,004)	(3,306,123)	(920,119)	X10
Contracted services	(22,355,988)	(3,661,384)	(26,017,372)	(24,378,545)	1,638,827	X11
Operational cost	(28,224,770)	(802,448)	(29,027,218)	(23,480,721)	5,546,497	X12
<b>Total expenditure</b>	<b>(207,703,110)</b>	<b>(24,987,000)</b>	<b>(232,690,110)</b>	<b>(209,733,923)</b>	<b>22,956,187</b>	
<b>Operating deficit</b>	<b>(48,290,110)</b>	<b>-</b>	<b>(48,290,110)</b>	<b>(45,456,983)</b>	<b>2,833,127</b>	
Gain on disposal of assets and liabilities	-	-	-	2,354	2,354	
Actuarial gains/losses	-	-	-	1,081,503	1,081,503	
	-	-	-	1,083,857	1,083,857	
<b>Deficit before taxation</b>	<b>(48,290,110)</b>	<b>-</b>	<b>(48,290,110)</b>	<b>(44,373,126)</b>	<b>3,916,984</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(48,290,110)</b>	<b>-</b>	<b>(48,290,110)</b>	<b>(44,373,126)</b>	<b>3,916,984</b>	

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## 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						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Receivables from non-exchange transactions	256,088	-	256,088	15,278	(240,810)	X13
VAT receivable	2,787,194	-	2,787,194	2,477,829	(309,365)	
Cash and cash equivalents	61,044,868	(356,000)	60,688,868	70,619,898	9,931,030	X14
	<b>64,088,150</b>	<b>(356,000)</b>	<b>63,732,150</b>	<b>73,113,005</b>	<b>9,380,855</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	56,815,074	1,150,000	57,965,074	53,724,893	(4,240,181)	X15
Intangible assets	(32,592)	208,251	175,659	116,306	(59,353)	X16
Investments in controlled entities	100	-	100	100	-	
	<b>56,782,582</b>	<b>1,358,251</b>	<b>58,140,833</b>	<b>53,841,299</b>	<b>(4,299,534)</b>	
<b>Total Assets</b>	<b>120,870,732</b>	<b>1,002,251</b>	<b>121,872,983</b>	<b>126,954,304</b>	<b>5,081,321</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	21,533,777	1,002,251	22,536,028	28,597,932	6,061,904	X17
Transfers payable (non-exchange)	-	-	-	5,483,724	5,483,724	X18
Unspent conditional grants and receipts	-	-	-	60,242	60,242	
Long service awards	1,054,000	-	1,054,000	1,348,000	294,000	
Employee benefit obligation	-	-	-	523,000	523,000	X20
	<b>22,587,777</b>	<b>1,002,251</b>	<b>23,590,028</b>	<b>36,012,898</b>	<b>12,422,870</b>	
<b>Non-Current Liabilities</b>						
Employee benefit obligation	14,371,000	-	14,371,000	16,651,000	2,280,000	X22
Long service awards	4,097,000	-	4,097,000	4,185,000	88,000	X23
	<b>18,468,000</b>	<b>-</b>	<b>18,468,000</b>	<b>20,836,000</b>	<b>2,368,000</b>	
<b>Total Liabilities</b>	<b>41,055,777</b>	<b>1,002,251</b>	<b>42,058,028</b>	<b>56,848,898</b>	<b>14,790,870</b>	
<b>Net Assets</b>	<b>79,814,955</b>	<b>-</b>	<b>79,814,955</b>	<b>70,105,405</b>	<b>(9,709,549)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	79,814,955	-	79,814,955	70,105,405	(9,709,550)	

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## 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
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Taxation	-	-	-	988,505	988,505
Grants - LDM and Masilonyana	151,761,000	24,937,000	176,698,000	175,668,297	(1,029,703)
Interest income	5,390,000	1,950,000	7,340,000	9,660,663	2,320,663
Other receipts	97,000	100,000	197,000	298,668	101,668
	<b>157,248,000</b>	<b>26,987,000</b>	<b>184,235,000</b>	<b>186,616,133</b>	<b>2,381,133</b>

##### Payments

Suppliers and employees	(172,046,983)	(21,000,566)	(193,047,549)	(197,914,143)	(4,866,594)
Transfers paid - Masilonyana	-	-	-	(17,203,206)	(17,203,206)
	<b>(172,046,983)</b>	<b>(21,000,566)</b>	<b>(193,047,549)</b>	<b>(215,117,349)</b>	<b>(22,069,800)</b>

<b>Net cash flows from operating activities</b>	<b>(14,798,983)</b>	<b>5,986,434</b>	<b>(8,812,549)</b>	<b>(28,501,216)</b>	<b>(19,688,667)</b>
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#### Cash flows from investing activities

Purchase of capital assets	(7,400,000)	(1,350,000)	(8,750,000)	(7,101,508)	1,648,492
Proceeds from sale of property, plant and equipment	-	-	-	25,330	25,330

<b>Net cash flows from investing activities</b>	<b>(7,400,000)</b>	<b>(1,350,000)</b>	<b>(8,750,000)</b>	<b>(7,076,178)</b>	<b>1,673,822</b>
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Net increase/(decrease) in cash and cash equivalents	(22,198,983)	4,636,434	(17,562,549)	(35,577,394)	(18,014,845)
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Cash and cash equivalents at the beginning of the year	111,525,825	(32,918,408)	78,607,417	106,197,292	27,589,875
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<b>Cash and cash equivalents at the end of the year</b>	<b>89,326,842</b>	<b>(28,281,974)</b>	<b>61,044,868</b>	<b>70,619,898</b>	<b>9,575,030</b>
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# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.

## Accounting Policies

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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 10.

#### 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

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

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	5-20 years
Office equipment (including computers)	Straight line	3-5 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.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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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 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:

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

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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.

### 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.



## Accounting Policies

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### 1.7 Financial instruments (continued)

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.

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.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.7 Financial instruments (continued)

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 unissued 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.

### 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

Cash and cash equivalents  
Receivables from non-exchange transactions

#### Category

Financial asset measured at amortised cost  
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

Payables from exchange transactions  
Transfers payable - non exchange

#### Category

Financial liability measured at amortised cost  
Financial liability measured at amortised cost

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### 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.

## Accounting Policies

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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

## Accounting Policies

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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.

## Accounting Policies

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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 recognise 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 recognise 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 recognise 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.

## Accounting Policies

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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



## Accounting Policies

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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 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.

## Accounting Policies

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### 1.9 Impairment of cash-generating assets (continued)

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.

## Accounting Policies

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### 1.9 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 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 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.

## Accounting Policies

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### 1.9 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.

### 1.10 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:

## Accounting Policies

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### 1.10 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 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.

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.

## Accounting Policies

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### 1.10 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.

### 1.11 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.

## Accounting Policies

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### 1.11 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.



## Accounting Policies

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### 1.11 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).

## Accounting Policies

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### 1.11 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.

## Accounting Policies

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### 1.11 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.

### 1.12 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.

## Accounting Policies

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### 1.12 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 that 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 33.

### 1.13 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.

### 1.14 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.

## Accounting Policies

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### 1.14 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 arises 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 2024

## Accounting Policies

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### 1.14 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.

### 1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 34 for detail.

### 1.17 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.

### 1.18 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.

### 1.19 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.

### 1.20 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.

## Accounting Policies

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### 1.20 Grants in aid (continued)

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

### 1.21 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.

### 1.22 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.

### 1.23 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 2023/07/01 to 2024/06/30.

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.

### 1.24 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.



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 1.24 Related parties (continued)

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.

### 1.25 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

### 1.26 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

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"><li>GRAP - 2023 Improvements to the Standards of GRAP 2023</li><li>GRAP 1 (amended): Presentation of Financial Statements (Going Concern)</li></ul>	<ul style="list-style-type: none"><li>To be determined</li><li>To be determined</li></ul>	<ul style="list-style-type: none"><li>Unlikely there will be a material impact</li><li>Unlikely there will be a material impact</li></ul>
<ul style="list-style-type: none"><li>GRAP 104 (as revised): Financial Instruments</li></ul>	<ul style="list-style-type: none"><li>01 April 2025</li></ul>	<ul style="list-style-type: none"><li>Unlikely there will be a material impact</li></ul>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>3. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	6,811	6,293
Bank balances	9,718,019	75,915,821
Short-term deposits	60,895,068	30,275,178
	<b>70,619,898</b>	<b>106,197,292</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank - cheque account - 134000017	9,718,019	76,212,103	111,485,994	9,718,019	75,922,114	111,490,041
ABSA Bank - fixed account - 2081591664	60,000,000	-	-	60,895,068	-	-
STANDARD BANK - Fixed deposit - 24 853 881 0- 024	-	30,000,000	-	-	30,275,178	-
<b>Total</b>	<b>69,718,019</b>	<b>106,212,103</b>	<b>111,485,994</b>	<b>70,613,087</b>	<b>106,197,292</b>	<b>111,490,041</b>

### 4. Receivables from non-exchange transactions

Council receivables	31,173,144	31,263,251
Less: Allowance for impairment	(31,157,866)	(31,001,755)
	<b>15,278</b>	<b>261,496</b>

### 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	15,278	261,496
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### Reconciliation of allowance for impairment

Opening balance	(31,001,754)	(30,537,656)
Provision for impairment	(157,112)	(464,098)
	<b>(31,158,866)</b>	<b>(31,001,754)</b>

### 5. VAT receivable

VAT	2,477,829	3,466,334
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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 amounts receivable 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.

## Notes to the Annual Financial Statements

### Figures in Rand

#### 6. Property, plant and equipment

	2024			2023		
	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	75,930,366	(37,730,245)	38,200,121	75,695,151	(35,201,956)	40,493,195
Plant and equipment	7,555,908	(1,193,352)	6,362,556	5,613,590	(758,444)	4,855,146
Furniture and fixtures	6,634,226	(5,316,900)	1,317,326	6,608,905	(5,037,043)	1,571,862
Motor vehicles	2,189,412	(464,326)	1,725,086	2,189,411	(327,536)	1,861,875
Office equipment	11,491,055	(6,522,516)	4,968,539	7,072,009	(5,547,228)	1,524,781
Emergency equipment	58,797	(47,532)	11,265	58,797	(43,298)	15,499
<b>Total</b>	<b>104,999,764</b>	<b>(51,274,871)</b>	<b>53,724,893</b>	<b>98,377,863</b>	<b>(46,915,505)</b>	<b>51,462,358</b>

#### Reconciliation of property plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation on disposals	Depreciation	Total
Land	1,140,000	-	-	-	-	-	1,140,000
Buildings	40,493,195	448,606	-	(213,390)	-	(2,528,289)	38,200,121
Plant and equipment	4,855,146	1,942,317	-	-	-	(434,909)	6,362,556
Furniture and fixtures	1,571,862	25,322	-	-	-	(279,857)	1,317,326
Motor vehicles	1,861,875	-	-	-	-	(136,790)	1,725,086
Office equipment	1,524,781	4,564,663	(145,618)	-	112,921	(1,088,209)	4,968,539
Emergency equipment	15,498	-	-	-	-	(4,233)	11,265
	<b>51,462,357</b>	<b>6,980,908</b>	<b>(145,618)</b>	<b>(213,390)</b>	<b>112,921</b>	<b>(4,472,287)</b>	<b>53,724,893</b>

## Notes to the Annual Financial Statements

### Figures in Rand

#### 6. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation on disposals	Depreciation	Total
Land	1,140,000	-	-	-	-	-	1,140,000
Buildings	43,175,515	573,696	(350,351)	(536,295)	145,260	(2,514,630)	40,493,195
Plant and equipment	4,559,461	592,455	(1,991)	-	1,448	(296,226)	4,855,146
Furniture and fixtures	1,820,857	86,414	(77,393)	-	58,861	(316,878)	1,571,862
Motor vehicles	2,602,062	-	(1,147,861)	-	549,145	(141,471)	1,861,875
Office equipment	1,913,026	288,628	(540,501)	-	419,906	(556,278)	1,524,781
Emergency equipment	15,566	4,354	-	-	-	(4,422)	15,498
	<b>55,226,487</b>	<b>1,545,547</b>	<b>(2,118,097)</b>	<b>(536,295)</b>	<b>1,174,620</b>	<b>(3,829,905)</b>	<b>51,462,357</b>

##### 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	<u>1,475,409</u>	<u>298,287</u>
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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.

## Notes to the Annual Financial Statements

### Figures in Rand

#### 7. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,769,059	(1,652,753)	116,306	1,648,459	(1,595,371)	53,088

#### Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	53,088	120,600	(57,382)	116,306

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation on disposals	Amortisation	Total
Computer software	81,248	60,000	(8,000)	2,469	(82,629)	53,088

#### 8. Investments in controlled entities

Name of company	Held by	% holding	% holding	Carrying amount 2024	Carrying amount 2023
		2024	2023		
Lejwe le Putswa Development Agency	Lejweleputswa District Municipality	100.00 %	100.00 %	100	100

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>9. Payables from exchange transactions</b>		
Trade payables	9,687,664	6,547,578
Accrued leave pay	13,411,723	12,620,800
Accrued bonus	5,425,572	4,263,083
Retention	72,973	964,135
	<b>28,597,932</b>	<b>24,395,596</b>

### 10. 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 2024 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	126
In service members (employees) non-members	11	9
	<b>137</b>	<b>135</b>

#### 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 2024 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.



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 10. Employee benefit obligations (continued)

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Employee benefit obligation (non-current portion)	16,651,000	15,577,000
Employee benefit obligation (current portion)	523,000	551,000
Long service awards (non-current portion)	4,185,000	4,292,000
Long service awards (current portion)	1,348,000	597,000
	<b>22,707,000</b>	<b>21,017,000</b>

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	16,128,000	14,702,000
Current service cost	704,000	791,000
Interest cost	2,092,000	1,766,000
Actuarial (gain) / losses	(1,379,010)	(858,881)
Benefits paid	(370,990)	(272,119)
	<b>17,174,000</b>	<b>16,128,000</b>

Changes in the present value of the long service award obligation are as follows:

Opening balance	4,889,000	4,820,000
Current Service Cost	510,000	517,000
Interest Cost	508,000	484,000
Actuarial (gain) / losses	297,507	(74,973)
Benefits paid	(671,507)	(857,027)
	<b>5,533,000</b>	<b>4,889,000</b>

#### Key assumptions used

Although we have used the yield curve for our discount rates and our corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of our liability. The implied duration of the liability for this valuation is 11.21 years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain our financial variables:

Discount rates used	12.33%	12.91%
Consumer price inflation	6.89%	7.98%
Medical aid contribution inflation	7.89%	8.98%
Net effective discount rate	4.12%	3.61%

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 10. Employee benefit obligations (continued)

#### Sensitivity analysis

The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

20% increase/decrease in the assumed level of mortality;

1% increase/decrease in the Medical Aid inflation.

1% increase/decrease in the discount rate

1-year increase/decrease in the average retirement age

#### Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	R 18 081 000	R 17 174 000	R 16 373 000
Interest Cost	R 2 242 000	R 2 128 000	R 2 027 000
Service Cost	R 849 000	R 807 000	R 770 000

#### Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the medical aid inflation assumption. The effect is as follows:

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	R 16 800 000	R 17 174 000	R 17 449 000
Interest Cost	R 2 081 000	R 2 128 000	R 2 162 000
Service Cost	R 794 000	R 807 000	R 816 000

#### Discount rate

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

We have tested the effect of a 1% p.a. change in the discount rate assumption. The effect is as follows:

	-1% Discount rate	Valuation Assumption	+1% Discount rate
Total Accrued Liability	R 19 066 000	R 17 174 000	R 15 577 000
Interest Cost	R 2 367 000	R 2 128 000	R 1 926 000
Service Cost	R 922 000	R 807 000	R 713 000

#### Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.

We have tested the effect of a one-year increase and decrease in the assumed average retirement age. The effect is as follows:

	-1-year Average Retirement Age	Valuation Assumption	+1-year Average Retirement Age
Total Accrued Liability	R 19 174 000	R 17 174 000	R 15 488 000

Lejweleputswa District Municipality  
Annual Financial Statements for the year ended 30 June 2024

R 3 362 000

R 2 128 000

R 1 912 000

Interest Cost  
Service Cost

R 789 000

R 807 000

R 674 000

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>11. Transfers payable (non-exchange)</b>		
Masilonyana grant - MIG	5,483,724	-
<b>12. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
LG Seta Grant	27,020	27,020
Rural Roads Asset Management Systems Grant	33,222	636,985
Local Government Financial Management Grant	-	392,718
	<b>60,242</b>	<b>1,056,723</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	1,056,723	-
Additions during the year	4,879,000	9,131,000
Income recognition/offset during the year	(5,875,481)	(8,074,277)
	<b>60,242</b>	<b>1,056,723</b>
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 Government.		
<b>13. Revenue</b>		
Licences and permits	93,500	-
Proceeds from disposal of property, plant and equipment	25,330	246,572
Operational revenue	361,280	398,106
Interest received	9,819,349	8,689,197
Transfers and subsidies	153,977,481	152,118,277
Fines, Penalties and Forfeits	-	50,500
	<b>164,276,940</b>	<b>161,502,652</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Licences and permits	93,500	-
Proceeds from disposal of property, plant and equipment	25,330	246,572
Operational revenue	361,280	398,106
Interest received	9,819,349	8,689,197
	<b>10,299,459</b>	<b>9,333,875</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Transfer revenue</b>		
Transfers and subsidies	153,977,481	152,118,277
Fines, Penalties and Forfeits	-	50,500
	<b>153,977,481</b>	<b>152,168,777</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>14. Licences and permits (exchange)</b>		
Atmospheric Emissions Licences	93,500	-
<b>15. Proceeds from disposal of property, plant and equipment</b>		
<b>Proceeds from disposal of property, plant and equipment</b>		
Sale of property, plant and equipment	25,330	246,572
<b>16. Operational revenue</b>		
Commission received	129,903	120,513
Insurance claim	-	39,360
Sundry income	231,377	238,233
	<b>361,280</b>	<b>398,106</b>
<b>17. Interest revenue</b>		
<b>Interest revenue</b>		
Interest received - investment and cash and cash equivalents	9,660,663	8,321,853
Interest received - trading	158,686	367,344
	<b>9,819,349</b>	<b>8,689,197</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>18. Transfers and subsidies</b>		
<b>Operating grants</b>		
Equitable Share	149,131,703	144,044,000
Expanded Public Works Programme Grant	1,428,000	1,265,000
Local Government Financial Management Grant	1,000,000	607,282
Rural Roads Asset Management Systems Grant	2,417,778	1,804,015
LG SETA Grant	-	397,980
Energy Efficiency Demand Side Management Grant	-	4,000,000
	<b>153,977,481</b>	<b>152,118,277</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	4,845,778	8,074,277
Unconditional grants received	149,131,703	144,044,000
	<b>153,977,481</b>	<b>152,118,277</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>18. Transfers and subsidies (continued)</b>		
<b>Energy Efficiency and Demand-Side Management Grant</b>		
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.		
<b>Expanded Public Works Programme Grant</b>		
Current-year receipts	1,428,000	1,265,000
Conditions met - transferred to revenue	(1,428,000)	(1,265,000)
	<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.		
<b>LG SETA Grant</b>		
Balance unspent at beginning of year	27,020	-
Current-year receipts	-	425,000
Conditions met - transferred to revenue	-	(397,980)
	<u>27,020</u>	<u>27,020</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.		
<b>Rural Roads Asset Management Systems Grant</b>		
Balance unspent at beginning of year	636,985	-
Current-year receipts	2,451,000	2,441,000
Conditions met - transferred to revenue	(2,417,778)	(1,804,015)
Offset against equitable share	(636,985)	-
	<u>33,222</u>	<u>636,985</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.		
<b>Local Government Financial Management Grant</b>		
Balance unspent at beginning of year	392,718	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(607,282)
Offset against equitable share	(392,718)	-
	<u>-</u>	<u>-</u>



# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>18. Transfers and subsidies (continued)</b>		
	-	392,718
Conditions still to be met - remain liabilities (see note 12).		
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).		
<b>19. Fines, Penalties and Forfeits</b>		
Sundry Fines	-	50,500

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>20. Employee related costs</b>		
Bargaining council	20,894	20,174
Basic	71,894,681	63,810,001
Bonus - 13th cheque	5,588,977	5,110,954
Cellphone allowance	361,232	286,233
Contribution to pension and provident fund	11,482,518	10,774,345
Post retirement benefits	2,797,843	2,557,000
Group life insurance	1,658,455	1,537,579
Housing benefits and allowances	584,303	534,985
Leave pay provision charge	4,520,993	3,686,281
Long-service awards	1,018,000	1,001,000
Medical aid - company contributions	5,834,503	5,442,477
Overtime payments	127,036	121,640
Standby allowance	1,181,437	774,464
Travel allowance	13,690,631	12,017,510
UIF	355,600	344,946
Senior management	4,859,349	4,100,077
	<b>125,976,452</b>	<b>112,119,666</b>

### Remuneration of Mr ML Makhetha - Municipal Manager

Annual Remuneration	628,955	112,205
Car Allowance	203,078	19,246
Performance Bonuses	151,602	16,420
Contributions to Group Life, UIF, Medical and Pension Funds	164,718	14,198
Cellphone Allowance	27,328	3,000
Housing Allowance	-	7,000
Acting Allowance and other payments	25,496	281,003
Bonus - 13th Cheque	18,121	5,778
13th cheque provision	36,242	-
Backpay	5,214	-
	<b>1,260,754</b>	<b>458,850</b>

Mr More acted from July 2023 to October 2023.

Mr Makhetha was appointed in October 2023

### Remuneration of Mr MK Khoabane - Chief Finance Officer

Annual Remuneration	749,439	470,892
Car Allowance	134,516	33,349
Performance Bonuses	123,977	80,533
Contributions to UIF, Medical and Pension Funds	1,594	108,333
Cellphone Allowance	20,800	15,000
Acting Allowance and other payments	39,281	80,481
Backpay	27,427	-
	<b>1,097,034</b>	<b>788,588</b>

Mr Tsoaeli acted from July 2023 to August 2023

Mr Khoabane was appointed in October 2023

### Remuneration of Me SC Abrams - Manager Corporate Services

Annual Remuneration	534,343	153,522
Car Allowance	128,902	20,000

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>20. Employee related costs (continued)</b>		
Cellphone Allowance	12,000	3,000
Contributions to Group Life, UIF, Medical and Pension Funds	4,683	30,233
Housing Allowance	-	15,886
Performance Bonuses	99,742	26,844
Acting Allowance and other payments	23,507	93,561
Bonus - 13th Cheque	-	9,446
Backpay	9,142	-
Bonus provision	35,388	-
	<b>847,707</b>	<b>352,491</b>

Me Abrams was appointed in November 2023

### Remuneration of Manager Environmental Health and Disaster Management

Annual Remuneration	372,484	653,663
Car Allowance	72,392	116,367
Performance Bonuses	84,459	145,258
Contributions to Group Life, UIF, Medical and Pension Funds	118,440	191,771
Cellphone Allowance	3,005	13,109
Housing Allowance	35,000	60,000
Bonus	-	42,699
Backpay	42,495	-
13th Cheque Provision	31,040	8,646
Acting Allowance and other payments	55,148	-
	<b>814,463</b>	<b>1,231,513</b>

Mr Kupiso resigned in January 2024

Mr Manake acted from February 2024 to April 2024

Mr Nzume has been acting from June 2024

### Remuneration of Mr E Lesenyelo - Manager LED, Planning and Tourism

Annual Remuneration	374,040	665,058
Car Allowance	95,227	129,939
Performance Bonuses	87,276	147,643
Contributions to UIF, Medical and Pension Funds	82,963	188,854
Cellphone Allowance	12,189	16,500
Housing Allowance	40,000	55,000
Bonus	-	52,659
Acting Allowance and other payments	66,242	12,804
Backpay	50,283	-
Bonus provision	31,170	-
	<b>839,390</b>	<b>1,268,457</b>

Mr Musapelo acted from July 2023 to October 2023

Mr Lesenyelo was appointed in November 2023

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>21. Remuneration of councillors</b>		
Mayoral committee members	4,821,212	4,423,831
Speaker	837,187	726,785
Executive mayor	1,038,730	963,092
Councillors	4,463,221	4,218,184
	<b>11,160,350</b>	<b>10,331,892</b>

Executive Mayor		Basic	Cellphone Allowance	Pension and Medical Aid	Backpay	Total	
Cllr Ntakumbana		802,124	51,003	147,692	37,911	1,038,730	
Speaker		Basic	Cellphone Allowance	Pension and Medical Aid	Backpay	Total	
Cllr Leeto		-	-	-	19,562	19,562	
Cllr Dikane		714,712	45,383	46,222	11,308	817,625	
Total		714,712	45,383	46,222	30,870	837,187	
Mayoral committee members 7 Members	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Back pay	Total	
	2,814,096	1,137,188	272,480	470,889	126,560	4,821,213	
	-	-	-	-	-	-	
	Total	2,814,096	1,137,188	272,480	470,889	126,560	4,821,213
Part time councillors	Basic+ PAYE	Travel Allowance	Cellphone and data allowance	Pension and Medical Aid	Backpay	Total	
	2,017,465	835,605	393,295	397,737	91,825	3,735,927	
	727,294	-	-	-	-	727,294	
		2,744,759	835,605	393,295	397,737	91,825	4,463,221

## 22. Transfers and subsidies

Allocation in kind: Development Agency	172,200	22,400
Allocation in kind: Households	5,217,160	2,403,796
Allocation in kind: Local Municipalities	1,496,696	3,996,212
Allocation in kind: Private enterprises	1,123,882	845,046
Monetary allocation: Development Agency	8,005,897	500,000
	<b>16,015,835</b>	<b>7,767,454</b>

## 23. Depreciation and amortisation

Property plant and equipment	4,472,286	3,829,905
Intangible assets	57,382	82,629
	<b>4,529,668</b>	<b>3,912,534</b>

## 24. Impairment of assets

**Lejweleputswa District Municipality**

Annual Financial Statements for the year ended 30 June 2024

156,112

464,098

**Notes to the Annual Financial Statements**

Figures in Rand

2024

2023

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>25. Operating lease expenditure</b>		
<b>Equipment</b>		
Contractual amounts	730,122	765,317
<b>26. Inventory Consumed</b>		
Printing, stationery, personal protective equipment and cleaning material	3,306,123	3,244,301
<b>27. Contracted Services</b>		
<b>Outsourced Services</b>		
Administrative and Support Staff	324,250	350,000
Cleaning Services	-	588,858
Litter Picking and Street Cleaning	5,014,447	2,874,994
<b>Consultants and Professional Services</b>		
Business Advisory Services	306,983	664,500
Infrastructure and Planning	2,682,224	1,804,015
Laboratory Services	213,245	160,786
Legal Cost	5,725,637	3,778,015
<b>Contractors</b>		
Artists and Performers	-	27,500
Catering Services	3,635,954	2,890,205
Employee Wellness	24,000	62,211
Event Promoters	344,442	32,000
Maintenance of Buildings and Facilities	1,354,957	135,860
Maintenance of Equipment	120,452	162,427
Plants, Flowers and Other Decorations	67,080	75,488
Transportation	3,350,241	936,872
Safeguard and Security	1,214,633	675,634
	<b>24,378,545</b>	<b>15,219,365</b>
<b>28. Operational cost</b>		
Advertising and Marketing	845,587	642,712
Auditors Remuneration	3,925,859	2,902,236
Bank charges	90,655	93,245
Bursaries	910,266	574,756
Communication	243,461	211,559
Entertainment	264,956	445,663
External Computer Services	1,421,059	1,317,136
Fuel and oil	640,066	694,940
Hire charges	6,081,970	2,450,449
Insurance	358,690	951,882
Learnership and internships	1,330,898	1,887,689
Licences	11,084	62,639
Municipal Services	972,302	878,159
Registration fees	348,138	172,498
Skills Development Levy	1,227,550	1,110,533
Subscriptions and Membership fees	64,451	2,539,422
Travel and Subsistence	4,160,711	2,873,142
Uniforms	-	11,054
Workmen's Compensation Fund	583,018	546,257
	<b>23,480,721</b>	<b>20,365,971</b>

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>29. Related parties</b>		
Relationships		
Controlled entities	Refer to note 8	
<b>Related party balances</b>		
<b>Investments</b>		
Lejwe Le Putswa Development Agency (SOC) Ltd	100	100
<b>Transfers</b>		
Lejwe Le Putswa Development Agency (SOC) Ltd	8,005,897	500,000
<b>Remuneration of management</b>		
<b>Management class: Councillors</b>		
Refer to note "Remuneration of councillors"		
<b>Management class: Executive management</b>		
*Refer to note "Employee related costs"		
<b>30. Financial instruments disclosure</b>		
<b>Categories of financial instruments</b>		
<b>2024</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Other receivables from non-exchange transactions	15,278	15,278
Cash and cash equivalents	70,619,898	70,619,898
	<b>70,635,176</b>	<b>70,635,176</b>
<b>Financial liabilities</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	9,760,637	9,760,637
Transfers payable (non-exchange)	5,483,724	5,483,724
	<b>15,244,361</b>	<b>15,244,361</b>
<b>2023</b>		
<b>Financial assets</b>		
	At amortised cost	Total
Other receivables from non-exchange transactions	261,496	261,496
Cash and cash equivalents	106,197,292	106,197,292
	<b>106,458,788</b>	<b>106,458,788</b>



## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>Financial instruments disclosure (continued)</b>		
<b>Financial liabilities</b>		
	At amortised cost	Total
Trade and other payables from exchange transactions	7,511,709	7,511,709
<b>31. Cash used in operations</b>		
Deficit	(44,373,126)	(12,206,365)
<b>Adjustments for:</b>		
Depreciation and amortisation	4,529,668	3,912,534
Gains or loss on sale of assets	(2,354)	452,274
Non-cash:Net income (losses) recognised directly in net assets	492,818	162,769
Impairment	156,112	464,098
Movements in retirement benefit assets and liabilities	1,046,000	1,426,000
Movement in long service awards	(644,000)	(69,000)
Non-cash journals	1,610,188	829,163
Offset against equitable share	(1,029,703)	-
Interest received: non cash	158,686	367,344
Current service cost	(1,214,000)	(1,308,000)
Actuary gain or loss	1,081,503	933,854
<b>Changes in working capital:</b>		
Inventories	-	-
Other receivables from non-exchange transactions	246,218	(170,408)
Payables from exchange transactions	3,962,627	2,785,176
VAT	988,505	(1,382,139)
Taxes and transfers payable (non-exchange)	5,483,724	-
Unspent conditional grants and receipts	(994,083)	1,056,723
	<b>(28,501,217)</b>	<b>(2,745,977)</b>

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>32. Commitments</b>		
<b>Authorised expenditure</b>		
<b>Already contracted for but not provided for</b>		
• KKMT Construction	-	264,800
• Trisch	-	230,000
• Calandra Trading	-	3,180,176
• Awali Engineering	3,747,024	6,398,025
• Pokomane Trading	-	1,109,403
• Kunene Makopo Risk Solutions	-	454,082
• Down N12 Trading	-	76,798
• Phenyo and Boitumelo Projects	-	421,651
• ZT Security Services	4,415,593	-
	<b>8,162,617</b>	<b>12,134,935</b>
<b>Total commitments</b>		
Already contracted for but not provided for	8,162,617	12,134,935
<b>Total commitments</b>		
<b>Total commitments</b>		
Authorised expenditure	8,162,617	12,134,935

This committed expenditure relates to plant, equipment and services and will be financed by existing cash resources, funds internally generated.

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 33. Contingencies

1) 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.

2) An application was received from the Department of Labour for non-compliance with the Employment Equity Act. The potential liability is R1 300 000

3) Two employees are claiming overtime. The potential liability is R 1 608 708.

4) 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

5) Damages claimed due to veld fires. Damages claimed for G Nell and Willemse; R5 566 179.68

6) Damages claimed due to veldfire. The following damages are claimed by the respective claimants: HJ Linde R817 083.33; HJ Linde N.O and Others R 96 267.74; HJ Linde N.O and 2 Others R756 052.21; Johan Du Plesis R2 285 448.08; Scheerpan Farm R1 828 505.44; M Labuschagne N.O and Others R5 898 538.30; NJ De Kock R1 567 332.72

7) Damages claimed due to veldfire. Damages claimed R2 262 609.72

8) Damages claimed due to veldfire. Damages claimed; JJ Haasbroek R6 200 969.91 and Vleipan R8 357 808.99

#### Contingent liabilities

1) Riebeeckstad Makelaars // LDM	36,182	36,182
2) Lejweleputswa District Municipality // Director General	1,300,000	1,300,000
3) Mahlaku & Ponya // Lejweleputswa District Municipality.	1,608,709	1,608,709
4) BENNITA CHRISTINA EARLE AND FIVE OTHERS// LDM	579,783	579,783
5) G.NEL N.O; S.WILLEMSE N.O; B.ERASMUS VS LEJWELEPUTSWA DISTRICT MUNICIPALITY	5,566,180	-
6) HJ LINDE; HJ LINDE N.O AND OTHERS; HJ LINDE N.O AND 2 OTHERS; M LABUSCHAGNE N.O AND OTHERS; SCHEERPAN FARM PTY LTD; JOHAN DU PLEIS; NJ DE KOCK VS LDM	13,249,228	-
7) JP VAN SCHALKWYK VS LEJWELEPUTSWA DISTRICT MUNICIPALITY	2,262,610	-
8) JJ HAASBROEK AND VLEIPAN VS LEJWELEPUTSWA DISTRICT MUNICIPALITY	14,558,779	-
	<b>39,161,471</b>	<b>3,524,674</b>

### 34. Prior-year adjustments

#### Statement of financial position

##### 2023

	Note	As previously reported	Correction of error	Reclassification	Restated
Inventory		457,829	-	(457,829)	-
Property plant and equipment	6	51,998,711	(59)	(536,295)	51,462,357
Payables from exchange transactions	9	22,412,441	1,983,151	-	24,395,592
Accumulated surplus		117,948,686	(2,441,038)	(536,295)	114,971,353

#### Statement of financial performance

## Notes to the Annual Financial Statements

Figures in Rand				2024	2023
<b>34. Prior-year adjustments (continued)</b>					
<b>2023</b>					
	Note	As previously reported	Correction of error	Reclassification	Restated
Inventory Consumed	26	3,213,647	30,650	-	3,244,297
Operational cost	28	18,902,068	1,463,902	-	20,365,970
Contracted services	27	14,940,827	278,538	-	15,219,365
Transfers and Subsidies	21	7,099,564	210,061	457,829	7,767,454

### Errors

#### Property, plant and equipment:

Carrying value was restated due to correction of rounding error in the prior period. Expenditure reclassified to correct nature

#### Payables from exchange transactions:

Invoices received after the AFS were finalised and had to be accounted for in the period they occurred in

#### Inventory

Restated due to correction of reclassified expenditure to correct nature in the prior period

#### Transfers and subsidies

Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

#### 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 cost

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

### Contingent Liabilities

Balance previously stated	2,011,101
Adjustments made	1,513,573
<b>Restated closing balance</b>	<b>3,524,674</b>

Adjustments made to closing balance of contingent liabilities is due to correction of contingent liabilities that were omitted in the prior year.

### Financial Instruments disclosure

#### Financial Liabilities

Balance previously stated	22,115,817
Adjustments made	14,604,108
<b>Restated balance</b>	<b>7,511,709</b>

Adjustment made to balance of financial liabilities is due to corrections of errors in payables from exchange transactions

# Lejweleputswa District Municipality

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

2024

2023

### 35. 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.

## Notes to the Annual Financial Statements

### 35. 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.

### 36. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 70,105,405 and that the municipality's total assets exceed its liabilities by R 70,105,405.

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 Free State Provincial Treasury assessed the municipality's 2024/2025 annual budget and concluded that the budget is funded. Which means the municipality will be able to fund its operations for at least the next 12 months.

### 37. Unauthorised expenditure

Opening balance as previously reported	2,912,252	2,912,252
<b>Opening balance as restated</b>	<b>2,912,252</b>	<b>2,912,252</b>
Add: Expenditure identified - current	812,483	-
<b>Closing balance</b>	<b>3,724,735</b>	<b>2,912,252</b>

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Cash	812,484	-
------	---------	---

#### Unauthorised expenditure: Budget overspending – per municipal vote

Vote 3: Planning and development - Capital Expenditure	803	-
Vote 5: Health - Capital Expenditure	42,506	-
Vote 3: Planning and development - Operational Expenditure	177,333	-
Vote 5: Health - Operational Expenditure	591,842	-
	<b>812,484</b>	<b>-</b>

## Notes to the Annual Financial Statements

### 38. Irregular expenditure

Opening balance as previously reported	24,740,800	6,046,903
<b>Opening balance</b>	<b>24,740,800</b>	<b>6,046,903</b>
Add: Irregular Expenditure - current	16,786,968	18,693,897
Add: Irregular Expenditure - prior period	7,068,877	-
<b>Closing balance</b>	<b>48,596,645</b>	<b>24,740,800</b>

### 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

The full extent of irregular expenditure needs to be determined.

### 39. Fruitless and wasteful expenditure

Add: Expenditure identified - current	207,336	-
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### 40. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government (SALGA)

Current year subscription / fee	1,395,644	1,070,621
Amount paid - current year	(1,395,644)	(1,070,621)
	-	-

#### Audit fees

Opening balance	214,572	274,204
Current year subscription / fee	3,925,859	2,902,236
Amount paid - current year	(3,923,187)	(2,687,664)
Amount paid - previous years	(214,572)	(274,204)
	<b>2,672</b>	<b>214,572</b>

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	25,410,462	22,642,146
Amount paid - current year	(25,410,462)	(22,642,146)
	-	-

#### Pension and medical aid deductions

Current year subscription / fee	30,272,900	28,133,210
Amount paid - current year	(30,272,900)	(28,133,210)
	-	-



## Notes to the Annual Financial Statements

### 40. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### VAT

VAT receivable	2,477,829	3,466,334
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VAT output payables and VAT input receivables are shown in note 5.

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

Finger Attorneys (Spouse of the director works for the State)	52,394	786,788
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### 41. 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 accounting officer and includes a note to the annual financial statements.

Figures in Rand	2024	2023
(i) An emergency	-	147,620
(ii) Goods and services are produced or available from a single provider only	92,499	-
(v) Exceptional circumstance where it was impractical or impossible to follow the procurement process	-	59,682
	<b>92,499</b>	<b>207,302</b>

## Notes to the Annual Financial Statements

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### 42. Budget differences

#### Material differences between budget and actual amounts

X1 - Municipality budgeted for receipt of SDL refund, as per prior year's budget. However the refund received was more than we had budgeted for in prior years, resulting in under budgeting for operational revenue

X2 - The municipality had anticipated to have less cash available for investments, this was not the case during the financial year. As a result, we received more than we had budgeted for

X3 - The municipality had budgeted for the recognition of Masilonyana MIG Revenue, however this revenue should not be recognised by LDM.

X4 - The municipality incurred higher employee related costs due to the recruitment of new employees, as well as the provisions for post retirement benefits and long service awards.

X5 - Variance is less than 10% , difference is judged to be insignificant and thus no reason is required.

X6 - The municipality had budgeted for the recognition of Masilonyana MIG Expenditure, however the expenditure should not be recognised by LDM

X7 - The under expenditure on the capital budget led to the under expenditure of depreciation

X9 - Operating leases are budgeted for under Operational Costs

X 10 - The initiative taken by management of the municipality to make all municipality meeting to use less paper and have meeting agendas and documents to be circulated electronically. This has manifested in to a favourable cost saving on printing paper, cartridges and toners.

X 11 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required

X12 - Municipality underspent due to not being able to finalise tenders which had been budgeted for under Operational Cost.

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 due to the municipality realising cost savings in the procurement of intangible assets

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.

X18 - Budgeted for the complete utilisation of the Masilonyana Municipal Infrastructure Grant expenditure as per the DORA allocation, however some of the projects were not completed by the end of the financial year

X 20 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Award 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. .

## Notes to the Annual Financial Statements

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### 42. Budget differences (continued)

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.

### 43. Segment Information

#### General Information

#### 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:

<u>Reportable segment</u>	<u>Goods and/or services</u>
Lejweleputswa District Municipality	Please refer to the Statement of Financial Position and Statement of Financial Performance

#### 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

**Notes to the Annual Financial Statements**

Figures in Rand	2024	2023
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**43. Segment Information (continued)**

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 F  
**LDA AFS**



Lejwe Le Putswa Development Agency (SOC) Ltd  
(Registration number 2005/011144/30)  
Annual Financial Statements  
for the year ended 30 June 2024

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	State Owned Company
<b>Nature of business and principal activities</b>	Development Agency in the Lejweleputswa District Municipality
<b>Chief Executive Officer (CEO)</b>	L Motsamai
<b>Board</b>	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)
<b>Registered office</b>	Lejweleputswa District Offices Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9460
<b>Business address</b>	Gerrie Kemp Building, 2nd floor 333 Stateway Road Welkom 9460
<b>Controlling entity</b>	Lejweleputswa District Municipality incorporated in South Africa
<b>Economic entity</b>	Lejwe Le Putswa Development Agency incorporated in South Africa
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Auditor-General of South Africa



# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Index

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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:

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

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## 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 7.

The annual financial statements set out on pages 10 to 57, which have been prepared on the going concern basis, were approved by the board on 30 November 2024 and were signed on its behalf by:

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**S Besani**  
Chairperson of the Board

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Audit Committee Report

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The Audit Committee of Lejweleputswa District Municipality ("the Committee") herewith presents its Draft Annual Report of Lejwe le Putswa Development Agency ("LDA") for the financial year ended June 2024.

### Responsibility

The Committee, has been established in terms of the provisions of Section 166 of the Local Government: Municipal Finance Management Act No. 56 of 2003 ("MFMA") as well as Section 14 of the Planning and Performance Management Regulations of 2001.

The Committee is an independent advisory committee appointed by Municipal Council. The Committee was appointed effectively from the 1<sup>st</sup> of February 2024, during the second half of the 2023/2024 financial year, and will conclude its term of three (3) years on the 31<sup>st</sup> of January 2027.

The establishment of the Committee was based on a 'shared model', between the Lejwe Le Putswa District Municipality, the parent municipality and the LDA, as the entity.

The Committee is primarily focused on ensuring the integrity of the LDA's financial and performance reporting, improving the effective internal control environment, promote accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of compliance with legislation. However, for the year under review, it was not provided with the opportunity to discharge its responsibilities accordingly.

### Audit committee members and attendance

The Committee is constituted of five independent members. Members were appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

During the 2023/2024 financial year held one special and three ordinary meetings for the parent municipality, which were meant to be on a 'shared basis' with the LDA, however this was not implemented as planned. The Committee has observed this may be attributed to a communication breakdown between the parent and the entity. The attendance is reflected in the table below:

Name of member	Number of meetings attended
Mr. P V Chwene	3
Me T L Pino	4
Mr. L J Nkomo	3
Me. N R Phatlane	4
Mr. T J Macholo	4

### Terms of reference

The Committee has adopted formal Terms of Reference as its Audit Committee Charter ("the Charter") on the 21<sup>st</sup> June 2024. The Charter is subjected to a review on an annual basis. The Charter serves as a guide to the Committee in navigating its roles and responsibilities and to give effect to its mandate in clear terms.

The Committee responsibilities entail the following:

- Internal Control Environment,
- Internal Audit,
- Adequacy, reliability and accuracy of financial reporting and information,
- Risk Management,
- Compliance with Laws and Regulations,
- Performance Management,
- Effective Governance,
- Annual Financial Statements, and
- Any other matters referred to it by Council.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Audit Committee Report

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### Report on the operations of the audit committee

In discharging its responsibilities as stated above and in its terms of reference, the Committee has developed a schedule of quarterly meetings and has adopted a standard agenda aligned to the Municipal Finance Management Act, Act 56 of 2003 and also to reporting guidelines as published from time to time by National Treasury. The attendance of the meetings is disclosed in paragraph 3 above.

At its meetings during the 2023/2024 reporting period, the Committee was unable to execute its responsibilities over the LDA regarding financial reporting, internal and external audit, performance, compliance and risk management.

The Committee commenced its work during the second half of the 2023/2024 financial year, and it could not provide an opinion on the effectiveness of internal control of the LDA during the first half of the financial year. However, its opinion on the second half of the financial year is that the system of internal control was not efficient and effective.

The overall conclusion of the Committee, is that it has observed deficiencies in the system of internal control, breaches and deviations at the LDA. The Committee did not receive compliance reports rendering Internal Audit ineffective in its reporting obligations to the Audit Committee.

In addition, the Audit Committee has raised matters such as timeous reporting, non-compliance to the laws and regulations, non-adherence to the adopted schedule of meetings, follow-ups from previous resolutions and matters previously reported, which were not been attended to fully or addressed satisfactorily.

The Committee is unable to provide opinion on the performance of the LDA as it has not received both financial and non-financial performance reports of the Agency during the year under review.

The Audit Committee and Internal Audit at the Municipality operation were expected to be on 'shared basis'. This was meant to ensure consistency and/or alignment in the application of applicable policies and procedures in improving governance as well as the control environment.

The LDA continues to struggle with adequate resourcing and this has limited its ability to deliver on its mandate. The going concern status of the Development Agency remains a critical area of concern to the Audit Committee and this is a red flag not to be ignored.

The LDA also have non-compliance challenges with the laws, regulations and policies as adopted by council. The Accounting Officer is not providing adequate oversight on the Agency in terms of its operations and accountability.

The LDA has the potential to grow as it sees itself in a turf that is economically vibrant and can only do better. The Board of Directors, Shareholder Municipality and Management will have to search for additional income to address the funding challenges facing the Agency. The Committee remains optimistic that lasting solutions will be found in addressing other challenges facing the Agency.

### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Audit Committee Report

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### Internal audit

The Accounting Officer of the parent municipality is obliged, in terms of section 165 of the MFMA, to ensure that the entity has a system of internal audit under the control and direction of the Committee.

The Committee is not satisfied about the performance of the Internal Audit function and has raised concern in their interaction with the Internal Audit during the year under review. The Committee is of the view that the internal audit function did not properly discharging its functions and responsibilities effectively with regard to the LDA. The Committee expects that charters, programmes, evaluations and training plans will contribute to the internal audit function becoming more efficient, more responsive to challenges and better able to provide audit reports of a high quality to management and the committee on a timely basis.

There has not been any performance evaluation on the functioning of the both Internal Audit and Audit Committee in the financial year under review.

### Appreciation

The Audit Committee is unable to extend a word of appreciation to the Chief Executive Officer of the LDA and the Board for the performance of the year under review.

The Audit Committee takes cognizance circumstances that parent municipality and LDA management found itself during the 2023/2024 financial year, whereby there were notable changes in the operations of the LDA which had a huge impact on the performance of the LDA.

The Audit Committee is confident that in the 2024/2025 financial year, the Audit Committee shall execute its responsibilities effectively as detailed in the approved Audit Charter. Also there will be improvement in the Internal Audit function in implementing its internal audit plan to ensure there internal control environment and general performance of the LDA is improved.

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_



## Report of the Auditor General

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To the Provincial Legislature of Lejwe Le Putswa Development Agency (SOC) Ltd

Auditor-General of South Africa

Partner's name

Additional description

Additional description

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Director's Report

---

The directors submit their report for the year ended 30 June 2024.

### 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 materially 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 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## **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 10 to 57, which have been prepared on the going concern basis, were approved by the board on 30 November 2024 and were signed on its behalf by:

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**S Besani**

**Chairperson of the Board**



# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	2024	2023
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	43,409	61,490
VAT receivable	4	53,825	8,344
Cash and cash equivalents	5	2,758,800	4,202,888
		<b>2,856,034</b>	<b>4,272,722</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	1,042,371	1,108,126
Intangible assets	7	311,918	332,261
		<b>1,354,289</b>	<b>1,440,387</b>
<b>Total Assets</b>		<b>4,210,323</b>	<b>5,713,109</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Operating lease liability	8	14,240	7,051
Payables from exchange transactions	9	1,353,407	1,201,169
VAT payable	10	-	457
Unspent conditional grants and receipts	12	643,191	616,191
		<b>2,010,838</b>	<b>1,824,868</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	11	134,000	101,000
<b>Total Liabilities</b>		<b>2,144,838</b>	<b>1,925,868</b>
<b>Net Assets</b>		<b>2,065,485</b>	<b>3,787,241</b>
Share capital	13	100	100
Accumulated surplus		2,065,385	3,787,141
<b>Total Net Assets</b>		<b>2,065,485</b>	<b>3,787,241</b>

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Interest received	15	551,909	442,574
Operational revenue		580,000	-
Actuarial gains		-	7,000
<b>Total revenue from exchange transactions</b>		<b>1,131,909</b>	<b>449,574</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	16	8,005,897	903,946
Revenue received in kind	17	172,200	22,400
<b>Total revenue from non-exchange transactions</b>		<b>8,178,097</b>	<b>926,346</b>
<b>Total revenue</b>	14	<b>9,310,006</b>	<b>1,375,920</b>
<b>Expenditure</b>			
Employee related costs	18	(5,864,524)	(4,404,975)
Remuneration of board members	19	(215,325)	(335,799)
Inventory consumed	20	(170,386)	(44,206)
Depreciation and amortisation	21	(264,798)	(221,615)
Debt impairment		-	(2,975)
Finance costs	23	(14,000)	(10,000)
Lease rentals on operating lease	22	(244,537)	(235,795)
Contracted services	24	(2,799,905)	(623,937)
Actuarial losses		(3,000)	-
Operational cost	25	(1,455,289)	(1,236,157)
<b>Total expenditure</b>		<b>(11,031,764)</b>	<b>(7,115,459)</b>
<b>Deficit for the year</b>		<b>(1,721,758)</b>	<b>(5,739,539)</b>

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus / deficit	Total net assets
<b>Balance at 1 July 2022</b>	<b>100</b>	<b>9,526,680</b>	<b>9,526,780</b>
Changes in net assets			
Surplus for the year	-	(5,739,539)	(5,739,539)
Total changes	-	(5,739,539)	(5,739,539)
<b>Balance at 1 July 2023</b>	<b>100</b>	<b>3,787,143</b>	<b>3,787,243</b>
Changes in net assets			
Surplus for the year	-	(1,721,758)	(1,721,758)
Total changes	-	(1,721,758)	(1,721,758)
<b>Balance at 30 June 2024</b>	<b>100</b>	<b>2,065,385</b>	<b>2,065,485</b>
Note(s)	13		

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

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## Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		8,032,897	500,000
Interest income		562,484	442,574
Other receipts		542,025	10,643
		<u>9,137,406</u>	<u>953,217</u>
<b>Payments</b>			
Employee costs		(5,733,820)	(4,598,716)
Suppliers		(4,668,973)	(1,985,760)
Finance costs		-	-
		<u>(10,402,793)</u>	<u>(6,584,476)</u>
<b>Net cash flows from operating activities</b>	27	<b><u>(1,265,387)</u></b>	<b><u>(5,631,259)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(178,701)	(229,269)
Purchase of intangible assets	7	-	(90,879)
<b>Net cash flows from investing activities</b>		<b><u>(178,701)</u></b>	<b><u>(320,148)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(1,444,088)</u></b>	<b><u>(5,951,407)</u></b>
Cash and cash equivalents at the beginning of the year		4,202,888	10,154,295
<b>Cash and cash equivalents at the end of the year</b>	5	<b><u>2,758,800</u></b>	<b><u>4,202,888</u></b>

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## 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						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Project revenue	6,283,239	(3,749,639)	<b>2,533,600</b>	580,000	<b>(1,953,600)</b>	X1
Interest received	450,000	-	<b>450,000</b>	551,909	<b>101,909</b>	X2
<b>Total revenue from exchange transactions</b>	<b>6,733,239</b>	<b>(3,749,639)</b>	<b>2,983,600</b>	<b>1,131,909</b>	<b>(1,851,691)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	7,905,897	4,022,213	<b>11,928,110</b>	8,005,897	<b>(3,922,213)</b>	X12
Revenue received in kind	-	-	-	172,200	<b>172,200</b>	X3
<b>Total revenue from non-exchange transactions</b>	<b>7,905,897</b>	<b>4,022,213</b>	<b>11,928,110</b>	<b>8,178,097</b>	<b>(3,750,013)</b>	
<b>Total revenue</b>	<b>14,639,136</b>	<b>272,574</b>	<b>14,911,710</b>	<b>9,310,006</b>	<b>(5,601,704)</b>	
<b>Expenditure</b>						
Employee related cost	(5,951,517)	(318,334)	<b>(6,269,851)</b>	(5,864,524)	<b>405,327</b>	X4
Remuneration of board members	(390,520)	(5,790)	<b>(396,310)</b>	(215,325)	<b>180,985</b>	X5
Inventory consumed	(63,000)	(120,000)	<b>(183,000)</b>	(170,386)	<b>12,614</b>	X6
Depreciation and amortisation	(27,577)	-	<b>(27,577)</b>	(264,798)	<b>(237,221)</b>	X7
Finance costs	-	-	-	(14,000)	<b>(14,000)</b>	X8
Lease rentals on operating lease	(300,127)	-	<b>(300,127)</b>	(244,537)	<b>55,590</b>	X9
Contracted Services	(6,265,676)	(1,232,574)	<b>(7,498,250)</b>	(2,799,905)	<b>4,698,345</b>	X10
Operational cost	(1,290,195)	(462,001)	<b>(1,752,196)</b>	(1,455,289)	<b>296,907</b>	X11
<b>Total expenditure</b>	<b>(14,288,612)</b>	<b>(2,138,699)</b>	<b>(16,427,311)</b>	<b>(11,028,764)</b>	<b>5,398,547</b>	
<b>Operating deficit</b>	<b>350,524</b>	<b>(1,866,125)</b>	<b>(1,515,601)</b>	<b>(1,718,758)</b>	<b>(203,157)</b>	
Actuarial gains/losses	-	-	-	(3,000)	<b>(3,000)</b>	
<b>Deficit before taxation</b>	<b>350,524</b>	<b>(1,866,125)</b>	<b>(1,515,601)</b>	<b>(1,721,758)</b>	<b>(206,157)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>350,524</b>	<b>(1,866,125)</b>	<b>(1,515,601)</b>	<b>(1,721,758)</b>	<b>(206,157)</b>	

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

Figures in Rand	Note(s)	2024	2023
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### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.

#### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.



# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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

# Lejwe Le Putswa Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.

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### 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.

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### 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.

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### 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.

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### 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.



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### 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.

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### 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.

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### 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.

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### 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.

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### 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.

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### 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).

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### 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 31.

### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.



# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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 2023/07/01 to 2024/06/30.

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.

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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Accounting Policies

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### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the agency has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>iGRAP 21: The Effect of Past Decisions on Materiality</li> <li>GRAP 2020: Improvements to the standards of GRAP 2020</li> <li>GRAP 1 (amended): Presentation of Financial Statements</li> </ul>	<ul style="list-style-type: none"> <li>01 April 2023</li> <li>01 April 2023</li> <li>01 April 2023</li> </ul>	<ul style="list-style-type: none"> <li>The impact is not material.</li> <li>The impact is not material.</li> <li>The impact is not material.</li> </ul>

#### 2.2 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 01 July 2024 or later periods:

##### 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
- 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.

### 3. Receivables from exchange transactions

Accrued interest	20,157	30,732
Deposits	22,900	22,900
Sundry debtors	352	7,858
	<b>43,409</b>	<b>61,490</b>

### 4. VAT receivable

**Notes to the Annual Financial Statements**

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 4. VAT receivable (continued)

The agency is registered for VAT on the payment basis.

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	304	528
Bank balances	24,028	14,291
Short-term deposits	2,734,468	4,188,069
	<b>2,758,800</b>	<b>4,202,888</b>

### The agency had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
Nedbank current account - 1002745926	24,028	14,291	46,073	24,028	14,291	46,073
Nedbank current account - 76620211301	2,734,468	4,188,069	10,107,694	2,734,468	4,188,069	10,107,694
<b>Total</b>	<b>2,758,496</b>	<b>4,202,360</b>	<b>10,153,767</b>	<b>2,758,496</b>	<b>4,202,360</b>	<b>10,153,767</b>

### 6. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	877,513	(423,028)	454,485	754,313	(338,241)	416,072
IT equipment	845,339	(451,172)	394,167	816,339	(346,160)	470,179
Office equipment	485,188	(291,469)	193,719	458,688	(236,813)	221,875
<b>Total</b>	<b>2,208,040</b>	<b>(1,165,669)</b>	<b>1,042,371</b>	<b>2,029,340</b>	<b>(921,214)</b>	<b>1,108,126</b>

### Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	416,072	123,200	(84,787)	454,485
IT equipment	470,179	29,000	(105,012)	394,167
Office equipment	221,875	26,500	(54,656)	193,719
	<b>1,108,126</b>	<b>178,700</b>	<b>(244,455)</b>	<b>1,042,371</b>

# Lejwe Le Putswa Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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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
	<b>1,077,323</b>	<b>235,820</b>	<b>(205,017)</b>	<b>1,108,126</b>

#### 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.

### 7. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	406,168	(94,250)	311,918	406,168	(73,907)	332,261

#### Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	332,261	(20,343)	311,918

#### Reconciliation of intangible assets - 2023

	Opening balance	Additions	Amortisation	Total
Computer software	257,980	90,879	(16,598)	332,261

#### Pledged as security

No intangible assets were pledged as security.

### 8. Operating lease asset (liability)

Current liabilities	(14,240)	(7,051)
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### 9. Payables from exchange transactions

Trade payables	579,255	578,275
Accrued bonus	214,160	202,602
Accrued leave pay	559,992	420,292
	<b>1,353,407</b>	<b>1,201,169</b>



# Lejwe Le Putswa Development Agency (SOC) Ltd

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## Notes to the Annual Financial Statements

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### 10. VAT payable

Tax refunds payables	-	457
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### 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 2024 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)	(134,000)	(101,000)
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**Changes in the present value of the defined benefit obligation are as follows:**

Opening balance	101,000	82,000
Current service cost	16,000	16,000
Interest cost	14,000	10,000
Actuarial (gains) / losses	3,000	(7,000)
	<b>134,000</b>	<b>101,000</b>

**Net expense recognised in the statement of financial performance**

Current service cost	16,000	16,000
Interest cost	14,000	10,000
Actuarial (gains) losses	3,000	(7,000)
	<b>33,000</b>	<b>19,000</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Yield curve (10.31%)

CPI (Consumer Price Inflation): Difference between nominal and real yield curve (5.31%)

Normal salary increase rate: Equal to CPI + 1% (6.31%)

Nett effective discount rate: Yield curve based (3.77%)

# Lejwe Le Putswa Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 11. Employee benefit obligations (continued)

#### Sensitivity analysis

The actual cost to the Development Agency will be dependent on actual future levels of assumed variables and the demographic profile of the membership. In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates
- 1% increase/decrease in the Normal Salary cost inflation
- 1% increase/decrease in the discount rate
- 1-year increase/decrease in the average retirement age

A positive amount indicates an increase in the liability or expenditure, and a negative amount indicates a decrease in the liability or expenditure.

Withdrawal rate	20% decrease	20% increase
Total accrued liability	7,000	(5,000)
Current service cost	1,000	(1,000)
Interest cost	1,000	(1,000)

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Development Agency. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Development Agency in the form of benefits will reduce and vice versa.

Normal salary inflation	1% decrease	1% increase
Total accrued liability	(6,000)	7,000
Current service cost	(1,000)	1,000
Interest cost	(1,000)	1,000

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future employees.

Discount rate	1% decrease	1% increase
Total accrued liability	7,000	(6,000)
Interest cost	1,000	(1,000)
Service cost	(1,000)	1,000

The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

Average retirement age	1 year decrease	1 year increase
Total accrued liability	(2,000)	8,000
Interest cost	-	1,000
Service cost	-	1,000

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Industrial Development Corporation	616,191	616,191
LGSETA	27,000	-
	<b>643,191</b>	<b>616,191</b>

# Lejwe Le Putswa Development Agency (SOC) Ltd

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## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 12. Unspent conditional grants and receipts (continued)

#### Movement during the year

Balance at the beginning of the year	616,191	1,020,137
Additions during the year	27,000	-
Income recognition during the year	-	(403,946)
	<b>643,191</b>	<b>616,191</b>

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 16 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
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#### Issued

Ordinary	100	100
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### 14. Revenue

Government grants & subsidies	8,005,897	903,946
Interest received	551,909	442,574
Operational revenue	580,000	-
Revenue received in kind	172,200	22,400
	<b>9,310,006</b>	<b>1,368,920</b>
Interest received	551,909	442,574
Operational revenue	580,000	-
	<b>1,131,909</b>	<b>442,574</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Transfer revenue

Government grants & subsidies	8,005,897	903,946
Revenue received in kind	172,200	22,400
	<b>8,178,097</b>	<b>926,346</b>

### 15. Interest received

#### Interest revenue

Bank	551,909	442,574
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# Lejwe Le Putswa Development Agency (SOC) Ltd

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Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 16. Government grants & subsidies

#### Operating grants

Lejweleputswa District Municipality	8,005,897	500,000
Industrial Development Corporation	-	403,946
	<b>8,005,897</b>	<b>903,946</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	-	403,946
Unconditional grants received	8,005,897	500,000
	<b>8,005,897</b>	<b>903,946</b>

#### Industrial Development Corporation

Balance unspent at beginning of year	616,191	1,020,137
Conditions met - transferred to revenue	-	(403,946)
	<b>616,191</b>	<b>616,191</b>

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	8,005,897	500,000
Conditions met - transferred to revenue	(8,005,897)	(500,000)
	<b>-</b>	<b>-</b>

Lejweleputswa District Municipality is a match finder and co founder of Lejwe Le Putswa Development Agency. This grant is an unconditional grant.

#### LGSETA

Current-year receipts	27,000	-
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Conditions still to be met - remain liabilities (see note 12).

LGSETA grant was received for the support of learning interventions and skills development.

### 17. Revenue received in kind

Revenue received in kind	172,200	22,400
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Revenue is kind consists of accommodation paid for by the parent Municipality.

# Lejwe Le Putswa Development Agency (SOC) Ltd

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## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 18. Employee related costs

Basic	4,377,216	3,181,723
Bonus	270,232	233,492
Cellphone allowance	15,125	12,000
Housing benefits and allowances	62,946	51,473
Leave pay	177,681	140,790
Long-service awards	16,000	16,000
Medical aid - company contributions	311,695	223,684
Pension and Provident Fund - employers contribution	608,850	524,334
UIF	24,779	21,479
	<b>5,864,524</b>	<b>4,404,975</b>

### Remuneration of Chief Executive Officer - L Motsamai

Annual Remuneration	622,760	-
Car Allowance	15,791	-
Contributions to UIF, Medical and Pension Funds	1,063	-
	<b>639,614</b>	<b>-</b>

The Chief Executive Officer commenced employment in January 2024.

### Remuneration of acting Finance manager - M Motsoeneng

Acting allowance and other payments	76,559	-
Cellphone Allowance	3,125	-
Car Allowance	100,860	-
	<b>180,544</b>	<b>-</b>

Mrs Motsoeneng started acting from October 2023.

### Remuneration: acting chief executive officer - M Mofokeng

Acting allowance and other payments	64,848	40,006
Car Allowance	6,492	-
Contributions to UIF, Medical and Pension Funds	648	-
	<b>71,988</b>	<b>40,006</b>

Adv Mofokeng started acting from June 2023 until December 2023.

### Remuneration: finance manager - JM Ntwana

Annual Remuneration	579,462	549,774
Car Allowance	230,227	219,047
13th cheque	46,021	43,976
Contributions to UIF, Medical and Pension Funds	170,495	155,215
Housing Allowance	4,752	4,753
Cellphone Allowance	6,000	6,000
Leave pay	-	30,787
	<b>1,036,957</b>	<b>1,009,552</b>

### 19. Remuneration of board members

Board members	215,325	335,799
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# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 19. Remuneration of board members (continued)

Board members 30 June 2024	Annual remuneration	Travel allowance + toll fees	PAYE	UIF	Total
L Mule	35,937	1,444	12,141	485	50,007
R Maenetja	29,947	5,428	10,118	405	45,898
TD Tlali	5,989	3,928	2,024	81	12,022
M Oliphant	29,948	1,967	10,118	405	42,438
S Besani	38,750	1,444	10,678	427	51,299
M Dhlamini	6,691	5,567	1,349	54	13,661
	<b>147,262</b>	<b>19,778</b>	<b>46,428</b>	<b>1,857</b>	<b>215,325</b>

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
	<b>227,993</b>	<b>27,767</b>	<b>77,008</b>	<b>3,031</b>	<b>335,799</b>

### 20. Inventory consumed

Printing and stationary, cleaning materials	170,386	44,206
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### 21. Depreciation and amortisation

Property, plant and equipment	244,455	205,017
Intangible assets	20,343	16,598
	<b>264,798</b>	<b>221,615</b>

### 22. Lease rentals on operating lease

<b>Premises</b>		
Contractual amounts	244,537	235,795

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.

### 23. Finance costs

Other interest paid	14,000	10,000
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### 24. Contracted services

<b>Outsourced Services</b>		
Catering Services	130,769	67,324
Cleaning Services	-	900

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>24. Contracted services (continued)</b>		
<b>Consultants and Professional Services</b>		
Business and Advisory	83,800	126,980
Legal Cost	171,500	194,500
<b>Contractors</b>		
Accounting fees	136,100	120,000
Development costs	2,257,603	42,503
Interior Decorator	20,133	71,730
	<b>2,799,905</b>	<b>623,937</b>
<b>25. Operational cost</b>		
Advertising and marketing	91,576	458,177
Auditors remuneration	496,970	405,288
Bank charges	9,450	8,512
Communication	24,095	23,445
Entertainment	7,700	-
Insurance	44,597	38,682
Internet charges	47,534	48,543
License fees	88,126	-
Municipal services	110,382	84,358
Office decor	96,182	39,000
Plants, flowers and other decor	681	-
Skills development levy (SDL)	49,667	38,467
Subsistence and travel	388,329	91,685
	<b>1,455,289</b>	<b>1,236,157</b>
<b>26. Auditors' remuneration</b>		
Fees	496,970	405,288
<b>27. Cash used in operations</b>		
Deficit	(1,721,758)	(5,739,539)
<b>Adjustments for:</b>		
Depreciation and amortisation	264,798	221,615
Impairment deficit	-	2,975
Movements in operating lease assets and accruals	7,189	7,051
Movements in retirement benefit assets and liabilities	33,000	19,000
Revenue in kind	172,200	22,400
Expenditure in kind	(172,200)	(22,400)
<b>Changes in working capital:</b>		
Receivables from exchange transactions	18,081	(2,852)
Payables from exchange transactions	152,241	253,917
VAT	(45,938)	10,520
Unspent conditional grants and receipts	27,000	(403,946)
	<b>(1,265,387)</b>	<b>(5,631,259)</b>
<b>28. Taxation</b>		

No provision has been made for 2024 tax as the agency has no taxable income.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 29. Financial instruments disclosure

#### Categories of financial instruments

##### 2024

#### Financial assets

	At amortised cost	Total
Receivables from exchange transactions	43,409	43,409
Cash and cash equivalents	2,758,800	2,758,800
	<b>2,802,209</b>	<b>2,802,209</b>

#### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1,353,407	1,353,407
Unspent conditional grants and receipts	643,191	643,191
	<b>1,996,598</b>	<b>1,996,598</b>

##### 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
	<b>4,264,378</b>	<b>4,264,378</b>

#### 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
	<b>1,817,360</b>	<b>1,817,360</b>

### 30. Commitments

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	244,538	244,538
- in second to fifth year inclusive	122,268	366,806
	<b>366,806</b>	<b>611,344</b>

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.



# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 31. 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.

A potential liability in the amount of R 4 227 865 existed at year end, due to a transactional advisory agreement with a third party. The liability has not been raised at year end due the LDA awaiting legal opinions and formal approval from the board in relation to this matter.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 32. Related parties

Relationships	
Directors	Refer to directors' report
Controlling entity	Lejweleputswa District Municipality
Members of key management	M Mofokeng (Acting CEO)
	L Motsamai (CEO)
	JM Ntwana (Finance manager)
	M Motsoeneng (Acting Finance manager)

### Related party transactions

<b>Revenue</b>		
Lejweleputswa District Municipality (grants)	8,005,897	500,000
Lejweleputswa District Municipality (Revenue received in kind)	172,200	22,400

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 32. Related parties (continued)

#### Remuneration of management

#### Management class: Board members

#### 2024

Name	Annual remuneration	Travel allowance	PAYE	UIF	Total
L Mule	35,937	1,444	12,141	485	50,007
R Maenetja	29,947	5,428	10,118	405	45,898
TD Tlali	5,989	3,928	2,024	81	12,022
M Oliphant	29,948	1,967	10,118	405	42,438
S Besani	38,750	1,444	10,678	427	51,299
M Dhlamini	6,691	5,567	1,349	54	13,661
	<b>147,262</b>	<b>19,778</b>	<b>46,428</b>	<b>1,857</b>	<b>215,325</b>

#### 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
	<b>227,993</b>	<b>27,767</b>	<b>77,008</b>	<b>3,031</b>	<b>335,799</b>

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 32. Related parties (continued)

#### Management class: Executive management

##### 2024

Name	Annual remuneration	Car allowance	Contributions to UIF, Medical and Pension Funds	Acting allowance	13th cheque	Cellphone allowance	Housing allowance	Total
JM Ntwana (Finance manager)	579,462	230,227	170,495	-	46,021	6,000	4,752	1,036,957
L Motsamai (CEO)	622,760	15,791	1,063	-	-	-	-	639,614
M Motsoeneng (Acting Finance manager)	-	-	-	76,559	-	-	-	76,559
M Mofokeng (Acting CEO)	-	6,492	648	64,848	-	-	-	71,988
	<b>1,202,222</b>	<b>252,510</b>	<b>172,206</b>	<b>141,407</b>	<b>46,021</b>	<b>6,000</b>	<b>4,752</b>	<b>1,825,118</b>

##### 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
	<b>549,774</b>	<b>219,047</b>	<b>30,787</b>	<b>155,215</b>	<b>156,775</b>	<b>43,976</b>	<b>6,000</b>	<b>4,753</b>	<b>1,166,327</b>

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 33. 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 agency'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 30 June 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Payables from exchange transactions	1,353,407	-	-	-
At 30 June 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	-	-	-

#### 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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 34. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus (deficit) of R 2,065,385 and that the agency's total assets exceed its liabilities by R 2,065,485.

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 R845 196 (R2 447 854 in 2023) which indicates a current asset ratio is below the required norm of between 2.3 -1.

The agency incurred a deficit of R1 721 758 during the year and deficit of R5 739 539 in 2023. The creditors payment days of the agency is currently 45.3 days.

Unspent conditional grants balance of R643 191 currently are cash backed by the available Cash and cash equivalents balance of R2 758 800.

### 35. Events after the reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial year.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
<b>36. Fruitless and wasteful expenditure</b>		
Opening balance as previously reported	51,003	40,170
Add: Fruitless and wasteful expenditure identified - current	-	13,370
Less: Amount recovered - current	(6,000)	(2,537)
<b>Closing balance</b>	<b>45,003</b>	<b>51,003</b>
<b>Details of fruitless and wasteful expenditure</b>		
Penalties and interest	-	10,395
Overpayment to director	-	2,975
	-	<b>13,370</b>
<b>Recoverability steps taken</b>		
An amount of R6 000 has been recovered during the year from the employee who's responsibility it was to submit and pay SARS.		
<b>37. Irregular expenditure</b>		
Opening balance as previously reported	7,692,931	7,278,185
Add: Irregular expenditure - current	1,148,085	414,746
<b>Closing balance</b>	<b>8,841,016</b>	<b>7,692,931</b>
<b>Incidents/cases identified/reported in the current year:</b>		
Non-compliance with SCM regulations	1,148,085	414,746
<b>38. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Current year fee	496,970	405,228
Amount paid - current year	(496,970)	(405,228)
	-	-
<b>PAYE and UIF</b>		
Current year subscription / fee	977,032	870,058
Amount paid - current year	(977,032)	(870,058)
	-	-
<b>VAT</b>		
VAT receivable	53,825	8,344
VAT payable	-	457
	<b>53,825</b>	<b>8,801</b>

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.

# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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### 39. 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

##### Goods and/or services

Please refer to the Statement of Financial Position and Statement of Financial Performance

##### 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.



# Lejwe Le Putswa Development Agency (SOC) Ltd

(Registration number 2005/011144/30)

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	2024	2023
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### 40. Budget differences

#### Material differences between budget and actual amounts

X1 - It was anticipated that significant ZR Mahabane project funds would be released during the year, however this did not happen.

X2 - The interest rate was adjusted upwards by the SA Reserve Bank resulting in more interest received on the investment account.

X3 - Revenue received-in-kind was not planned and therefore not budgeted for.

X4 - The Agency had an Acting CEO from July 2023 to December 2023, the CEO was appointed on the 1<sup>st</sup> January 2024 therefore a saving on employee cost occurred.

X5 - When budgeting it was anticipated that sub-committees for the board would be formed during the year.

X6 - Consumables and stationery for office requirements were limited to essentials. Cost containment measure resulted in actual expenditure lower than budget.

X7 - New assets were bought, therefore depreciation was higher than budgeted for.

X8 - Due to the recognition of long service award liability, finance cost and actuarial losses had to be recognised.

X9 - Operating lease liability is disclosed on a straight line basis and therefore not as per the payments during the year.

X10 - The Agency is dependent on the operational grant from the District, so we try minimising expenditure as far as possible. Budgeting figure also included projected costs related to MLM project for the refurbishment of the MIP, however the LDA merely acted as a conduit for this expenditure and therefore was not actually incurred.

X11 - The Agency is dependent on the operational grant from the District, so we try minimising expenditure as far as possible.

X12 - The Agency budgeted for grant revenue from MLM in relation to the refurbishment of the MIP. As noted in X10 above the Agency budgeted for this project expenditure and also related grant revenue, however the Agency was merely acting as a conduit for the income and expenses and therefore the income was not recognised.

# Consolidated AFS



Lejweleputswa District Municipality Consolidated  
Annual Financial Statements  
for the year ended 30 June 2024

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## General Information

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act, 1998 (Act No.11 of 1998) read with section 151(1) of the Constitution of the Republic of South Africa, 1996 ( Act No.108 of 1996)
<b>Nature of business and principal activities</b>	District municipality
<b>Municipal demarcation code</b>	DC18
<b>Capacity of local authority</b>	Low capacity
<b>Grading of local authority</b>	4
<b>Speaker</b>	Cllr DJ Dikane
<b>Mayoral committee</b> Executive Mayor	Cllr NV Ntakumbana
<b>Members of Mayoral Committee</b>	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 Corporate Services Cllr PP Maleka - MMC Infrastructure Cllr KV Van Rooyen - MMC IDP, PMS, Policy Development and Monitoring Cllr D Kotzee - MMC Finance
<b>Accounting Officer</b>	Mr ML Makhetha
<b>Chief Finance Officer (CFO)</b>	Mr MK Khoabane
<b>Registered office</b>	Office of the Municipal Manager Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459
<b>Business address</b>	Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park Welkom 9459
<b>Postal address</b>	P.O. Box 2163 Welkom 9460
<b>Controlling entity</b>	Lejweleputswa District Municipality
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	Auditor-General of South Africa
<b>Enabling legislation</b>	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 2024

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### Abbreviations used:

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
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

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Responsibilities and Approval

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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 2025 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 2024 and were signed on its behalf by:

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**ML Makhetha**  
**Municipal Manager**

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Audit Committee Report

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The Audit Committee of Lejweleputswa District Municipality ("the Committee") herewith presents its Draft Annual Report for the financial year ended 30 June 2024.

### Audit committee members and attendance

The Committee is constituted of five independent members. Members were appointed by the Municipal Council in terms of section 166 of Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

During the 2023/2024 financial year one special and three ordinary meetings were held. The attendance is reflected in the table below:

Name of member	Number of meetings attended
Mr. P V Chwene (Chairperson)	3
Me T L Pino	4
Mr. L J Nkomo	3
Me. N R Phatlane	4
Mr TJ Macholo	4

### Operations of the Audit Committee

In discharging its responsibilities and in its terms of reference, the Committee has developed a schedule of quarterly meetings and has adopted a standard agenda aligned to the Municipal Finance Management Act, Act 56 of 2003 and also to reporting guidelines as published from time to time by National Treasury. The attendance of the meetings is disclosed above.

At its meetings during the 2023/2024 reporting period, the Committee focussed on financial reporting, internal and external audit, performance, compliance and risk management. It also reviewed the charters for both the Audit and Performance Committee and the Annual Internal Audit Plan and recommended for approval to Council.

The Committee commenced its work during the second half of the 2023/2024 financial year, and it could not provide an opinion on the effectiveness of internal control during the first half of the financial year. However, its opinion on the second half of the financial year is that the system of internal control was not efficient and effective.

The Committee has identified deficiencies in the system of internal control, breaches and deviations. There was an apparent non-responsiveness between management and Internal Audit in the reporting period whereby compliance reports were not submitted timeously and thus rendering Internal Audit ineffective in its reporting obligations to the Audit Committee. As reported by management this was partly attributed to the changes in the management during the first half of the financial year.

In addressing our key objective, which is to assist and advice the Lejweleputswa District Municipality in ensuring the integrity of their financial reporting, the 2023/2024 Annual Financial Statements shall be reviewed at a Special Audit Committee Meeting of the 23rd August 2024.

### Year-End Statutory Audit

The Auditor General presented the Audit Strategy for the year ended 30 June 2024 prior to the commencement of the year end audit. The Committee considered and approved this Audit Strategy. There was an overall increase of 6% in the proposed audit fees from the previous year mainly as a result of an average tariff increase. The Audit Committee requested that the Auditor General's office must have a closer collaboration with Internal Audit Unit so as to increase areas of reliance and ultimately reduce audit fees.

The Committee remains optimistic that the Municipality will retain its unqualified opinion with improvement in matters of emphasis henceforth or at best, attain a clean audit if such matters are addressed robustly and with the commitment and support of all relevant stakeholders.

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.

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Audit Committee Report

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### Internal audit

The Committee is partly satisfied about the performance of the function and has raised concern in their interaction with the Internal Audit during the year under review. The Committee is of the view that the internal audit function did not properly discharging its functions and responsibilities effectively. The Committee expects that charters, programmes, evaluations and training plans will contribute to the internal audit function becoming more efficient, more responsive to challenges and better able to provide audit reports of a high quality to management and the committee on a timely basis.

### Appreciation

The Audit Committee wishes to thank the Accounting Officer of Lejweleputswa District Municipality, municipal officials and all other stakeholders for the cordial manner in which the preparation of the 2023/2024 financial year audit was conducted together with the enthusiasm portrayed by management in ensuring that issues raised/identified in prior year audits were addressed. This is a task, and however daunting it may seem, with a collective effort by all – from the lowest ranking support staff to Executive Management and Councillors, the municipality will surely reach greater heights and be a benchmark municipality not only in the province but nationally. In the end, a clean audit is a result of everybody's effort and determination and fundamentally, it is achievable!

The Audit Committee takes cognizance circumstances that Council and management found itself during the 2023/2024 financial year, whereby there were changes in the senior management structure, as most of the senior managers were in acting capacity during the first half of the financial year. This impact on the performance of the municipality to be consistent with the implementation of the IDP and the SDBIP.

The appointment of the functional Audit Committee in the second half of the financial year also impacted on effective governance and compliance in the municipality. However, the Audit Committee is confident that in the 2024/2025 financial year, the Audit Committee shall execute its responsibilities effectively as detailed in the approved Audit Charter. Also there will be improvement in the Internal Audit function in implementing its internal audit plan.

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**PV Chwene - Member and Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Accounting Officer's Report

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The accounting officer submits his report for the year ended 30 June 2024.

### 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 2024, the municipality had an accumulated surplus (deficit) of 72,682,379 and that the municipality's total liabilities exceed its assets by 72,682,379.

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:

Mr More was the acting accounting officer at the beginning of the year until October 2023.

Mr Makhetha was appointed as the accounting officer in October 2023

### 4. 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 9.

### 5. Auditors

Auditor-General of South Africa

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**ML Makhetha**  
Municipal Manager



# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Position as at 30 June 2024

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023 Restated*	2024	2023 Restated*
<b>Assets</b>					
<b>Current Assets</b>					
Receivables from exchange transactions	4	43,409	61,490	-	-
Receivables from non-exchange transactions	5	15,277	261,496	15,277	261,496
VAT receivable	6	2,531,654	3,474,221	2,477,829	3,466,334
Cash and cash equivalents	3	73,378,698	110,400,180	70,619,898	106,197,292
		<b>75,969,038</b>	<b>114,197,387</b>	<b>73,113,004</b>	<b>109,925,122</b>
<b>Non-Current Assets</b>					
Property, plant and equipment	7	54,767,264	52,570,484	53,724,893	51,462,358
Intangible assets	8	428,224	385,349	116,306	53,088
Investments in controlled entities	9	-	-	100	100
		<b>55,195,488</b>	<b>52,955,833</b>	<b>53,841,299</b>	<b>51,515,546</b>
<b>Total Assets</b>		<b>131,164,526</b>	<b>167,153,220</b>	<b>126,954,303</b>	<b>161,440,668</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Operating lease liability	10	14,240	7,051	-	-
Payables from exchange transactions	11	29,951,339	25,596,760	28,597,932	24,395,592
Transfers payable (non-exchange)	13	5,483,724	-	5,483,724	-
Unspent conditional grants and receipts	14	703,433	1,672,914	60,242	1,056,723
Long service awards	12	1,348,000	597,000	1,348,000	597,000
Employee benefit obligation	12	523,000	551,000	523,000	551,000
		<b>38,023,736</b>	<b>28,424,725</b>	<b>36,012,898</b>	<b>26,600,315</b>
<b>Non-Current Liabilities</b>					
Employee benefit obligation	12	16,785,000	15,678,000	16,651,000	15,577,000
Long Service Awards	12	4,185,000	4,292,000	4,185,000	4,292,000
		<b>20,970,000</b>	<b>19,970,000</b>	<b>20,836,000</b>	<b>19,869,000</b>
<b>Total Liabilities</b>		<b>58,993,736</b>	<b>48,394,725</b>	<b>56,848,898</b>	<b>46,469,315</b>
<b>Net Assets</b>		<b>72,170,790</b>	<b>118,758,494</b>	<b>70,105,405</b>	<b>114,971,353</b>
Accumulated surplus		72,170,790	118,758,494	70,105,405	114,971,353
<b>Total Net Assets</b>		<b>72,170,790</b>	<b>118,758,494</b>	<b>70,105,405</b>	<b>114,971,353</b>

\* See Note 37

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2024	2023 Restated*	2024	2023 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Licences and permits	16	93,500	-	93,500	-
Proceeds from disposal of property, plant and equipment	17	25,330	246,572	25,330	246,572
Operational revenue	18	941,280	398,106	361,280	398,106
Interest earned	19	10,371,258	9,131,771	9,819,349	8,689,197
<b>Total revenue from exchange transactions</b>		<b>11,431,368</b>	<b>9,776,449</b>	<b>10,299,459</b>	<b>9,333,875</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grants & subsidies	20	153,977,481	152,522,223	153,977,481	152,118,277
Fines, Penalties and Forfeits	21	-	50,500	-	50,500
<b>Total revenue from non-exchange transactions</b>		<b>153,977,481</b>	<b>152,572,723</b>	<b>153,977,481</b>	<b>152,168,777</b>
<b>Total revenue</b>	15	<b>165,408,849</b>	<b>162,349,172</b>	<b>164,276,940</b>	<b>161,502,652</b>
<b>Expenditure</b>					
Employee related costs	22	(131,840,976)	(116,524,641)	(125,976,452)	(112,119,666)
Remuneration of councillors/board members	23	(11,375,670)	(10,667,692)	(11,160,345)	(10,331,892)
Transfers and subsidies	24	(7,837,738)	(7,245,054)	(16,015,835)	(7,767,454)
Depreciation and amortisation	25	(4,794,466)	(4,134,149)	(4,529,668)	(3,912,534)
Finance costs	28	(14,000)	(10,000)	-	-
Operating lease expenditure	27	(974,659)	(1,001,112)	(730,122)	(765,317)
Inventory consumed	29	(3,476,509)	(3,288,507)	(3,306,123)	(3,244,301)
Contracted services	30	(27,178,450)	(15,843,301)	(24,378,545)	(15,219,365)
Operational cost	31	(24,936,010)	(21,602,127)	(23,480,721)	(20,365,970)
<b>Total expenditure</b>		<b>(212,428,478)</b>	<b>(180,316,583)</b>	<b>(209,577,811)</b>	<b>(173,726,499)</b>
Gain (loss) on disposal of assets and liabilities		2,354	(452,274)	2,354	(452,274)
Actuarial gains/losses	12	1,078,503	940,854	1,081,503	933,854
Impairment loss	26	(156,112)	(467,073)	(156,112)	(464,098)
		<b>924,745</b>	<b>21,507</b>	<b>927,745</b>	<b>17,482</b>
<b>Deficit for the year</b>		<b>(46,094,884)</b>	<b>(17,945,904)</b>	<b>(44,373,126)</b>	<b>(12,206,365)</b>

\* See Note 37

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Statement of Changes in Net Assets

	Share capital / contributed capital	Accumulated surplus / deficit	Total net assets
Figures in Rand			
<b>Economic entity</b>			
<b>Balance at 01 July 2022</b>	-	<b>137,403,515</b>	<b>137,403,515</b>
Net income (losses) recognised directly in net assets	-	(162,769)	(162,769)
Surplus (deficit) for the year	-	(15,504,919)	(15,504,919)
Total changes	-	(15,667,688)	(15,667,688)
Opening balance as previously reported		121,735,827	137,382,250
Adjustments			
Prior year adjustments 37		(2,977,333)	(2,977,333)
<b>Restated* Balance at 01 July 2023 as restated*</b>		<b>118,758,496</b>	<b>118,758,596</b>
Net income (losses) recognised directly in net assets		(492,822)	(492,822)
Surplus (deficit) for the year		(46,094,884)	(46,094,884)
Total changes		(46,587,706)	(46,587,706)
<b>Balance at 30 June 2024</b>		<b>72,170,790</b>	<b>72,170,890</b>
Note(s)			
<b>Controlling entity</b>			
<b>Balance at 01 July 2022</b>	-	<b>127,876,835</b>	<b>127,876,835</b>
Changes in net assets			
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	-	-	-
Opening balance as previously reported	-	117,948,686	117,948,686
Adjustments			
Prior year adjustments 37	-	(2,977,333)	(2,977,333)
<b>Restated* Balance at 01 July 2023 as restated*</b>	-	<b>114,971,353</b>	<b>114,971,353</b>
Changes in net assets			
Net income (losses) recognised directly in net assets	-	(492,822)	(492,822)
Surplus for the year	-	(44,373,126)	(44,373,126)
Total changes	-	(44,865,948)	(44,865,948)
<b>Balance at 30 June 2024</b>	-	<b>70,105,405</b>	<b>70,105,405</b>
Note(s)			

\* See Note 37

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2024	2023 Restated*	2024	2023 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Taxation		988,505	-	988,505	-
Grants - LDM		153,008,297	153,175,000	152,981,297	153,175,000
Interest income		10,223,147	8,764,427	9,660,663	8,321,853
Other receipts		840,693	459,250	298,668	448,608
Grants - Masilonyana		22,687,000	-	22,687,000	-
		187,747,642	162,398,677	186,616,133	161,945,461
<b>Payments</b>					
Employee costs		(139,227,205)	(125,059,216)	(133,493,385)	(120,460,501)
Suppliers		(61,083,834)	(45,716,697)	(64,420,759)	(44,230,937)
Transfers paid - Masilonyana		(17,203,206)	-	(17,203,206)	-
		(217,514,245)	(170,775,913)	(215,117,350)	(164,691,438)
<b>Net cash flows from operating activities</b>	34	<b>(29,766,603)</b>	<b>(8,377,236)</b>	<b>(28,501,217)</b>	<b>(2,745,977)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	7	(7,159,609)	(1,775,251)	(6,980,908)	(1,545,982)
Proceeds from disposal of property, plant and equipment		25,330	246,572	25,330	246,572
Purchase of other intangible assets	8	(120,600)	(150,879)	(120,600)	(60,000)
<b>Net cash flows from investing activities</b>		<b>(7,254,879)</b>	<b>(1,679,558)</b>	<b>(7,076,178)</b>	<b>(1,359,410)</b>
<b>Cash flows from financing activities</b>					
Movement in long service awards		-	(731,027)	-	(731,027)
Employee benefit obligation payments		-	(492,119)	-	(492,119)
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>(1,223,146)</b>	<b>-</b>	<b>(1,223,146)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(37,021,482)</b>	<b>(11,279,940)</b>	<b>(35,577,395)</b>	<b>(5,328,533)</b>
Cash and cash equivalents at the beginning of the year		110,400,180	121,680,120	106,197,293	111,525,825
<b>Cash and cash equivalents at the end of the year</b>	3	<b>73,378,698</b>	<b>110,400,180</b>	<b>70,619,898</b>	<b>106,197,292</b>

\* See Note 37

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## 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
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Figures in Rand

### Economic entity

#### Statement of Financial Performance

##### Revenue

##### Revenue from exchange transactions

Licences and permits	-	100,000	100,000	93,500	(6,500)	
Proceeds from disposal of property, plant and equipment	-	-	-	25,330	25,330	
Operational revenue	97,000	-	97,000	361,280	264,280	X1
Project Revenue	6,283,239	(3,749,639)	2,533,600	580,000	(1,953,600)	
Interest received	6,005,000	1,950,000	7,955,000	10,371,258	2,416,258	X2
<b>Total revenue from exchange transactions</b>	<b>12,385,239</b>	<b>(1,699,639)</b>	<b>10,685,600</b>	<b>11,431,368</b>	<b>745,768</b>	

##### Revenue from non-exchange transactions

##### Transfer revenue

Government grants & subsidies	161,666,897	26,959,213	188,626,110	153,977,481	(34,648,629)	X3
<b>Total revenue</b>	<b>174,052,136</b>	<b>25,259,574</b>	<b>199,311,710</b>	<b>165,408,849</b>	<b>(33,902,861)</b>	

##### Expenditure

Employee related cost	(126,385,413)	2,102,679	(124,282,734)	(131,840,976)	(7,558,242)	X4
Remuneration of councillors/board members	(11,610,404)	(5,790)	(11,616,194)	(11,375,670)	240,524	X5
Transfers and subsidies	(17,135,230)	(23,020,169)	(40,155,399)	(7,837,738)	32,317,661	X6
Depreciation and amortisation	(5,898,927)	-	(5,898,927)	(4,794,466)	1,104,461	X7
Impairment loss	-	-	-	(156,112)	(156,112)	
Finance costs	-	-	-	(14,000)	(14,000)	
Operating lease expenditure	(300,127)	-	(300,127)	(974,659)	(674,532)	X9
Inventory consumed	(2,524,992)	(44,012)	(2,569,004)	(3,476,509)	(907,505)	X10
Contracted Services	(28,621,664)	(4,893,958)	(33,515,622)	(27,178,450)	6,337,172	X11
Operational cost	(29,514,965)	(1,264,449)	(30,779,414)	(24,936,010)	5,843,404	X12
<b>Total expenditure</b>	<b>(221,991,722)</b>	<b>(27,125,699)</b>	<b>(249,117,421)</b>	<b>(212,584,590)</b>	<b>36,532,831</b>	
<b>Operating deficit</b>	<b>(47,939,586)</b>	<b>(1,866,125)</b>	<b>(49,805,711)</b>	<b>(47,175,741)</b>	<b>2,629,970</b>	
Gain on disposal of assets and liabilities	-	-	-	2,354	2,354	
Actuarial gains/losses	-	-	-	1,078,503	1,078,503	
	-	-	-	1,080,857	1,080,857	
<b>Deficit before taxation</b>	<b>(47,939,586)</b>	<b>(1,866,125)</b>	<b>(49,805,711)</b>	<b>(46,094,884)</b>	<b>3,710,827</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(47,939,586)</b>	<b>(1,866,125)</b>	<b>(49,805,711)</b>	<b>(46,094,884)</b>	<b>3,710,827</b>	

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## 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
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Receivables from exchange transactions	-	-	-	43,409	<b>43,409</b>	
Receivables from non-exchange transactions	256,088	-	<b>256,088</b>	15,277	<b>(240,811)</b>	X13
VAT receivable	2,787,194	-	<b>2,787,194</b>	2,531,654	<b>(255,540)</b>	
Cash and cash equivalents	61,044,868	(356,000)	<b>60,688,868</b>	73,378,698	<b>12,689,830</b>	X14
	<b>64,088,150</b>	<b>(356,000)</b>	<b>63,732,150</b>	<b>75,969,038</b>	<b>12,236,888</b>	

##### Non-Current Assets

Property, plant and equipment	56,815,074	1,150,000	<b>57,965,074</b>	54,767,264	<b>(3,197,810)</b>	X15
Intangible assets	(32,592)	208,251	<b>175,659</b>	428,224	<b>252,565</b>	X16
	<b>56,782,482</b>	<b>1,358,251</b>	<b>58,140,733</b>	<b>55,195,488</b>	<b>(2,945,245)</b>	

<b>Total Assets</b>	<b>120,870,632</b>	<b>1,002,251</b>	<b>121,872,883</b>	<b>131,164,526</b>	<b>9,291,643</b>	
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#### Liabilities

##### Current Liabilities

Operating lease liability	-	-	-	14,240	<b>14,240</b>	
Payables from exchange transactions	21,533,777	1,002,251	<b>22,536,028</b>	29,951,339	<b>7,415,311</b>	X17
Transfers payable (non-exchange)	-	-	-	5,483,724	<b>5,483,724</b>	X18
Unspent conditional grants and receipts	-	-	-	703,433	<b>703,433</b>	
Long service awards	1,054,000	-	<b>1,054,000</b>	1,348,000	<b>294,000</b>	
Employee benefit obligation	-	-	-	523,000	<b>523,000</b>	X20
	<b>22,587,777</b>	<b>1,002,251</b>	<b>23,590,028</b>	<b>38,023,736</b>	<b>14,433,708</b>	

##### Non-Current Liabilities

Employee benefit obligation	14,371,000	-	<b>14,371,000</b>	16,785,000	<b>2,414,000</b>	X22
Long Service Awards	4,097,000	-	<b>4,097,000</b>	4,185,000	<b>88,000</b>	X23
	<b>18,468,000</b>	-	<b>18,468,000</b>	<b>20,970,000</b>	<b>2,502,000</b>	

<b>Total Liabilities</b>	<b>41,055,777</b>	<b>1,002,251</b>	<b>42,058,028</b>	<b>58,993,736</b>	<b>16,935,708</b>	
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<b>Net Assets</b>	<b>79,814,855</b>	-	<b>79,814,855</b>	<b>72,170,790</b>	<b>(7,644,065)</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	79,814,855	-	<b>79,814,855</b>	72,170,790	<b>(7,644,065)</b>	
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# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## 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
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Taxation	-	-	-	988,505	988,505
Grants - LDM	151,761,000	24,937,000	176,698,000	153,008,297	(23,689,703)
Interest income	5,390,000	1,950,000	7,340,000	10,223,147	2,883,147
Other receipts	97,000	100,000	197,000	840,693	643,693
Grants - Masilonyana	-	-	-	22,687,000	22,687,000
	157,248,000	26,987,000	184,235,000	187,747,642	3,512,642

##### Payments

Suppliers and employees	(172,046,983)	(21,000,566)	(193,047,549)	(200,311,039)	(7,263,490)
Transfers paid - Masilonyana	-	-	-	(17,203,206)	(17,203,206)
	(172,046,983)	(21,000,566)	(193,047,549)	(217,514,245)	(24,466,696)

<b>Net cash flows from operating activities</b>	<b>(14,798,983)</b>	<b>5,986,434</b>	<b>(8,812,549)</b>	<b>(29,766,603)</b>	<b>(20,954,054)</b>
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Purchase of capital assets	(7,400,000)	(1,350,000)	(8,750,000)	(7,280,209)	1,469,791
Proceeds from sale of property, plant and equipment	-	-	-	25,330	25,330

<b>Net cash flows from investing activities</b>	<b>(7,400,000)</b>	<b>(1,350,000)</b>	<b>(8,750,000)</b>	<b>(7,254,879)</b>	<b>1,495,121</b>
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Net increase/(decrease) in cash and cash equivalents	(22,198,983)	4,636,434	(17,562,549)	(37,021,482)	(19,458,933)
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Cash and cash equivalents at the beginning of the year	111,525,825	(32,918,408)	78,607,417	110,400,180	31,792,763
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<b>Cash and cash equivalents at the end of the year</b>	<b>89,326,842</b>	<b>(28,281,974)</b>	<b>61,044,868</b>	<b>73,378,698</b>	<b>12,333,830</b>
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# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## 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						
<b>Controlling entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Licences and permits	-	100,000	<b>100,000</b>	93,500	<b>(6,500)</b>	
Proceeds from disposal of property, plant and equipment	-	-	-	25,330	<b>25,330</b>	
Operational revenue	97,000	-	<b>97,000</b>	361,280	<b>264,280</b>	X1
Interest received - investment	5,555,000	1,950,000	<b>7,505,000</b>	9,819,349	<b>2,314,349</b>	X2
<b>Total revenue from exchange transactions</b>	<b>5,652,000</b>	<b>2,050,000</b>	<b>7,702,000</b>	<b>10,299,459</b>	<b>2,597,459</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	153,761,000	22,937,000	<b>176,698,000</b>	153,977,481	<b>(22,720,519)</b>	X3
<b>Total revenue</b>	<b>159,413,000</b>	<b>24,987,000</b>	<b>184,400,000</b>	<b>164,276,940</b>	<b>(20,123,060)</b>	
<b>Expenditure</b>						
Employee related cost	(120,433,896)	2,421,013	<b>(118,012,883)</b>	(125,976,452)	<b>(7,963,569)</b>	X4
Remuneration of councillors	(11,219,884)	-	<b>(11,219,884)</b>	(11,160,345)	<b>59,539</b>	x5
Transfers and subsidies	(17,135,230)	(23,020,169)	<b>(40,155,399)</b>	(16,015,835)	<b>24,139,564</b>	X6
Depreciation and amortisation	(5,871,350)	-	<b>(5,871,350)</b>	(4,529,668)	<b>1,341,682</b>	X7
Impairment loss/ Reversal of impairments	-	-	-	(156,112)	<b>(156,112)</b>	
Operating lease expenditure	-	-	-	(730,122)	<b>(730,122)</b>	X9
Inventory consumed	(2,461,992)	75,988	<b>(2,386,004)</b>	(3,306,123)	<b>(920,119)</b>	X10
Contracted Services	(22,355,988)	(3,661,384)	<b>(26,017,372)</b>	(24,378,545)	<b>1,638,827</b>	X11
Operational cost	(28,224,770)	(802,448)	<b>(29,027,218)</b>	(23,480,721)	<b>5,546,497</b>	X12
<b>Total expenditure</b>	<b>(207,703,110)</b>	<b>(24,987,000)</b>	<b>(232,690,110)</b>	<b>(209,733,923)</b>	<b>22,956,187</b>	
<b>Operating deficit</b>	<b>(48,290,110)</b>	-	<b>(48,290,110)</b>	<b>(45,456,983)</b>	<b>2,833,127</b>	
Gain on disposal of assets and liabilities	-	-	-	2,354	<b>2,354</b>	
Actuarial gains/losses	-	-	-	1,081,503	<b>1,081,503</b>	
	-	-	-	<b>1,083,857</b>	<b>1,083,857</b>	
<b>Deficit before taxation</b>	<b>(48,290,110)</b>	-	<b>(48,290,110)</b>	<b>(44,373,126)</b>	<b>3,916,984</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(48,290,110)</b>	-	<b>(48,290,110)</b>	<b>(44,373,126)</b>	<b>3,916,984</b>	



# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## 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
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Receivables from non-exchange transactions	256,088	-	256,088	15,277	(240,811)	X13
VAT receivable	2,787,194	-	2,787,194	2,477,829	(309,365)	
Cash and cash equivalents	61,044,868	(356,000)	60,688,868	70,619,898	9,931,030	X14
	64,088,150	(356,000)	63,732,150	73,113,004	9,380,854	

##### Non-Current Assets

Property, plant and equipment	56,815,074	1,150,000	57,965,074	53,724,893	(4,240,181)	X15
Intangible assets	(32,592)	208,251	175,659	116,306	(59,353)	X16
Investments in controlled entities	100	-	100	100	-	
	56,782,582	1,358,251	58,140,833	53,841,299	(4,299,534)	

<b>Total Assets</b>	<b>120,870,732</b>	<b>1,002,251</b>	<b>121,872,983</b>	<b>126,954,303</b>	<b>5,081,320</b>	
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#### Liabilities

##### Current Liabilities

Payables from exchange transactions	21,533,777	1,002,251	22,536,028	28,597,932	6,061,904	X17
Taxes and transfers payable (non-exchange)	-	-	-	5,483,724	5,483,724	
Unspent conditional grants and receipts	-	-	-	60,242	60,242	
Long service awards	1,054,000	-	1,054,000	1,348,000	294,000	
Employee benefit obligation	-	-	-	523,000	523,000	X20
	22,587,777	1,002,251	23,590,028	36,012,898	12,422,870	

##### Non-Current Liabilities

Employee benefit obligation	14,371,000	-	14,371,000	16,651,000	2,280,000	X22
Long Service Awards	4,097,000	-	4,097,000	4,185,000	88,000	X23
	18,468,000	-	18,468,000	20,836,000	2,368,000	

<b>Total Liabilities</b>	<b>41,055,777</b>	<b>1,002,251</b>	<b>42,058,028</b>	<b>56,848,898</b>	<b>14,790,870</b>	
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<b>Net Assets</b>	<b>79,814,955</b>	<b>-</b>	<b>79,814,955</b>	<b>70,105,405</b>	<b>(9,709,550)</b>	
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#### Net Assets

##### Net Assets Attributable to Owners of Controlling Entity

##### Reserves

Accumulated surplus	79,814,955	-	79,814,955	70,105,405	(9,709,550)	
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# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## 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
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Taxation	-	-	-	988,505	988,505
Grants - LDM & Masilonyana	151,761,000	24,937,000	176,698,000	175,668,297	(1,029,703)
Interest income	5,390,000	1,950,000	7,340,000	9,660,663	2,320,663
Other receipts	97,000	100,000	197,000	298,668	101,668
	<b>157,248,000</b>	<b>26,987,000</b>	<b>184,235,000</b>	<b>186,616,133</b>	<b>2,381,133</b>

##### Payments

Suppliers and employees	(172,046,983)	(21,000,566)	(193,047,549)	(197,914,143)	(4,866,594)
Transfers paid - Masilonyana	-	-	-	(17,203,206)	(17,203,206)
	<b>(172,046,983)</b>	<b>(21,000,566)</b>	<b>(193,047,549)</b>	<b>(215,117,349)</b>	<b>(22,069,800)</b>

<b>Net cash flows from operating activities</b>	<b>(14,798,983)</b>	<b>5,986,434</b>	<b>(8,812,549)</b>	<b>(28,501,216)</b>	<b>(19,688,667)</b>
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#### Cash flows from investing activities

Purchase of capital assets	(7,400,000)	(1,350,000)	(8,750,000)	(7,101,508)	1,648,492
Proceeds from sale of property, plant and equipment	-	-	-	25,330	25,330

<b>Net cash flows from investing activities</b>	<b>(7,400,000)</b>	<b>(1,350,000)</b>	<b>(8,750,000)</b>	<b>(7,076,178)</b>	<b>1,673,822</b>
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Net increase/(decrease) in cash and cash equivalents	(22,198,983)	4,636,434	(17,562,549)	(35,577,394)	(18,014,845)
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Cash and cash equivalents at the beginning of the year	111,525,825	(32,918,408)	78,607,417	106,197,292	27,589,875
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<b>Cash and cash equivalents at the end of the year</b>	<b>89,326,842</b>	<b>(28,281,974)</b>	<b>61,044,868</b>	<b>70,619,898</b>	<b>9,575,030</b>
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# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2024	2023	2024	2023

### 1. Significant account policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparation

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 2024

## Significant Accounting Policies

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### 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 12.

#### 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 2024

## Significant Accounting Policies

### 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.

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.

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.

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.6 Property, plant and equipment (continued)

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.

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:

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Item	Amortisation method	Average useful life
Computer software,	Straight-line	3 years - indefinite

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## Significant Accounting Policies

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### 1.7 Intangible assets (continued)

Intangible assets are derecognised:

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

### 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:

- 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

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.8 Investments in controlled entities (continued)

- 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 reassess 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 cease 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.

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.



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## Significant Accounting Policies

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### 1.9 Financial instruments (continued)

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.

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.

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## Significant Accounting Policies

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### 1.9 Financial instruments (continued)

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.

### 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

Other receivables from non-exchange transactions  
Receivables from exchange transactions  
Cash and cash equivalents

#### Category

Financial asset measured at amortised cost  
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

Trade and other payables from exchange transactions

#### Category

Financial liability measured at amortised cost

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### 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 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 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.

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## Significant Accounting Policies

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

#### 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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## Significant Accounting Policies

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### 1.11 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.

# Lejweleputswa District Municipality Consolidated

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## Significant Accounting Policies

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### 1.11 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.

### 1.12 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.

# Lejweleputswa District Municipality Consolidated

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## Significant Accounting Policies

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### 1.12 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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## Significant Accounting Policies

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### 1.12 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.

### 1.13 Employee benefits

#### Short-term employee benefits

#### 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.

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#### Post-employment benefits: Defined contribution plans

#### Recognition and measurement

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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## Significant Accounting Policies

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### 1.13 Employee benefits (continued)

#### Other long-term employee benefits

##### Recognition and measurement

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.

### 1.14 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.

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.

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.14 Provisions and contingencies (continued)

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 36.

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
- 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.

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.15 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.

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.16 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.

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.16 Revenue from non-exchange transactions (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.

### 1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.18 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 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.

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).

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 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.

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).

### 1.21 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 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).

### 1.22 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

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.24 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..

### 1.25 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 2023/07/01 to 2024/06/30.

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.

### 1.26 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 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.

### 1.27 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.

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Significant Accounting Policies

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### 1.27 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.

### 1.28 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.



# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 1 (amended): Presentation of Financial Statements (Going Concern)</li> </ul>	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 103 (as revised): Heritage Assets</li> </ul>	01 April 2099	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 104 (as revised): Financial Instruments</li> </ul>	01 April 2025	Unlikely there will be a material impact

### 3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7,115	6,821	6,811	6,293
Bank balances	9,742,047	75,930,112	9,718,019	75,915,821
Short-term deposits	63,629,536	34,463,247	60,895,068	30,275,178
	<b>73,378,698</b>	<b>110,400,180</b>	<b>70,619,898</b>	<b>106,197,292</b>

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2024	30 June 2023	30 June 2022	30 June 2024	30 June 2023	30 June 2022
ABSA Bank - cheque account - 134000017	9,718,019	76,212,103	111,485,994	9,718,019	75,922,114	111,490,041
ABSA Bank - fixed account - 2081591664	60,000,000	-	-	60,895,068	-	-
STANDARD BANK - Fixeddeposit - 24 853 881 0-024	-	30,000,000	-	-	30,275,178	-
Nedbank current account - 1002745926	24,028	14,291	46,073	24,028	14,291	46,073
Nedbank call account - 76620211301	2,734,468	4,188,069	10,107,694	2,734,468	4,188,069	10,107,694
<b>Total</b>	<b>72,476,515</b>	<b>110,414,463</b>	<b>121,639,761</b>	<b>73,371,583</b>	<b>110,399,652</b>	<b>121,643,808</b>

### 4. Receivables from exchange transactions

Accrued interest	20,157	30,732	-	-
Deposits	22,900	22,900	-	-
Sundry debtors	352	7,858	-	-
	<b>43,409</b>	<b>61,490</b>	<b>-</b>	<b>-</b>

### 5. Receivables from non-exchange transactions

Council receivables	31,173,144	31,263,251	31,173,144	31,263,251
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Lejweleputswa District Municipality Consolidated	(6,157,866)	(31,001,755)	(31,157,866)	(31,001,755)
Less: Allowance for impairment				
Annual Financial Statements for the year ended 30 June 2024	<b>15,278</b>	<b>261,496</b>	<b>15,278</b>	<b>261,496</b>

## Notes to the Annual Financial Statements

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 5. Receivables from non-exchange transactions (continued)

#### 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	15,278	261,496	15,278	261,496
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#### Reconciliation of allowance for impairment

Opening balance	(31,001,754)	(30,537,656)	(31,001,754)	(30,537,656)
Provision for impairment	(157,112)	(464,098)	(157,112)	(464,098)
	<b>(31,158,866)</b>	<b>(31,001,754)</b>	<b>(31,158,866)</b>	<b>(31,001,754)</b>

### 6. VAT receivable

VAT receivable	2,531,654	3,474,222	2,477,829	3,466,334
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# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment

Economic entity	2024			2023		
	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	75,930,366	(37,730,245)	38,200,121	75,695,151	(35,201,956)	40,493,195
Plant and equipment	7,555,908	(1,193,352)	6,362,556	5,613,590	(758,444)	4,855,146
Furniture and fixtures	7,511,739	(5,739,928)	1,771,811	7,363,218	(5,375,284)	1,987,934
Motor vehicles	2,189,412	(464,326)	1,725,086	2,189,411	(327,536)	1,861,875
Office equipment	11,976,243	(6,813,985)	5,162,258	7,530,697	(5,784,041)	1,746,656
IT equipment	845,339	(451,172)	394,167	816,339	(346,160)	470,179
Emergency equipment	58,797	(47,532)	11,265	58,797	(43,298)	15,499
<b>Total</b>	<b>107,207,804</b>	<b>(52,440,540)</b>	<b>54,767,264</b>	<b>100,407,203</b>	<b>(47,836,719)</b>	<b>52,570,484</b>

Controlling entity	2024			2023		
	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	75,930,366	(37,730,245)	38,200,121	75,695,151	(35,201,956)	40,493,195
Plant and machinery	7,555,908	(1,193,352)	6,362,556	5,613,590	(758,444)	4,855,146
Furniture and fixtures	6,634,226	(5,316,900)	1,317,326	6,608,905	(5,037,043)	1,571,862
Motor vehicles	2,189,412	(464,326)	1,725,086	2,189,411	(327,536)	1,861,875
Office equipment	11,491,055	(6,522,516)	4,968,539	7,072,009	(5,547,228)	1,524,781
Emergency equipment	58,797	(47,532)	11,265	58,797	(43,298)	15,499
<b>Total</b>	<b>104,999,764</b>	<b>(51,274,871)</b>	<b>53,724,893</b>	<b>98,377,863</b>	<b>(46,915,505)</b>	<b>51,462,358</b>

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation on disposals	Depreciation	Total
Land	1,140,000	-	-	-	-	-	1,140,000
Buildings	40,493,195	448,606	-	(213,390)	-	(2,528,289)	38,200,122
Plant and machinery	4,855,147	1,942,317	-	-	-	(434,909)	6,362,555
Furniture and fixtures	1,987,933	148,522	-	-	-	(364,644)	1,771,811
Motor vehicles	1,861,875	-	-	-	-	(136,790)	1,725,085
Office equipment	1,746,656	4,591,163	(145,618)	-	112,921	(1,142,865)	5,162,257
IT equipment	470,179	29,000	-	-	-	(105,012)	394,167
Emergency equipment	15,498	-	-	-	-	(4,233)	11,265
	<b>52,570,483</b>	<b>7,159,608</b>	<b>(145,618)</b>	<b>(213,390)</b>	<b>112,921</b>	<b>(4,716,742)</b>	<b>54,767,262</b>

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation on disposals	Depreciation	Total
Land	1,140,000	-	-	-	-	-	1,140,000
Buildings	43,175,515	573,696	(350,351)	(536,295)	145,260	(2,514,630)	40,493,195
Plant and equipment	4,559,461	592,455	(1,991)	-	1,448	(296,226)	4,855,147
Furniture and fixtures	2,278,954	117,364	(77,393)	-	58,861	(389,853)	1,987,933
Motor vehicles	2,602,062	-	(1,147,861)	-	549,145	(141,471)	1,861,875
Office equipment	2,141,628	328,828	(540,501)	-	419,906	(603,205)	1,746,656
IT equipment	390,624	164,670	-	-	-	(85,115)	470,179
Emergency equipment	15,566	4,354	-	-	-	(4,422)	15,498
	<b>56,303,810</b>	<b>1,781,367</b>	<b>(2,118,097)</b>	<b>(536,295)</b>	<b>1,174,620</b>	<b>(4,034,922)</b>	<b>52,570,483</b>

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation on disposals	Depreciation	Total
Land	1,140,000	-	-	-	-	-	1,140,000
Buildings	40,493,195	448,606	-	(213,390)	-	(2,528,289)	38,200,122
Plant and equipment	4,855,147	1,942,317	-	-	-	(434,909)	6,362,555
Furniture and fixtures	1,571,861	25,322	-	-	-	(279,857)	1,317,326
Motor vehicles	1,861,875	-	-	-	-	(136,790)	1,725,085
Office equipment	1,524,781	4,564,663	(145,618)	-	112,921	(1,088,209)	4,968,538
Emergency equipment	15,498	-	-	-	-	(4,233)	11,265
	<b>51,462,357</b>	<b>6,980,908</b>	<b>(145,618)</b>	<b>(213,390)</b>	<b>112,921</b>	<b>(4,472,287)</b>	<b>53,724,891</b>

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation on disposals	Depreciation	Total
Land	1,140,000	-	-	-	-	-	1,140,000
Buildings	43,175,515	573,696	(350,351)	(536,295)	145,260	(2,514,630)	40,493,195
Plant and machinery	4,559,461	592,455	(1,991)	-	1,448	(296,226)	4,855,147
Furniture and fixtures	1,820,857	86,414	(77,393)	-	58,861	(316,878)	1,571,861
Motor vehicles	2,602,062	-	(1,147,861)	-	549,145	(141,471)	1,861,875
Office equipment	1,913,026	288,628	(540,501)	-	419,906	(556,278)	1,524,781
Emergency equipment	15,566	4,354	-	-	-	(4,422)	15,498
	<b>55,226,487</b>	<b>1,545,547</b>	<b>(2,118,097)</b>	<b>(536,295)</b>	<b>1,174,620</b>	<b>(3,829,905)</b>	<b>51,462,357</b>

#### 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	1,475,409	298,287	1,475,409	298,287
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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.

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 Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Intangible assets

Economic entity	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,175,227	(1,747,003)	428,224	2,054,627	(1,669,278)	385,349

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,769,059	(1,652,753)	116,306	1,648,459	(1,595,371)	53,088

### Reconciliation of intangible assets - Economic entity - 2024

	Opening balance	Additions	Amortisation	Total
Computer software	385,349	120,600	(77,725)	428,224

### Reconciliation of intangible assets - Economic entity - 2023

	Opening balance	Additions	Disposals	Amortisation on disposal	Amortisation	Total
Computer software, other	339,228	150,879	(8,000)	2,469	(99,227)	385,349

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 8. Intangible assets (continued)

#### Reconciliation of intangible assets - Controlling entity - 2024

	Opening balance	Additions	Amortisation	Total
Computer software, other	53,088	120,600	(57,382)	116,306

#### Reconciliation of intangible assets - Controlling entity - 2023

	Opening balance	Additions	Disposals	Amortisation on disposal	Amortisation	Total
Computer software, other	81,248	60,000	(8,000)	2,469	(82,629)	53,088

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

### 9. Interests in other entities

#### Investments in controlled entities

Name of company	Held by	Economic Entity		Controlling Entity		Economic Entity		Controlling Entity	
		%	%	%	%	Carrying	Carrying	Carrying	Carrying
		ownership interest 2024	ownership interest 2023	ownership interest 2024	ownership interest 2023	amount 2024	amount 2023	amount 2024	amount 2023
Lejwe le Putswa Development Agency	Lejweleputswa District Municipality	- %	- %	100.00 %	100.00 %	-	-	100	100
						-	-	100	100
						-	-	100	100

### 10. Operating lease asset (liability)

Current liabilities	14,240	7,051	-	-
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### 11. Payables from exchange transactions

Trade payables	10,266,923	7,125,852	9,687,664	6,547,578
Accrued leave pay	13,971,715	13,041,092	13,411,723	12,620,800
Accrued bonus	5,639,732	4,465,685	5,425,572	4,263,083
Retention	72,973	964,135	72,973	964,135
	<b>29,951,343</b>	<b>25,596,764</b>	<b>28,597,932</b>	<b>24,395,596</b>

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 12. Employee benefit obligations

#### Defined benefit plans - General information

##### 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 2024 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	126	126	126
In service members (employees) non-members	11	9	11	9
	<b>137</b>	<b>135</b>	<b>137</b>	<b>135</b>

#### 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 2024 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.

#### The amounts recognised in the statement of financial position are as follows:

##### Carrying value

Employee benefit obligation (non-current portion)	16,785,000	15,678,000	16,651,000	15,577,000
Employee benefit obligation (current portion)	523,000	551,000	523,000	551,000
Long service awards (non-current portion)	4,185,000	4,292,000	4,185,000	4,292,000
Long service awards (current portion)	1,348,000	597,000	1,348,000	597,000
	<b>22,841,000</b>	<b>21,118,000</b>	<b>22,707,000</b>	<b>21,017,000</b>

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 12. Employee benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	16,229,000	14,784,000	16,128,000	14,702,000
Current service cost	720,000	807,000	704,000	791,000
Interest cost	2,106,000	1,776,000	2,092,000	1,766,000
Actuarial (gain)/loss	(1,376,010)	(865,881)	(1,379,010)	(858,881)
Benefits paid	(370,990)	(272,119)	(370,990)	(272,119)
	<b>17,308,000</b>	<b>16,229,000</b>	<b>17,174,000</b>	<b>16,128,000</b>

Changes in the present value of the long service award obligation are as follows:

Opening balance	4,889,000	4,820,000	4,889,000	4,820,000
Current Service Cost	510,000	517,000	510,000	517,000
Interest Cost	508,000	484,000	508,000	484,000
Actuarial (gain) / losses	297,507	(74,973)	297,507	(74,973)
Benefits paid	(671,507)	(857,027)	(671,507)	(857,027)
	<b>5,533,000</b>	<b>4,889,000</b>	<b>5,533,000</b>	<b>4,889,000</b>

### Key assumptions used

Although we have used the yield curve for our discount rates and our corresponding inflation rates, for indicative purposes we show the discount rate and CPI that corresponds to the implied duration of our liability. The implied duration of the liability for this valuation is 11,21 years. It is however important to note that this is solely for indicative purposes as we use the entire yield curve to obtain our financial variables:

Discount rates used	12.33 %	12.91 %	12.33 %	12.91 %
Consumer price inflation	6.89 %	7.98 %	6.89 %	7.98 %
Medical aid contribution inflation	7.89 %	8.98 %	7.89 %	8.98 %
Net effective discount rate	4.12 %	3.61 %	4.12 %	3.61 %

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 12. Employee benefit obligations (continued)

#### Sensitivity analysis

#### Sensitivity analysis

The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

20% increase/decrease in the assumed level of mortality;

1% increase/decrease in the Medical Aid inflation.

1% increase/decrease in the discount rate

1-year increase/decrease in the average retirement age

#### Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rate of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. We have illustrated the effect of higher and lower mortality rates by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	18,081,000	17,174,000	16,373,000
Interest Cost	2,242,000	2,128,000	2,027,000
Service Cost	849,000	807,000	770,000

#### Discount rate

Assumed discount rate have a significant effect on the amounts recognised in surplus or deficit. A one percentage point The value of the liability is directly dependent on the level of the discount rate used to discount the future expected cashflows. If the discount rate is higher the present value of the liability will be lower and vice versa.

We have tested the effect of a 1% p.a. change in the discount rate assumption. The effect is as follows::

	-1% Discount rate	Valuation Assumption	+1% Discount rate
Total Accrued Liability	19,066,000	17,174,000	15,577,000
Interest Cost	2,367,000	2,128,000	1,926,000
Service Cost	922,000	807,000	713,000

#### Average retirement age

The liability value is directly influenced by the assumption about the average retirement age of members as this determines the length these benefits are paid out to members.

We have tested the effect of a one-year increase and decrease in the assumed average retirement age. The effect is as follows:

	-1-year Average Retirement Age	Valuation Assumption	+1-year Average Retirement Age
Total Accrued Liability	19,174,000	17,174,000	15,488,000
Interest Cost	2,362,000	2,128,000	1,912,000
Service Cost	789,000	807,000	674,000

#### Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 10% increase in the medical aid inflation assumption. The effect is as follows:

**Lejweleputswa District Municipality Consolidated**  
Annual Financial Statements for the year ended 30 June 2024

## **Notes to the Annual Financial Statements**

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# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 12. Employee benefit obligations (continued)

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Total Accrued Liability	16,800,000	17,174,000	17,449,000
Interest Cost	2,081,000	2,128,000	2,162,000
Service Cost	794,000	807,000	816,000

### 13. Transfers payable (non-exchange)

Masilonyana grant - MIG	5,483,724	-	5,483,724	-
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### 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Industrial Development Corporation	616,191	616,191	-	-
LG SETA Grant	54,020	27,020	27,020	27,020
Rural Roads Asset Management Systems Grant	33,222	636,985	33,222	636,985
Local Government Financial Management Grant	-	392,718	-	392,718
	<b>703,433</b>	<b>1,672,914</b>	<b>60,242</b>	<b>1,056,723</b>

### Movement during the year

Balance at the beginning of the year	1,672,914	1,020,137	1,056,723	-
Additions during the year	4,906,000	9,131,000	4,879,000	9,131,000
Income recognition during the year	(5,875,481)	(8,478,223)	(5,875,481)	(8,074,277)
	<b>703,433</b>	<b>1,672,914</b>	<b>60,242</b>	<b>1,056,723</b>

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

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 20 for reconciliation of grants from National/Provincial Government.

### 15. Revenue

Licences and permits	93,500	-	93,500	-
Proceeds from disposal of property, plant and equipment	25,330	246,572	25,330	246,572
Operational revenue	941,280	398,106	361,280	398,106
Interest received	10,371,258	9,131,771	9,819,349	8,689,197
Government grants & subsidies	153,977,481	152,522,223	153,977,481	152,118,277
Fines, Penalties and Forfeits	-	50,500	-	50,500
	<b>165,408,849</b>	<b>162,349,172</b>	<b>164,276,940</b>	<b>161,502,652</b>



# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 15. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Licences and permits	93,500	-	93,500	-
Proceeds from disposal of property, plant and equipment	25,330	246,572	25,330	246,572
Operational revenue	941,280	398,106	361,280	398,106
Interest received - investment	10,371,258	9,131,771	9,819,349	8,689,197
	<b>11,431,368</b>	<b>9,776,449</b>	<b>10,299,459</b>	<b>9,333,875</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

#### Transfer revenue

Government grants & subsidies	153,977,481	152,522,223	153,977,481	152,118,277
Fines, Penalties and Forfeits	-	50,500	-	50,500
	<b>153,977,481</b>	<b>152,572,723</b>	<b>153,977,481</b>	<b>152,168,777</b>

### 16. Licences and permits

Atmospheric Emissions Licences	93,500	-	93,500	-
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### 17. Proceeds from disposal of property, plant and equipment

Proceeds from disposal of property, plant and equipment	25,330	246,572	25,330	246,572
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### 18. Operational revenue

Commission received	129,903	120,513	129,903	120,513
Insurance claim	-	39,360	-	39,360
Sundry income	811,377	238,233	231,377	238,233
	<b>941,280</b>	<b>398,106</b>	<b>361,280</b>	<b>398,106</b>

### 19. Investment revenue

#### Interest revenue

Interest received - investment and cash and cash equivalents	10,212,572	8,764,427	9,660,663	8,321,853
Interest received - trading	158,686	367,344	158,686	367,344
	<b>10,371,258</b>	<b>9,131,771</b>	<b>9,819,349</b>	<b>8,689,197</b>

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023
<b>20. Government grants &amp; subsidies</b>				
<b>Operating grants</b>				
Equitable share	149,131,703	144,044,000	149,131,703	144,044,000
Expanded Public Works Programme Grant	1,428,000	1,265,000	1,428,000	1,265,000
Local Government Financial Management Grant	1,000,000	607,282	1,000,000	607,282
Rural Roads Asset Management Systems Grant	2,417,778	1,804,015	2,417,778	1,804,015
LG SETA Grant	-	397,980	-	397,980
Energy Efficiency Demand Side Management Grant	-	4,000,000	-	4,000,000
Industrial Development Corporation Grant	-	403,946	-	-
	<b>153,977,481</b>	<b>152,522,223</b>	<b>153,977,481</b>	<b>152,118,277</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	4,845,778	8,478,223	4,845,778	8,074,277
Unconditional grants received	149,131,703	144,044,000	149,131,703	144,044,000
	<b>153,977,481</b>	<b>152,522,223</b>	<b>153,977,481</b>	<b>152,118,277</b>

### Industrial Development Corporation Grant

Balance unspent at beginning of year	616,191	1,020,137	-	-
Conditions met - transferred to revenue	-	(403,946)	-	-
	<b>616,191</b>	<b>616,191</b>	<b>-</b>	<b>-</b>

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)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	1,428,000	1,265,000	1,428,000	1,265,000
Conditions met - transferred to revenue	(1,428,000)	(1,265,000)	(1,428,000)	(1,265,000)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 14).

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 20. 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.

#### LG SETA Grant

Balance unspent at beginning of year	27,020	-	27,020	-
Current-year receipts	27,000	425,000	-	425,000
Conditions met - transferred to revenue	-	(397,980)	-	(397,980)
	<b>54,020</b>	<b>27,020</b>	<b>27,020</b>	<b>27,020</b>

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

Balance unspent at beginning of year	636,985	-	636,985	-
Current-year receipts	2,451,000	2,441,000	2,451,000	2,441,000
Conditions met - transferred to revenue	(2,417,778)	(1,804,015)	(2,417,778)	(1,804,015)
Offset against equitable share	(636,985)	-	(636,985)	-
	<b>33,222</b>	<b>636,985</b>	<b>33,222</b>	<b>636,985</b>

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

Balance unspent at beginning of year	392,718	-	392,718	-
Current-year receipts	1,000,000	1,000,000	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(607,282)	(1,000,000)	(607,282)
Offset against equitable share	(392,718)	-	(392,718)	-
	<b>-</b>	<b>392,718</b>	<b>-</b>	<b>392,718</b>

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).

### 21. Fines, Penalties and Forfeits

Sundry Fines	-	50,500	-	50,500
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# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023
<b>22. Employee related costs</b>				
Bargaining council	20,894	20,174	20,894	20,174
Basic	76,271,897	66,991,724	71,894,681	63,810,001
Bonus	5,859,209	5,344,446	5,588,977	5,110,954
Cellphone allowance	376,357	298,233	361,232	286,233
Contribution to pension and provident fund	12,091,368	11,298,679	11,482,518	10,774,345
Group life insurance	1,658,455	1,537,579	1,658,455	1,537,579
Housing benefits and allowances	647,249	586,458	584,303	534,985
Leave pay provision charge	4,698,674	3,827,071	4,520,993	3,686,281
Long-service awards	1,034,000	1,017,000	1,018,000	1,001,000
Medical aid - company contributions	6,146,198	5,666,161	5,834,503	5,442,477
Overtime payments	127,036	121,640	127,036	121,640
Post retirement benefits	2,797,843	2,557,000	2,797,843	2,557,000
Senior management	4,859,349	4,100,077	4,859,349	4,100,077
Standby allowance	1,181,437	774,464	1,181,437	774,464
Travel allowance	13,690,631	12,017,510	13,690,631	12,017,510
UIF	380,379	366,425	355,600	344,946
	<b>131,840,976</b>	<b>116,524,641</b>	<b>125,976,452</b>	<b>112,119,666</b>

### Remuneration of municipal manager

Annual Remuneration	628,955	112,205	628,955	112,205
Car Allowance	203,078	19,246	203,078	19,246
Performance Bonuses	151,602	16,420	151,602	16,420
Contributions to UIF, Medical and Pension Funds	164,718	14,198	164,718	14,198
Cellphone Allowance	27,328	3,000	27,328	3,000
Housing Allowance	-	7,000	-	7,000
Acting Allowance and other payments	25,496	281,003	25,496	281,003
Bonus - 13th Cheque	18,121	5,778	18,121	5,778
13th cheque provision	36,242	-	36,242	-
Backpay	5,214	-	5,214	-
	<b>1,260,754</b>	<b>458,850</b>	<b>1,260,754</b>	<b>458,850</b>

### Remuneration of chief finance officer

Annual Remuneration	749,439	470,892	749,439	470,892
Car Allowance	134,516	33,349	134,516	33,349
Performance Bonuses	123,977	80,533	123,977	80,533
Contributions to UIF, Medical and Pension Funds	1,594	108,333	1,594	108,333
Cellphone Allowance	20,800	15,000	20,800	15,000
Acting Allowance and other payments	39,281	80,481	39,281	80,481
Backpay	27,427	-	27,427	-
	<b>1,097,034</b>	<b>788,588</b>	<b>1,097,034</b>	<b>788,588</b>

### Remuneration of Manager Corporate Services

Annual Remuneration	534,343	153,522	534,343	153,522
Car Allowance	128,902	20,000	128,902	20,000
Performance Bonuses	99,742	26,844	99,742	26,844
Contributions to UIF, Medical and Pension Funds	4,683	30,233	4,683	30,233
Cellphone allowance	12,000	3,000	12,000	3,000
Housing Allowance	-	15,886	-	15,886
Acting Allowance and other payments	23,507	93,561	23,507	93,561
Bonus - 13th Cheque	-	9,446	-	9,446
Backpay	9,142	-	9,142	-
Bonus provision	35,388	-	35,388	-

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023
<b>22. Employee related costs (continued)</b>				
	<b>847,707</b>	<b>352,492</b>	<b>847,707</b>	<b>352,492</b>
<b>Remuneration of Manager Environmental Health and Disaster Management</b>				
Annual Remuneration	372,484	653,663	372,484	653,663
Car Allowance	72,392	116,367	72,392	116,367
Performance Bonuses	84,459	145,258	84,459	145,258
Contributions to UIF, Medical and Pension Funds	118,440	191,771	118,440	191,771
Cellphone Allowance	3,005	13,109	3,005	13,109
Housing Allowance	35,000	60,000	35,000	60,000
Bonus	-	42,699	-	42,699
13th Cheque Provision	31,040	8,646	31,040	8,646
Acting Allowance and other payments	55,148	-	55,148	-
Backpay	42,495	-	42,495	-
	<b>814,463</b>	<b>1,231,513</b>	<b>814,463</b>	<b>1,231,513</b>
<b>Remuneration of Manager LED, Planning and Tourism</b>				
Annual Remuneration	374,040	665,058	374,040	665,058
Car Allowance	95,227	129,939	95,227	129,939
Performance Bonuses	87,276	147,643	87,276	147,643
Contributions to UIF, Medical and Pension Funds	82,963	188,854	82,963	188,854
Cellphone Allowance	12,189	16,500	12,189	16,500
Housing Allowance	40,000	55,000	40,000	55,000
Bonus	-	52,659	-	52,659
Acting Allowance and other payments	66,242	12,804	66,242	12,804
Backpay	50,283	-	50,283	-
Bonus provision	31,170	-	31,170	-
	<b>839,390</b>	<b>1,268,457</b>	<b>839,390</b>	<b>1,268,457</b>
<b>Remuneration of Chief Executive Officer - Agency</b>				
Annual Remuneration	622,760	-	-	-
Car Allowance	15,791	-	-	-
Contributions to UIF, Medical and Pension Funds	1,063	-	-	-
Acting Allowance	71,988	40,006	-	-
	<b>711,602</b>	<b>40,006</b>	<b>-</b>	<b>-</b>
<b>Remuneration of Finance Manager - Agency</b>				
Annual Remuneration	579,462	549,774	-	-
Car Allowance	230,227	219,047	-	-
13th Cheque	46,021	43,976	-	-
Contributions to UIF, Medical and Pension Funds	170,495	155,215	-	-
Housing Allowance	4,752	4,753	-	-
Cellphone Allowance	6,000	6,000	-	-
Leave pay	-	30,787	-	-
Acting allowance and other payments	180,544	-	-	-
	<b>1,217,501</b>	<b>1,009,552</b>	<b>-</b>	<b>-</b>

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023
<b>23. Remuneration of councillors/board members</b>				
Executive Mayor	1,038,730	963,092	1,038,730	963,092
Board Members	215,325	335,799	-	-
Mayoral Committee Members	4,821,212	4,423,831	4,821,212	4,423,831
Speaker	837,187	726,785	837,187	726,785
Councillors	4,463,216	4,218,184	4,463,216	4,218,184
	<b>11,375,670</b>	<b>10,667,691</b>	<b>11,160,345</b>	<b>10,331,892</b>

### 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.

### 24. Transfer and subsidies

Allocation in kind: Development Agency	-	-	172,200	22,400
Allocation in kind: Households	5,217,160	2,403,796	5,217,160	2,403,796
Allocation in kind: Local Municipalities	1,496,696	3,996,212	1,496,696	3,996,212
Allocation in kind: Private enterprises	1,123,882	845,046	1,123,882	845,046
Monetary allocation: Development Agency	-	-	8,005,897	500,000
	<b>7,837,738</b>	<b>7,245,054</b>	<b>16,015,835</b>	<b>7,767,454</b>

### 25. Depreciation and amortisation

Property, plant and equipment	4,716,742	4,034,922	4,472,286	3,829,905
Intangible assets	77,725	99,227	57,382	82,629
	<b>4,794,467</b>	<b>4,134,149</b>	<b>4,529,668</b>	<b>3,912,534</b>

### 26. Impairment of assets

#### Impairments

Trade and other receivables	156,112	467,073	156,112	464,098
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### 27. Operating lease expenditure

#### Premises

Contractual amounts	244,537	235,795	-	-
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#### Equipment

Contractual amounts	730,122	765,317	730,122	765,317
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	<b>974,659</b>	<b>1,001,112</b>	<b>730,122</b>	<b>765,317</b>
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### 28. Finance costs

Other interest paid	14,000	10,000	-	-
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### 29. Inventory consumed

Printing, stationery, personal protective equipment and cleaning material	3,476,509	3,288,507	3,306,123	3,244,301
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# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023
<b>30. Contracted services</b>				
<b>Outsourced Services</b>				
Administrative and Support Staff	324,250	350,000	324,250	350,000
Cleaning Services	-	589,758	-	588,858
Litter Picking and Street Cleaning	5,014,447	2,874,994	5,014,447	2,874,994
<b>Consultants and Professional Services</b>				
Business and Advisory	390,783	791,480	306,983	664,500
Infrastructure and Planning	2,682,224	1,804,015	2,682,224	1,804,015
Laboratory Services	213,245	160,786	213,245	160,786
Legal Cost	5,897,137	3,972,515	5,725,637	3,778,015
<b>Contractors</b>				
Accounting fees	136,100	120,000	-	-
Artists and Performers	-	27,500	-	27,500
Catering Services	3,766,723	2,957,528	3,635,954	2,890,205
Development costs	2,257,603	42,503	-	-
Employee Wellness	24,000	62,211	24,000	62,211
Event Promoters	344,442	32,000	344,442	32,000
Interior Decorator	20,133	71,730	-	-
Maintenance of Buildings and Facilities	1,354,957	135,860	1,354,957	135,860
Maintenance of Equipment	120,452	162,427	120,452	162,427
Plants, Flowers and Other Decorations	67,080	75,488	67,080	75,488
Transportation	3,350,241	936,872	3,350,241	936,872
Safeguard and Security	1,214,633	675,634	1,214,633	675,634
	<b>27,178,450</b>	<b>15,843,301</b>	<b>24,378,545</b>	<b>15,219,365</b>
<b>31. Operational cost</b>				
Advertising	937,163	1,100,889	845,587	642,712
Auditors remuneration	4,422,829	3,307,524	3,925,859	2,902,236
Bank charges	100,105	101,757	90,655	93,245
Bursaries	910,266	574,756	910,266	574,756
Communication	267,556	235,004	243,461	211,559
Entertainment	272,656	445,663	264,956	445,663
External computer services	1,421,059	1,317,136	1,421,059	1,317,136
Fuel and oil	640,066	694,940	640,066	694,940
Hire	6,081,970	2,450,449	6,081,970	2,450,449
Insurance	403,287	990,564	358,690	951,882
Internet charges	47,534	48,543	-	-
Learnerships and internships	1,330,898	1,887,689	1,330,898	1,887,689
Licence and registration fees	390	130	390	130
License	99,210	62,639	11,084	62,639
Municipal services	1,082,684	962,517	972,302	878,159
Office décor	96,863	39,000	-	-
Registration fees	347,748	172,368	347,748	172,368
Skills development levy	1,277,217	1,149,000	1,227,550	1,110,533
Subscriptions and membership fees	64,451	2,539,422	64,451	2,539,422
Travel and subsistence	4,549,040	2,964,827	4,160,711	2,873,142
Uniforms	-	11,054	-	11,054
Workmens Compensation Fund	583,018	546,257	583,018	546,257
	<b>24,936,010</b>	<b>21,602,128</b>	<b>23,480,721</b>	<b>20,365,971</b>

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 32. Related parties

Relationships	
Controlling entity	Lejweleputswa District Municipality
Controlled entities	Refer to note 9
Members of key management	Refer to note 22

### 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"

### 33. Financial instruments disclosure

#### Categories of financial instruments

#### Economic entity - 2024

#### Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	43,409	43,409
Other receivables from non-exchange transactions	15,278	15,278
Cash and cash equivalents	73,378,698	73,378,698
	<b>73,437,385</b>	<b>73,437,385</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	11,114,044	11,114,044
Transfers payable (non-exchange)	5,483,724	5,483,724
	<b>16,597,768</b>	<b>16,597,768</b>

#### Economic entity - 2023

#### Financial assets

	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
	<b>110,723,166</b>	<b>110,723,166</b>

#### Financial liabilities



# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 33. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other payables from exchange transactions	8,712,878	8,712,878

#### Controlling entity - 2024

##### Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	15,278	15,278
Cash and cash equivalents	70,619,898	70,619,898
	<b>70,635,176</b>	<b>70,635,176</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	9,760,637	9,760,637
Taxes and transfers payable (non-exchange)	5,483,724	5,483,724
	<b>15,244,361</b>	<b>15,244,361</b>

#### Economic entity - 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
	<b>106,458,788</b>	<b>106,458,788</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	7,511,709	7,511,709

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023
<b>34. Cash used in operations</b>				
Deficit	(46,094,884)	(17,945,904)	(44,373,126)	(12,206,365)
<b>Adjustments for:</b>				
Depreciation and amortisation	4,794,466	4,134,149	4,529,668	3,912,534
(Loss) gain on sale of assets and liabilities	(2,354)	452,274	(2,354)	452,274
Interest received: non cash	158,686	367,344	158,686	367,344
Impairment	156,112	467,073	156,112	464,098
Movements in operating lease assets and accruals	7,189	7,051	-	-
Movements in retirement benefit assets and liabilities	1,079,000	1,445,000	1,046,000	1,426,000
Movement in long service awards	(644,000)	(69,000)	(644,000)	(69,000)
Non-cash journals	1,610,188	829,163	1,610,188	829,163
Offset against equitable share	(1,029,703)	-	(1,029,703)	-
Current service cost	(1,214,000)	(1,308,000)	(1,214,000)	(1,308,000)
Actuarial gain or loss	1,081,503	933,854	1,081,503	933,854
Non-cash:Net income (losses) recognised directly in net assets	492,818	162,769	492,818	162,769
<b>Changes in working capital:</b>				
Receivables from exchange transactions	18,081	(2,850)	-	-
Other receivables from non-exchange transactions	246,218	(170,408)	246,218	(170,408)
Payables from exchange transactions	4,114,869	3,039,092	3,962,627	2,785,176
VAT	942,567	(1,371,620)	988,505	(1,382,139)
Taxes and transfers payable (non-exchange)	5,483,724	-	5,483,724	-
Unspent conditional grants and receipts	(967,083)	652,777	(994,083)	1,056,723
	<b>(29,766,603)</b>	<b>(8,377,236)</b>	<b>(28,501,217)</b>	<b>(2,745,977)</b>

## 35. Commitments

### Authorised expenditure

#### Already contracted for but not provided for

• KKMT Construction	-	264,800	-	264,800
• Trisch	-	230,000	-	230,000
• Calandra Trading	-	3,180,176	-	3,180,176
• Awali Engineering	3,747,024	6,398,025	3,747,024	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
• Pheny and Boitumelo Projects	-	421,651	-	421,651
ZT Security Services	4,415,593	-	4,415,593	-
	<b>8,162,617</b>	<b>12,134,935</b>	<b>8,162,617</b>	<b>12,134,935</b>

#### Total commitments

Already contracted for but not provided for	8,162,617	12,134,935	8,162,617	12,134,935
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This committed expenditure relates to plant, equipment and services and will be financed by existing cash resources and funds internally generated.

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 36. Contingencies

1) 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.

2) An application was received from the Department of Labour for non-compliance with the Employment Equity Act. The potential liability is R1 300 000

3) Two employees are claiming overtime. The potential liability is R 1 608 708.

4) 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

5) Damages claimed due to veld fires. Damages claimed for G Nell and Willemse; R5 566 179.68

6) Damages claimed due to veldfire. The following damages are claimed by the respective claimants: HJ Linde R817 083.33; HJ Linde N.O and Others R 96 267.74; HJ Linde N.O and 2 Others R756 052.21; Johan Du Plesis R2 285 448.08; Scheerpan Farm R1 828 505.44; M Labuschagne N.O and Others R5 898 538.30; NJ De Kock R1 567 332.72

7) Damages claimed due to veldfire. Damages claimed R2 262 609.72

8) Damages claimed due to veldfire. Damages claimed; JJ Haasbroek R6 200 969.91 and Vleipan R8 357 808.99.

9) A potential liability in the amount of R 4 227 865 existed at year end, due to a transactional advisory agreement with a third party. The liability has not been raised at year end due the LDA awaiting legal opinions and formal approval from the board in relation to this matter.

10) 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

#### Contingent liabilities

1) Riebeeckstad Makelaars // LDM	36,182	36,182	36,182	36,182
2) Lejweleputswa District Municipality // Director General	1,300,000	1,300,000	1,300,000	1,300,000
3) Mahlaku & Ponya // Lejweleputswa District Municipality.	1,608,709	1,608,709	1,608,709	1,608,709
4) BENNITA CHRISTINA EARLE AND FIVE OTHERS// LDM	579,783	579,783	579,783	579,783
5) G.NEL N.O; S.WILLEMSE N.O; B.ERASMUS VS LEJWELEPUTSWA DISTRICT MUNICIPALITY	5,566,180	-	5,566,180	-
6) HJ LINDE; HJ LINDE N.O AND OTHERS; HJ LINDE N.O AND 2 OTHERS; M LABUSCHAGNE N.O AND OTHERS; SCHEERPAN FARM PTY LTD; JOHAN DU PLEIS; NJ DE KOCK VS LDM	13,249,228	-	13,249,228	-
7) JP VAN SCHALKWYK VS LEJWELEPUTSWA DISTRICT MUNICIPALITY	2,262,610	-	2,262,610	-
8) JJ HAASBROEK AND VLEIPAN VS LEJWELEPUTSWA DISTRICT MUNICIPALITY	14,558,779	-	14,558,779	-
9) Transactional advisory agreement	4,227,865	-	-	-
10) Unpaid invoices	1,761,472	-	-	-
	<b>45,150,808</b>	<b>3,524,674</b>	<b>39,161,471</b>	<b>3,524,674</b>

### 37. 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:

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 37. Prior-year adjustments (continued)

#### Statement of financial position

##### Economic entity - 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventory		457,829	-	(457,829)	-
Property, plant and equipment	7	53,106,837	(58)	(536,295)	52,570,484
Payables from exchange transactions	11	23,613,611	1,983,149	-	25,596,760
Accumulated surplus		121,735,827	(2,441,038)	(536,295)	118,758,494
		-	-	-	-

##### Controlling entity - 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventory		457,829	-	(457,829)	-
Property, plant and equipment	7	51,998,711	(59)	(536,295)	51,462,357
Payables from exchange transactions	11	22,412,441	1,983,151	-	24,395,592
Accumulated surplus		117,948,686	(2,441,038)	(536,295)	114,971,353
		-	-	-	-

#### Statement of financial performance

##### Economic entity - 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Transfers and Subsidies	24	6,569,164	218,061	457,829	7,245,054
Inventory Consumed	29	3,257,853	30,650	-	3,288,503
Contracted services	30	15,564,763	278,538	-	15,843,301
Operational cost	31	20,138,225	1,463,902	-	21,602,127
		-	-	-	-

##### Controlling entity - 2023

	Note	As previously reported	Correction of error	Re-classification	Restated
Transfers and Subsidies	24	7,099,564	210,061	457,829	7,767,454
Inventory Consumed	29	3,213,647	30,650	-	3,244,297
Contracted services	30	14,940,827	278,538	-	15,219,365
Operational cost	31	18,902,068	1,463,902	-	20,365,970
		-	-	-	-

#### Errors

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 37. Prior-year adjustments (continued)

#### Property, plant and equipment:

Carrying value was restated due to correction of rounding error in the prior period. Expenditure reclassified to correct nature

#### Payables from exchange transactions:

Invoices received after the AFS were finalised and had to be accounted for in the period they occurred in

#### Inventory

Restated due to correction of reclassified expenditure to correct nature in the prior period

#### Transfers and subsidies

Restated due to Invoices received after the AFS were finalised and had to be accounted for in the period they occurred

#### 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 cost

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

#### **Contingent Liabilities**

Balance previously stated	-	2,011,101	-	2,011,101
Adjustments made	-	1,513,573	-	1,513,573
<b>Restated closing balance</b>	-	<b>3,524,674</b>	-	<b>3,524,674</b>

Adjustments made to closing balance of contingent liabilities is due to correction of contingent liabilities that were omitted in the prior year.

### **Financial Instruments disclosure**

#### **Financial liabilities**

Balance previously stated	23,613,611	22,115,817
Adjustments made	14,900,733	14,604,108
<b>Restated opening balance</b>	<b>8,712,878</b>	<b>7,511,709</b>

Adjustment made to balance of financial liabilities is due to correction of errors in payables from exchange transactions

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

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### 38. 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 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.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

#### Market risk

#### Interest rate risk

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	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 39. Going concern

We draw attention to the fact that at 30 June 2024, the economic entity had an accumulated surplus (deficit) of 72,170,790 and that the economic entity's total assets exceed its liabilities by 72,170,790.

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.

The Free State Provincial Treasury assessed the municipality's 2024/2025 annual budget and concluded that the budget is funded. Which means the municipality will be able to fund its operations for at least the next 12 months.

### 40. Unauthorised expenditure

Opening balance as previously reported	2,912,252	2,912,252	2,912,252	2,912,252
Add: Unauthorised expenditure - current	812,483	-	812,483	-
<b>Closing balance</b>	<b>3,724,735</b>	<b>2,912,252</b>	<b>3,724,735</b>	<b>2,912,252</b>

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Cash	812,483	-	812,483	-
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### Unauthorised expenditure: Budget overspending – per municipal vote

Vote 3: Planning and development - Capital Expenditure	803	-	803	-
Vote 5: Health - Capital Expenditure	42,506	-	42,506	-
Vote 3: Planning and development - Operational Expenditure	177,333	-	177,333	-
Vote 5: Health - Operational Expenditure	591,842	-	591,842	-
	<b>812,484</b>	<b>-</b>	<b>812,484</b>	<b>-</b>

### 41. Irregular expenditure

Opening balance as previously reported	32,433,731	13,325,088	24,740,800	6,046,903
Add: Irregular expenditure - current	17,935,053	19,108,643	16,786,968	18,693,897
Add: Irregular expenditure - prior period	7,068,877	-	7,068,877	-
<b>Closing balance</b>	<b>57,437,661</b>	<b>32,433,731</b>	<b>48,596,645</b>	<b>24,740,800</b>

### 42. Fruitless and wasteful expenditure

Opening balance as previously reported	51,003	40,170	-	-
Add: Fruitless and wasteful expenditure identified - current	207,336	13,370	207,336	-
Less: Amount recovered - current	(6,000)	(2,537)	-	-
<b>Closing balance</b>	<b>252,339</b>	<b>51,003</b>	<b>207,336</b>	<b>-</b>

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Figures in Rand	2024	2023	2024	2023
<b>43. Additional disclosure in terms of Municipal Finance Management Act</b>				
<b>Contributions to organised local government</b>				
Current year subscription / fee	1,395,644	1,070,621	1,395,644	1,070,621
Amount paid - current year	(1,395,644)	(1,070,621)	(1,395,644)	(1,070,621)
	-	-	-	-

### Audit fees

Opening balance	214,572	274,204	214,572	274,204
Current year subscription / fee	4,422,829	3,307,464	3,925,859	2,902,236
Amount paid - current year	(4,420,157)	(3,092,892)	(3,923,187)	(2,687,664)
Amount paid - previous years	(214,572)	(274,204)	(214,572)	(274,204)
	<b>2,672</b>	<b>214,572</b>	<b>2,672</b>	<b>214,572</b>

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	26,387,494	23,512,204	25,410,462	22,642,146
Amount paid - current year	(26,387,494)	(23,512,204)	(25,410,462)	(22,642,146)
	-	-	-	-

### Pension and Medical Aid Deductions

Current year subscription / fee	30,272,900	28,133,210	30,272,900	28,133,210
Amount paid - current year	(30,272,900)	(28,133,210)	(30,272,900)	(28,133,210)
	-	-	-	-

### VAT

VAT receivable	2,531,654	3,474,222	2,477,829	3,466,334
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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

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	-	147,620	-	147,620
(ii) Goods and services are produced by a sole supplier	92,499	-	92,499	-
(v) Exceptional circumstance where it was impractical or impossible to follow the procurement process	-	59,682	-	59,682
	<b>92,499</b>	<b>207,302</b>	<b>92,499</b>	<b>207,302</b>



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## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 43. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### 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

Finger Attorneys (Spouse of the director works for the state)	52,394	786,788	52,394	786,788
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### 44. Budget differences

#### Material differences between budget and actual amounts

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2024	2023	2024	2023

### 44. Budget differences (continued)

X1 - It was anticipated that significant ZR Mahabane project funds would be released during the year, however this did not happen.

X2 - The municipality had anticipated to have less cash available for investments, this was not the case during the financial year. As a result, we received more than we had budgeted for

X3 - The municipality had budgeted for the recognition of Masilonyana MIG Revenue, however this revenue should not be recognised by LDM.

X4 - The municipality incurred higher employee related costs due to the recruitment of new employees, as well as the provisions for post retirement benefits and long service awards.

X5 - Variance is less than 10% , difference is judged to be insignificant and thus no reason is required.

X6 - The municipality had budgeted for the recognition of Masilonyana MIG Expenditure, however the expenditure should not be recognised by LDM as the was only acting as a conduit

X7 - The under expenditure on the capital budget led to the under expenditure of depreciation

X9 - Operating leases are budgeted for under Operational Costs

X 10 - The initiative taken by management of the municipality to make all municipality meeting to use less paper and have meeting agendas and documents to be circulated electronically. This has manifested in to a favourable cost saving on printing paper, cartridges and toners.

X 11 - Variance is less than 10% , variance is judged to be insignificant and thus no reason is required

X12 - Municipality underspent due to not being able to finalise tenders which had been budgeted for under Operational Cost.

X13 - 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 18 - Budgeted for the complete utilisation of the Masilonyana Municipal Infrastructure Grant expenditure as per the DORA allocation, however some of the projects were not completed by the end of the financial year

X 20 - The calculation that is made for the future Post Employment Medical Aid Liability and Long Service Award 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.

# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2024	2023	2024	2023

### 45. 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.

##### 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

Lejweleputswa Development Agency

##### Goods and/or services

Please refer to the Statement of Financial Position and Statement of Financial Performance

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# Lejweleputswa District Municipality Consolidated

Annual Financial Statements for the year ended 30 June 2024

## Notes to the Annual Financial Statements

Figures in Rand

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### 45. 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.