



NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY
"Leaders in Integrated Municipal Governance"

Annual Report

2023/24

Table of Contents

| | |
|---|-----------|
| CHAPTER 1 EXECUTIVE SUMMARY..... | 1 |
| MAYOR'S FOREWORD AND EXECUTIVE SUMMARY | 1 |
| COMPONENT A: MAYOR'S FOREWORD | 1 |
| 1.1 COMPONENT B: EXECUTIVE SUMMARY | 3 |
| 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW..... | 5 |
| 1.3 SERVICE DELIVERY OVERVIEW | 11 |
| 1.4 FINANCIAL HEALTH OVERVIEW..... | 14 |
| 1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW | 17 |
| 1.6 AUDITOR GENERAL REPORT..... | 17 |
| 1.7 STATUTORY ANNUAL REPORT PROCESS..... | 18 |
| COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE..... | 20 |
| 2.1 POLITICAL GOVERNANCE..... | 21 |
| 2.2 ADMINISTRATIVE GOVERNANCE..... | 26 |
| COMPONENT B: INTERGOVERNMENTAL RELATIONS | 36 |
| 2.3 INTERGOVERNMENTAL RELATIONS | 36 |
| COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION | 38 |
| 2.4 PUBLIC MEETINGS..... | 38 |
| 2.5 IDP PARTICIPATION AND ALIGNMENT | 40 |
| COMPONENT D: CORPORATE GOVERNANCE | 41 |
| 2.6. RISK MANAGEMENT..... | 41 |
| 2.7 ANTI-CORRUPTION AND FRAUD | 43 |
| 2.8 SUPPLY CHAIN MANAGEMENT..... | 44 |
| 2.9 BY-LAWS | 44 |
| 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES | 46 |
| COMPONENT A: BASIC SERVICES | 48 |
| 3.1. WATER PROVISION | 51 |
| 3.2 WASTE-WATER (SANITATION) PROVISION..... | 59 |
| 3.3 FREE BASIC SERVICES AND INDIGENT SUPPORT..... | 63 |
| COMPONENT B: ROAD TRANSPORT | 64 |
| 3.4 ROADS | 64 |
| COMPONENT C: PLANNING AND DEVELOPMENT..... | 68 |
| 3.5 PLANNING | 69 |
| 3.6 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)..... | 70 |
| COMPONENT F: HEALTH | 73 |

| | |
|--|------------|
| COMPONENT G: SECURITY AND SAFETY..... | 76 |
| COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES | 85 |
| CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)..... | 129 |
| COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL | 131 |
| 4.1. EMPLOYEE TOTALS, TURNOVER AND VACANCIES | 131 |
| COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE | 135 |
| 4.2 POLICIES | 136 |
| 4.3 INJURIES, SICKNESS AND SUSPENSIONS..... | 137 |
| COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE | 142 |
| 4.5 SKILLS DEVELOPMENT AND TRAINING..... | 143 |
| COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE..... | 147 |
| CHAPTER 5 FINANCIAL PERFORMANCE..... | 152 |
| COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE | 152 |
| 5.1 STATEMENTS OF FINANCIAL PERFORMANCE 2023/2024..... | 153 |
| 5.2 GRANTS | 160 |
| 5.3 ASSET MANAGEMENT | 162 |
| T 5.3.1 | 162 |
| 5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS..... | 167 |
| COMPONENT B: SPENDING AGAINST CAPITAL BUDGET..... | 177 |
| 5.5 CAPITAL EXPENDITURE | 179 |
| 5.6 CAPITAL EXPENDITURE | 180 |
| | 180 |
| 5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS | 184 |
| COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS..... | 187 |
| 5.9 CASH FLOW..... | 187 |
| 5.10 BORROWING AND INVESTMENTS..... | 189 |
| COMPONENT D: OTHER FINANCIAL MATTERS | 200 |
| 5.12 SUPPLY CHAIN MANAGEMENT | 200 |
| 5.13 GRAP COMPLIANCE..... | 200 |
| 6.1 AUDITOR GENERAL'S OPINION..... | 201 |
| 6.2 AUDITOR GENERAL'S AUDIT FINDINGS..... | 201 |
| APPENDICES | 297 |
| APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE | 297 |
| APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES | 300 |
| APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE..... | 301 |
| APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY | 303 |
| APPENDIX G – RECOMMENDATIONS OF THE RISK AUDIT COMMITTEE YEAR | |

| | |
|---|------------|
| 2023/2024 | 304 |
| APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE | 309 |
| APPENDIX K (I): REVENUE COLLECTION PERFORMANCE BY VOTE | 309 |
| APPENDIX K (II): REVENUE COLLECTION PERFORMANCE BY SOURCE | 310 |
| APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG | 311 |
| CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME | 312 |
| CAPITAL PROGRAMME BY PROJECT YEAR 2023/2024 | 315 |
| VOLUME II | |
| ANNUAL FINANCIAL STATEMENTS..... | 323 |
| VOLUME III | |
| SPECIAL ADJUSTMENT BUDGET..... | 427 |



CHAPTER 1

Executive Summary

With the authors' compliments & pleasant recollections of happy days in the Siege of Mafeking

Sae's Plaak



Established 1916

Annual Report
2023/24

MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD



It is a great pleasure to present the 2023/2024 annual report on behalf of the Council of Ngaka Modiri Molema District Municipality. This Annual Report for the 2022/2023 financial year has been compiled in accordance with section 46 of the Local Government Municipal Systems Act, no 32 of 2000 (as amended), Section 127 (2) of the Local Government Municipal Finance Management Act No 56 Of 2003 as well as accompanying circulars and guidelines from National Treasury.

The report serves as an accountability instrument to our stakeholders, partners and communities on the performance on our pre-determined objectives, and the utilisation of funds allocated to us. It highlights areas of good performance and those that we did not do very well and the challenges that we encountered during the year.

Nelson Mandela once said "accountability of leaders to the rank and file and the accountability of members to the structures to which they are affiliated is the flip side of the coin of democracy. Such relations existing between the movement as a whole and our people."

Our mandate, powers and functions are derived from Chapter 7 of the Constitution, and various other acts passed by the Parliament of the Republic of South Africa. These have served as a basis for our actions and guided our decisions during the year under review. The year's priorities were determined through a consulted process with the stakeholders, partners and communities, and reduced into an Integrated Development Plan. The report therefore covers the extent to which we provided uninterrupted and sustainable services on our core mandates of water and sanitation, environmental health and disaster management which include fire prevention and rescue services, and an account of any disruption to those services.

The council and the administration have worked very hard during the year to ensure that the vision of the municipality is realized. We have put in place various interventions to ensure that we respond to community demands expeditiously. We rolled out an operations and maintenance program whose work was mainly to ensure that water infrastructure is working, and that water is provided to communities. We partnered with the Office of the Premier and participated in the accelerated service delivery programme of Thutsha Lerole, which saw all government departments and the municipality working collaboratively to accelerate the delivery of the much-needed services to the people.

We have worked very hard to improve our financial management. This led to the adoption of a funded and balanced budget for 2024/2025. We have continued to strengthen controls, especially over the procurement processes to ensure that only

budgeted projects are undertaken, with the aim of reducing and ultimately eliminating the scourge of accruals. We had to do this to curb the rising amounts of service providers who are doing the work, or had done the work, but could not be paid as the projects that were not covered by current cash flows.

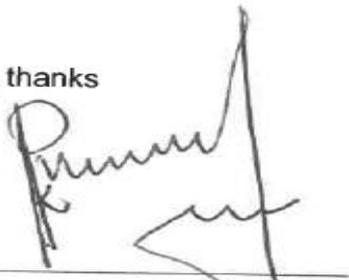
This created dissatisfaction amongst most of these service providers and many left sites before completing projects, to the frustration of the communities. However, this was necessary as we cannot continue with bad financial management practices that borders on gross financial mismanagement that can lead to the municipality operating on a deficit. These practices further lead to reputational risk to the municipality and inevitably to an increased unauthorized expenditure.

This past year was also characterized by hard work from our highly valued staff, and an improvement on oversight work by Councillors. This gives me hope that our audit outcomes will improve. We have already put corrective measures in the 2024/2025 SDBP's to ensure continuous improvements on how our institution is run.

Let me thank the Councillors and staff for the efforts they have put in making sure that the institution turns around, that discipline returns to the institution and ensuring that Ngaka Molema District Municipality become one of the best municipalities in the country.

Let me also thank our communities, on whose pleasure we serve, for putting us on our toes, and for not compromising in their demands for improved services.

Many thanks



CLLR KHUMALO MOLEFE
THE EXECUTIVE MAYOR: NMMDM

T 1.0.1

1.1 COMPONENT B: EXECUTIVE SUMMARY

MUNICIPAL MANAGER'S OVERVIEW



The year 2023/2024 has registered a positive change with regards to administration and operations. In the previous financial year, we reported that the employment contracts of senior managers came to an end due to effluxion of time. It is on a good note to report that we were successful in recruiting and appointing four senior managers responsible for BTO, Planning and Development, Public Works and Basic Services, and Community Services.

We had submitted that special focus shall be on BTO since it has been our achilles heel. BTO has been person powered with the appointments of managers responsible for Assets, Income and Expenditure and Supply Chain Management. We have also recruited experienced plant superintendents in an effort to empower our critical function of Public Works and Basic Services.

The District Development Model, popularly referred to as the DDM is in full swing. The Municipal Managers Forum meets frequently, and we are able to share notes and devise approaches to common problems. Following the MM's Forum is that of Technical Managers that also engage in matters of common interest. The challenge we face though relates to aged infrastructure that has exceeded its economic lifespan. The case in point is the Seweding/Ramosadi sewer spillages. The spillage has received attention, and more work is to be done on respect of the entire line.

On the repairs and maintenance front, two thousand five hundred and sixty-five (2565) mechanical and electrical repairs were addressed within 48 hours by 30 June 2024. Earlier, we alluded to old infrastructure whose economic lifespan is reached, this fact is draining resources, meaning that we continue to shoot at a moving target.

Vandalism and theft remain a serious problem. In some instances, formations like Eskom are reluctant to replace the stolen transformers for as long as security is not improved. To that end, we are embarking on both physical and technology-based security. This has taken place in three WWTP within the district.

In the last financial year, we reported the need to build fire stations in Tswaing and Ratlou. It is on a good note to report that the phased approach in respect of the two fire stations is progressing very well. Added thereto is the successful refurbishment of the Ramotshere Moiloa (Welbedacht) fire station.

In concluding, communities are urged to preserve water as it has no substitute. We shall continue to serve the people and do the best we can at all times.

A handwritten signature in black ink, appearing to read 'O A Losaba', written over a horizontal line.

MR. O A LOSABA

MUNICIPAL MANAGER

T 1.1.1

INTRODUCTION TO BACKGROUND DATA

Integrated Development Planning for the District as a whole, including a framework for IDPs of all municipalities in District Municipality. The department enables the municipality to develop policies, design programs and implement project aimed at improving the socio-economic conditions of the district.

Promotion of local tourism within the District Municipality. The Department offers a range of support programmes which allows enterprises opportunity to deal with numerous obstacles such as, inadequate business skills, limited market opportunities and lack of entrepreneurial culture among others.

The Unit provides services such as:

- Facilitation of Small, Medium and Micro Enterprises (SMMEs) training and development;
- Exposure of SMMEs to potential market opportunities;
- Facilitate access to finance for SMMEs

District spatial planning, transport planning and supporting local municipalities with land use management;

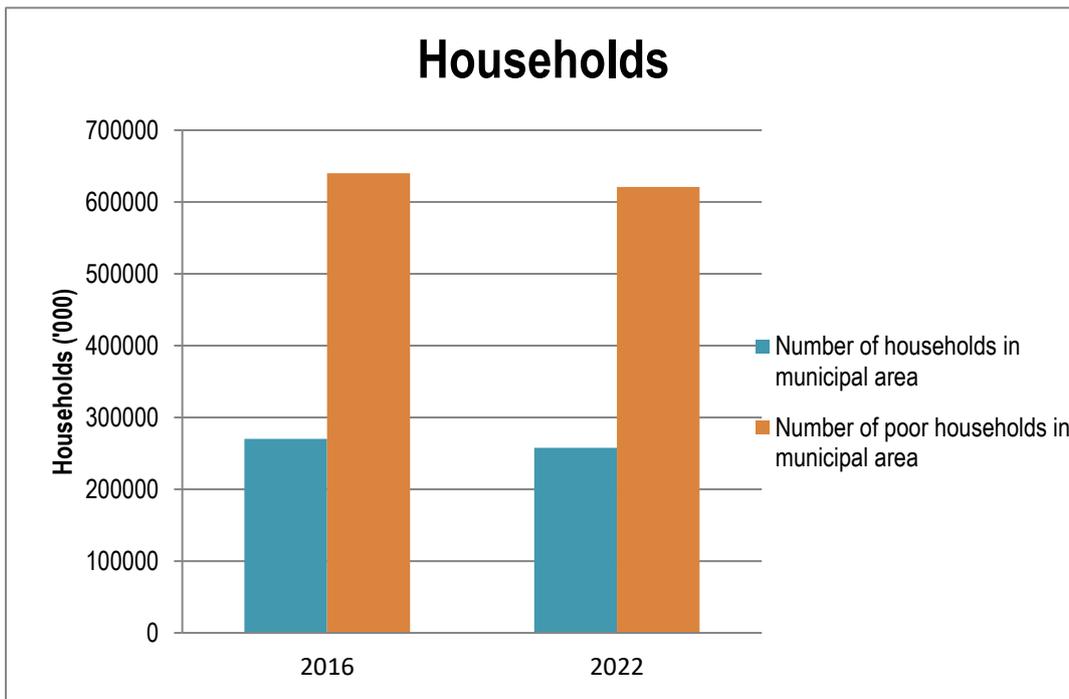
- Geographic information systems to support the functions of the Municipality

T 1.2.1

| Municipality | MIF Cat | Gov transfers and subsidies as a % of total revenue | Census 2011 | | | | | Census 2022 | | | | | Growth Rate |
|---------------------------|---------|---|-------------|---------|---------|-----------------------------|-----------|-------------|---------|---------|-----------------------------|-----------|-------------|
| | | | Male | Female | Total | School attendance (5-24yrs) | Sex ratio | Male | Female | Total | School attendance (5-24yrs) | Sex ratio | |
| Ngaka Modiri Molema DC38 | C2 | 95.3% | 413 399 | 429 300 | 842 699 | 245 404 | 96.3 | 458 571 | 479 152 | 937 723 | 251 915 | 95.7 | 1.0 |
| NW 381: Ratlou | B4 | 81.3% | 51 310 | 56 029 | 107 339 | 34 578 | 91.6 | 62 364 | 66 403 | 128 766 | 38 765 | 93.9 | 1.8 |
| NW 382: Tswaing | B3 | 55.2% | 61 931 | 62 267 | 124 218 | 37 651 | 99.4 | 63 195 | 65 477 | 128 672 | 35 045 | 96.5 | 0.3 |
| NW 383: Mahikeng | B2 | 34.1% | 141 642 | 149 885 | 291 527 | 87 022 | 94.5 | 174 177 | 180 327 | 354 504 | 93 737 | 96.6 | 1.9 |
| NW 384: Ditsobotla | B3 | 33.2% | 85 297 | 83 605 | 168 902 | 44 076 | 102.0 | 80 218 | 83 969 | 164 176 | 42 060 | 95.5 | -0.3 |
| NW 385: Ramotshere Moiloa | B3 | 65.6% | 73 220 | 77 494 | 150 713 | 42 076 | 94.5 | 78 617 | 82 967 | 161 605 | 42 30 | 94.7 | 0.7 |

Source: Stats SA

T 1.2.2

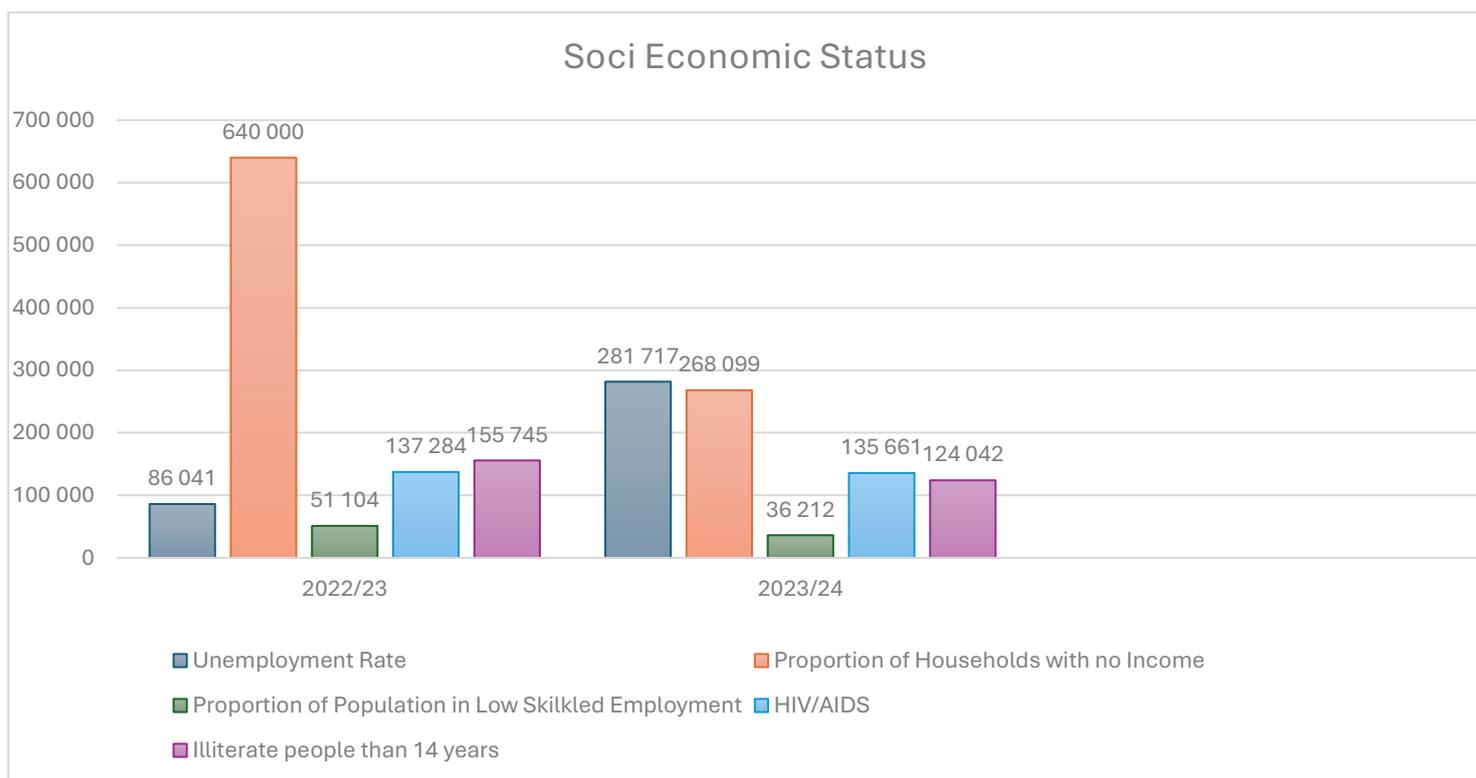


Source: Stats SA

T 1.2.3

| Year | Unemployment Rate | Proportion of Households with no Income | Proportion of Population in Low-skilled Employment | HIV/AIDS Prevalence | Illiterate people older than 14 years |
|---------|-------------------|---|--|---------------------|---------------------------------------|
| 2022/23 | 86 041 | 640 000 | 51 104 | 137 284 | 155 745 |
| 2023/24 | 281 717 | 268 099 | 36 212 | 135 661 | 124 042 |
| | | | | | T 1.2.4 |

Source: Socio-Economic-Review -2024



Source: Socio-Economic-Review -2024

T 1.2.5

| Geography type and Geography hierarchy 2016 by Summation Options | | | |
|---|---------------------------|------------------------|-------------------------|
| Overview of Neighbourhoods within 'Name of Municipality' | | | |
| Settlement Type | Geographic Area | Population Size | Number Household |
| Urban | DC38: Ngaka Modiri Molema | 255 923 | 82 095 |
| | NW381: Ratlou | 0 | 0 |
| | NW383: Mafikeng | 54 257 | 20 712 |
| | NW384: Ditsobotla | 104 910 | 31 808 |
| | NW385: Ramotshere Moiloa | 36 115 | 12 791 |
| | NW382: Tswaing | 60 641 | 16 784 |
| Traditional | DC38: Ngaka Modiri Molema | 590 318 | 170 386 |
| | NW381: Ratlou | 104 557 | 28 360 |
| | NW383: Mafikeng | 256 133 | 80 657 |
| | NW384: Ditsobotla | 56 366 | 14 414 |
| | NW385: Ramotshere Moiloa | 115 213 | 32 022 |
| | NW382: Tswaing | 58 049 | 14 934 |
| Farms | DC38: Ngaka Modiri Molema | 42 868 | 17 496 |
| | NW381: Ratlou | 1 551 | 760 |
| | NW383: Mafikeng | 4 004 | 1 965 |
| | NW384: Ditsobotla | 20 589 | 7 932 |
| | NW385: Ramotshere Moiloa | 6 362 | 3 258 |
| | NW382: Tswaing | 10 362 | 3 581 |
| Source Stats SA 2016 Source Stats SA 2016: As per the Statistic South Africa (Stat SA) classification categories of settlements and municipalities, Ratlou Local Municipality does not have an urban type of settlement category; it only consists of Traditional and Farms categories, as populated above. | | | |
| T 1.2.6 | | | |

| Natural Resources | |
|--|---|
| Major Natural Resource | Relevance to Community |
| Minerals Resources (Gold, diamond, Chrome, Slate, Cement etc) | Most of our Local Municipalities have signed social labour plans with local mining houses that will ultimately assist communities in creation of jobs through identified projects in the social labour Plans. Most of our SMME's are included on the Mining houses supplier data base for purpose of allowing them to participate in the procurement systems of the mining houses. |
| Protected Areas/Conservation/Tourism | The following are protected areas within the District: <ul style="list-style-type: none"> • Madikwe Game Reserve • Mahikeng Game Reserve • Botsalano Game Reserve • Molemane Nature Reserve • Lichtenburg Game Breeding Centre • Barberspan Bird Sanctuary • Pienaars River • Marico Private Nature Reserve |
| Agriculture land | The District Municipality have enough Agricultural Land that can assist in Food Security, Sustainable food production, local agro-processing plants, these can lead to poverty alleviation, income generation from agricultural land process and job creation |
| Water Source (catchment area, dolomitic aquifer, dolomitic eyes, rivers) | Ngaka Modiri Molema District Municipality as water authority has the responsibility of ensure that it Provide water for commercial farming, small scale farming as well as subsistence farming, livestock watering sources |
| T 1.2.7 | |

COMMENT ON BACKGROUND DATA:

Climate: The NMMDM has over the four financial years increased its participation in numerous training programmes and workshops that were solely focused on the Climate Change phenomenon, organised by the Departments of Environmental Affairs. The attendees are gradually empowered to integrate Climate Change resilience in spatial planning, rural development and human settlements.

Hydrology: NMMDM faces a multitude of issues with regards to water availability, since most surface water resources are non-perennial, resulting in water stress and limiting development. Groundwater is utilised for communal and small-town water supply, agriculture and to a lesser extent for mining. NMMDM has a very low to extremely low development potential however, when considering irrigated agriculture; the development potential may be higher. The District through its environmental management framework (EMF) studies has noted the impact of alien plant invasion on the supply of the following crops, wood, and water, there was a significant decrease in the supply. This has subsequently impacted on the natural processes of air and water purification, recreation, tourism, as well as cultural and heritage value.

Geology: NMMDM is currently handling a substantial application for prospecting rights for various minerals whilst at the same time there is an emerging group of informal artisanal miners digging up residue minerals In Ditsobotla and Ratlou areas.

Soils: The District and relevant stakeholders has ensured adherence to legislation that protects food production and keeping development away from prime agricultural land.

Biodiversity: NMMDM is home to the recently listed Marico Biosphere through the United Nations Education and Scientific Organisation (UNESCO). The protection of the biodiversity within the District makes a large contribution to economic development within the province and will allow a bigger migration space for animals, creating a prime eco-tourism destination.

T 1.2.8

1.3 SERVICE DELIVERY OVERVIEW

SERVICE DELIVERY INTRODUCTION

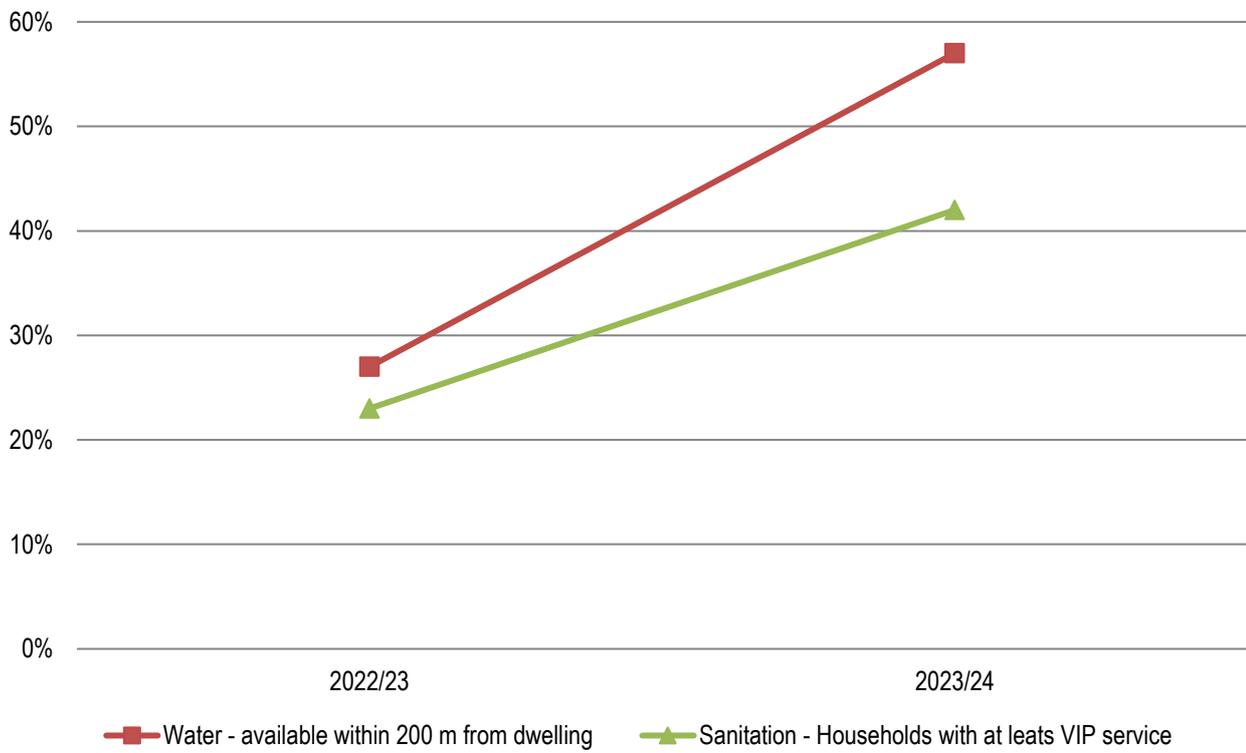
Ngaka Modiri Molema District Municipality as the water Service Authority has a constitutional responsibility to ensure access to quality, efficient, affordable, economic, and sustainable (bulk and retail) water and sanitation services for all communities within its area of jurisdiction, through operation and maintenance of infrastructure, emergency programs and implementation of capital projects.

The water services model used is by providing water services by use of internal mechanism and/or contract external water services providers to undertake the provision function.

The District Municipality is responsible for ensuring regional security and reliability of water supply to water services users by acquiring DWS licenses to abstract water from, and to discharge waste effluent to, the water resource and may regulate the provision of water services within its local area through by-laws and contracts. In-terms of the DORA the District Municipality is obliged to support its Local Municipalities with the Transfer allocation of R10 million per financial year and including support of machineries tools of trade as and when the need arises.

T 1.3.1

Proportion of households with access to basic services



Source: Socio-Economic-Review -2024

T 1.3.2

COMMENT ON ACCESS TO BASIC SERVICES

Due to the semi-arid nature of the District, the Municipality is tankering water to areas that have inadequacy of water supply and those that do not have infrastructure, using 11 Municipal owned trucks.

Since from 2021, intervention projects were committed during the 100 days program of the Executive Mayor, communities were demanding the immediate intervention from the political office. They have been implemented over the MTREF (multi-year) due to limited cash-flow.

The PWBS department evaluated the condition and capacity of existing water infrastructure to determine its effectiveness in meeting the growing water demand in the district. Assessed the quality of water services provided by service providers, including compliance with water quality standards and regulations.

At interval, we analysed the sustainability of water sources being utilised (drilling and equipping of boreholes, water augmentation, water supply upgrades) by service providers to ensure long-term availability and reliability of water supply.

Maintenance is the function of keeping items or equipment in, or restoring them to, serviceable condition. It includes servicing, test, inspection, adjustment/alignment, removal, replacement, reinstallation, troubleshooting, calibration, condition determination, repair, modification, overhaul, rebuilding and reclamation. It concerns the 'combination of all technical, administrative and managerial actions during the life cycle of an item to retain it in, or restore it to, a state in which it can perform the required function for a specific period. Sustainability, reliability and water security depend on this function, hence enough budgeting is crucial.

The following intervention work was performed emanating from following aspects;

- Community unrests
- Insufficient water supply in new settlements
- Vandalism of infrastructure and breakdowns.
- Addressing the Deelpan Disaster situation by development of new infrastructure (quick-win) at the new settlement developed by the Department of Human Settlement.

Assessments and Site Instructions were issued based on the needs and urgency on the ground. The recent and ongoing service delivery protests are community protests resulting from poor, slow and unsatisfactory service delivery. Municipal employees and trucks were at some point held hostage at Mabule village in Ratlou Local Municipality, which compelled the Municipality to act swiftly, the national road that links Botswana and South Africa was closed at Mokgola village in Ramotshere Moiloa Local Municipality.

Failing to comply with a Constitutional mandate, Water Service Act, Court order, Human Rights Commission, Public Protector, and other stakeholders 'requirements, or failing to provide uninterrupted water services to communities have serious consequences.

T 1.3.3

1.4 FINANCIAL HEALTH OVERVIEW

FINANCIAL OVERVIEW

The financial objective of the municipality is to secure sound and sustainable management of the financial affairs of the municipality and to assist the five local municipalities to be financially viable.

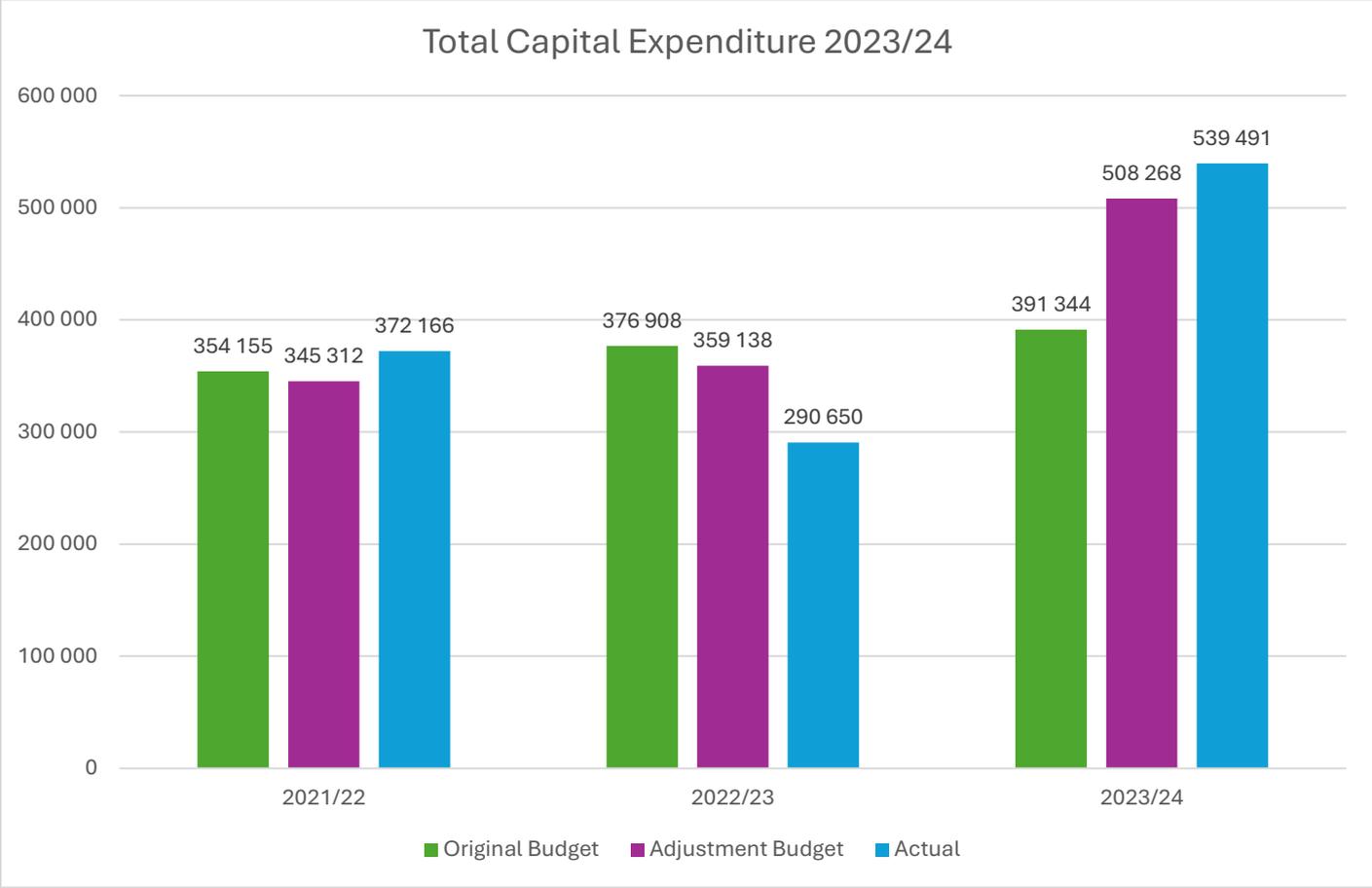
Critical functional areas for the District municipality amongst others include effective financial management, fully functional internal audit units and audit committees, high vacancy rate in key positions, declining growth in Regional Services Council Replacement Grant, increase an operational expenditure, which negatively impacts service delivery. Issue 3 of the IDP relates to financial viability and includes projects that contributed to the financial viability of the District and Local Municipalities. Refer executive summary: Annual Financial Statement Chapter 5.

T 1.4.1

| Financial Overview: Year 2023/24 | | | |
|----------------------------------|-----------------|-------------------|-----------|
| R' 000 | | | |
| Details | Original budget | Adjustment Budget | Actual |
| Income: | | | |
| Grants | 1 066 741 | 1 067 134 | 1 005 725 |
| Taxes, Levies and tariffs | 0 | 0 | 0 |
| Other | 1 100 | 18 220 | 24 833 |
| Sub Total | 1 067 841 | 1 085 354 | 1 030 558 |
| Less: Expenditure | 1 372 068 | 1 085 984 | 1 025 566 |
| Net Total* | -304 227 | -630 | 4 992 |
| * Note: surplus/(deficit) | T 1.4.2 | | |

| Operating Ratios 2023/24 | |
|---------------------------------|----------|
| Detail | % |
| Employee Cost | 42.1% |
| Repairs & Maintenance | 9.4% |
| Finance Charges & Impairment | 5% |
| <i>T 1.4.3</i> | |

| Total Capital Expenditure: Year 2023/24 | | | |
|--|----------------|----------------|----------------|
| R'000 | | | |
| Detail | 2021/22 | 2022/23 | 2023/24 |
| Original Budget | 354 155 | 376 908 | 3 91344 |
| Adjustment Budget | 345 312 | 359 138 | 508 268 |
| Actual | 372 166 | 290 650 | 539 491 |
| <i>T 1.4.4</i> | | | |



T 1.4.5

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

ORGANISATIONAL DEVELOPMENT PERFORMANCE

The success of a municipality is closely tied to the performance of its staff. If employees aren't performing well, the municipality can't succeed. That's why it's crucial to manage both employee performance and overall organizational performance simultaneously. This relationship starts with planning, continues through implementation, and includes ongoing monitoring and review.

We're currently rolling out a policy to extend performance management to lower levels within the organization. Human Resource Management has held workshops to explain the new process to employees.

Our municipality uses performance measurement to drive improvements and effectively turn our vision and strategies into action. Essentially, we rely on these performance measurement processes to manage the implementation of our Integrated Development Plan and Budget. It's important to recognize that our Performance Management System (PMS) is dynamic—it will evolve over time to better fit the unique needs of our organization. We're in the process of extending performance management down to lower levels, starting with Level 1 Managers.

T 1.5.1

1.6 AUDITOR GENERAL REPORT

AUDITOR GENERAL REPORT 2023/2024

Ngaka Modiri Molema District Municipality received a Qualified Audit Opinion for the 2023/24 financial year.

T 1.6.1

1.7 STATUTORY ANNUAL REPORT PROCESS

| No. | Activity | Timeframe |
|-----|--|----------------|
| 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 | 30/08/2023 |
| 2 | Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting). | |
| 3 | Finalize the 4th quarter Report for previous financial year | 31/07/2023 |
| 4 | Submit draft 2023/2024 Annual Report to Internal Audit and Auditor-General | 30/08/2023 |
| 5 | Municipal entities submit draft annual reports to MM | N/A |
| 6 | Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant) | 26/08/2024 |
| 7 | Mayor tables the unaudited Annual Report | 30/08/2024 |
| 8 | Municipality submits draft Annual Report including annual financial statements and performance report to Auditor General | 30/08/2024 |
| 9 | Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase | 13/09/2024 |
| 10 | Auditor General audits Annual Report including Annual Financial Statements and Performance data | 02/09/2024 |
| 11 | Municipalities receive and start to address the Auditor General's comments | 29/11/2024 |
| 12 | Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report | 31/01/2025 |
| 13 | Audited Annual Report is made public, and representation is invited | 03/02/2025 |
| 14 | Municipal Public Account Committee Oversight Committee assesses Annual Report | 03/02/2025 |
| 15 | Council adopts Oversight report | 31/03/2025 |
| 16 | Commencement of draft Budget/ IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input | 31/03/2025 |
| 17 | Oversight report is made public | 01/04/2025 |
| 18 | Oversight report is submitted to relevant provincial councils | 08/04/2025 |
| | | <i>T 1.7.1</i> |

COMMENT ON THE ANNUAL REPORT PROCESS:

The Annual Report process for 2023/2024 started on the 1st of July 2024. The PMS Unit is responsible for collating information from respective Departments. The Unaudited Annual Report was tabled by the Executive Mayor in a Council Meeting which held on the 30th August 2024. The District Municipality will receive the report from the Auditor General after auditing the Annual Financial Statements and the Annual Performance Report on the 30th November 2024.

The Final Annual Report for 2023/2024 will be tabled by the Executive Mayor on or before the 31st of January 2025. The tabled Annual Report will be submitted to the Municipal Public Accounts Committee which will interrogate the report and consult the community to give them feedback on the Annual Report. The Municipal Public Accounts Committee will ensure that the Oversight Report on the Annual Report is submitted to Council on or before 31 March 2025 and within seven days submit their report to the Provincial Legislature.

T1.7.1.1

CHAPTER 2

Our Mod Governance

*With the authors' con-
gratulations & pleasant
recollections of happy
days in the line of
mapping*

Sae's Place



Annual Report

2023/24



CHAPTER 2 – GOVERNANCE

INTRODUCTION TO GOVERNANCE

The Ngaka Modiri Molema District Municipality is a Category C and a Water Service Authority municipality which operates within the Executive System with all the Executive powers of the Council vested in the Executive Mayor, who is assisted by members of the Mayoral Committee. The Council has established a Mayoral Committee system in line with the provisions of Section 80 (1) of the Municipal Structures Act 117 of 1998, as amended. The Municipal Council is the highest decision-making authority in the Municipality. It guides and instructs the administrative component, which implements the decisions taken by the political component.

T 2.0.1

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Ngaka Modiri Molema District Municipality is an ANC led Municipality

The focus of (Municipal Structures Act: Section 79 Committees is to ensure the effective and efficient performance of any of the municipal council's powers and functions. The District municipality has established Rules and Ethics Committee chaired by the Speaker of Council and Municipal Public Accounts Committee chaired by one of the directly elected councillors from opposition parties. Over and above that there is an Audit and Risk Committee as an independent advisory body appointed by council.

The Audit and Risk Committee ensures effective systems that complement service delivery, the safeguarding of municipal assets, financial records, risk management, information technology governance, effective corporate governance, and an effective internal control system.

The Administrative wing is responsible for Corporate Governance and administers the administrative affairs of the Municipality as prescribed by various legislative frameworks. The administration wing is led by the Accounting Officer commonly referred to as Municipal Manager and Five (5) Senior Managers appointed in terms of Section 56 of the Municipal Systems Act 32 of 2000. It be noted that one Senior management position (Senior Manager Corporate remain vacant).

T 2.1.0

2.1 POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

Local Government elections took place on 01 November 2021 and 42 councillors were elected to serve Ngaka Modiri Molema District Municipality in accordance with Schedule 2, Part 1, of the Municipal Structures Act, No. 117 of 1998 as amended. Seventeen (17) of whom are directly elected (proportional representatives) and twenty-five (25) are seconded/designated by local municipalities within the District municipality to represent those local municipalities at the District level. The Executive Mayor, Speaker, Council-whip, eight members of the Mayoral Committee and MPAC Chairperson have been appointed fulltime by council for a term ending 2026. The following are portfolio committees established in terms of Section 80 on the Municipal Structures Act 117 of 1998 as amended. (i) Finance, Budget, and Treasury Office, (ii) Corporate Support and ICT Shared Services, (iii) Rural Development, Economic, Agriculture and Tourism, (iv) Sports, Arts Culture and Traditional Affairs, (v) Intergovernmental Relations, Integrated District Development and Spatial Planning, (vi) Special Projects, Youth, Women Empowerment, Senior Citizens, People with Disability and Children, (vii) Infrastructure Development, Technical Services and Maintenance, (viii) Community Services, Health, Environment, Disaster Management and Social Development

There are five political parties represented in the municipal council. The following is the allocation of seats per political party in the Municipal Council. The municipality is still awaiting the office of the MEC for Local Government, Human Settlement and Traditional Affairs to allocate seats to Traditional Leaders expected to serve at the District municipality:

| Political Party | Number of seats |
|------------------------|------------------------|
| ANC | = 24 |
| EFF | = 9 |
| DA | = 4 |
| F4SD | = 4 |
| FF+ | = 1 |
| Total | = 42 |

The Municipal Council ensures that the above political parties are represented on the various committees of Council established in terms of Section 79 of the Municipal Structures Act 117 of 1998 as amended. Some councillors participate in more than one committee with the exceptions of MPAC. This arrangement ensures a stable political environment and buy-in from all parties regarding recommendations/resolutions.

T 2.1.1

POLITICAL STRUCTURE

The Ngaka Modiri Molema District Municipality has 42 Councillors, 2 of which represent local municipalities and 17 of which are directly elected. Appendix B, sets out committees and committee purposes. Councillors are remunerated according to the "Determination of the Upper Limits of Salaries, Allowances and Benefits of Municipal Councillors for the 2023/2024 financial year" Regulation. In order to ensure that Councillors fulfil their obligations to their communities and support the achievement by the Municipality in an ethical manner, Councillors must adhere to the Code of Conduct as established in Schedule one (7) of the Local Government: Municipal Structures Amendment Act. The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), section 117 prohibits Councillors from being part of the tender process.

T 2.1.2

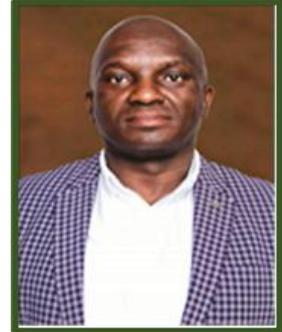
POLITICAL MANAGEMENT



MAYOR
CLLR.KHUMALO MOLEFE



SPEAKER
CLLR.NTHABISENG SHUPING



SINGLE WHIP
CLLR.CROSBY MAEMA

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE



MPAC: CHAIRPERSON
CLLR. MBAHARE KEKANA

MEMBERS OF THE MAYORAL COMMITTEE



**MMC: INFRASTRUCTURE DEVELOPMENT,
TECHNICAL SERVICES & MAINTENANCE**

CLLR. MARIA MONNANA



MMC: FINANCE (BUDGET & TREASURY)

CLLR: THEMINKOSI MABOVU



**MMC: COMMUNITY SERVICES, HEALTH,
LAND USE, ENVIRONMENT, DISASTER
MANAGEMENT & SOCIAL
DEVELOPMENT**

CLLR BOITSHOKO SELEKANYANE



**MMC: SPORTS, ARTS, CULTURE &
TRADITIONAL AFFAIRS**

CLLR. NOMBULELO NGQOBE



**MMC: LED, AGRICULTURE, RURAL
DEVELOPMENT & TOURISM**

CLLR. ITUMELENG MOARABI



MMC: CORPORATE SUPPORT AND ICT

CLLR. D MALWANE



**MMC: INTER-GOVERNMENTAL
RELATIONS, INTEGRATED DISTRICT
DEVELOPMENT & SPATIAL PLANNING**

CLLR: MONNAPULA MOTHIBI



**MMC: SPECIAL PROJECTS,
STAKEHOLDER RELATIONS, YOUTH,
WOMAN EMPOWERMENT, SENIOR
CITIZENS, PEOPLE WITH DISABILITY**

CLLR. A MAKGOKGOWA

T 2.1.2

POLITICAL DECISION-TAKING

The highest decision-making body in the municipality is the Council, empowered by section 160(1) of the Constitution to make decisions and by section 59 of the Municipal Systems Act to delegate some of its powers to any of the municipality's political office bearers, political structures, Councillors, or staff members, in accordance with an approved system of delegations.

Troika, which consists of Speaker, Council Whip and Executive Mayor, convenes their meetings every Tuesday. The Municipal Manager and other support staff attend the Troika meetings per invitation to provide support and advice. A day before the date of Council meeting, a Caucus meets to consider items in the agenda of Council with a view to determine any potential contentious matters so that members engage to facilitate smooth transition through Council.

The Standing Rules and Orders of Council make provision for all political parties to convene Caucus meetings before Council Meeting. The Council makes decisions on all matters pertaining to community development and service delivery in the NMMDM area of jurisdiction. Council resolutions are taken based on reports and recommendations made by the Mayoral Committee. The decision-making model is built into the Governance Framework which outlines all document flow processes leading to the tabling of reports to Council.

Ten (10) Council meetings were held during the year under review and sixty nine (69) council resolutions were taken and some have been implemented, and some are work in progress whereas a few are not yet implemented due to certain challenges. Council has developed a Resolutions Register which is used as a system to record and track the implementation of all resolutions taken. There is a standing item on the tracking of the implementation of Council resolutions. The tracking of the implementation of resolutions is done through a template where management is expected to regularly report the progress made and a report to this effect is submitted to Council. In that way, all Council resolutions are followed-up. Councillors at any stage may put forward motions to call for or propose something emanating from any decision/resolution taken by the council.

T.2.1.3

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The District Municipality appointed a substantive Municipal Manager and he commenced duties during January 2023. The employment contract of the Municipal Manager is coming to an end in January 2028 which is not more than one year after the election of the new council.

The Municipal Manager/Accounting Officer is the head of administration and is responsible for the efficient and effective administrative management of the affairs of the municipality as outlined in different pieces of legislation.

The organisation structure of the District Municipality has 6 Senior Management positions (Section 56 of MSA 32 of 2000) reporting directly to the Municipal Manager. Five of them are filled with substantive Senior Managers (Chief Financial Officer, Public Works and Basic Service Delivery, Community Services, Planning and Development, Chief Audit Executive) from the 14th July 2023 and one for Corporate Services remains vacant. The newly elected council resolved to create Senior Manager Local Economic Development position subject that it be included in the reviewed Organisational Structure and approval by MEC for COGHSTA as per the Municipal Staff Regulations.

T 2.2.1

TOP ADMINISTRATIVE STRUCTURE



Municipal Manager

Mr. OA Losaba

FUNCTIONS

- Forming and developing an economic, efficient and accountable administration.
- Implementing and managing the District Municipality's performance management system;
- Coordinating and implementing the District Municipality's IDP;
- Managing the Municipality's administration in accordance with the Constitution, the Local Government Structures Act, the Municipal Systems Act, the Municipal Finance Management Act and all other national and provincial legislation applicable to the District Municipality;
- Managing provision of services to the local community in a sustainable and equitable manner;
- Facilitating participation of the local community in the affairs of the District Municipality;
- Developing and maintaining a system to access community satisfaction with Municipal Services;
- Appointing, managing, effectively utilizing and training staff and maintaining staff discipline;
- Promoting sound labour relations and compliance by the District Municipality with applicable labour legislation;
- Advising political structures and political office bearers of the District Municipality, managing communications between them, administering, implementing council resolutions and carrying out their decisions;
- Administering and implementing the District Municipality's by-laws and other legislation;
- Being responsible for all income and expenditure of the District Municipality, all assets, the discharge of all liabilities of the District Municipality and proper and diligent compliance with applicable Municipal Finance Management legislation
- Implementing strategic goals of the District Municipality through co-operation and innovative.



Chief Financial Officer

Ms. GP Moroane

FUNCTIONS

- Reporting directly to the Municipal Manager on key departmental activities.
- Overall management of the Budget & Treasury Office/Department. Implement the Integrated Development Plan (IDP) as well as strategic goals of the Budget & Treasury Office/Department.
- Implement departmental Service Delivery Budget Implementation Plan (SDBIP).
- Develop and implement key strategic / business plans including Supply Chain Management, Revenue Management, Expenditure Management and Budget & Reporting.
- Prepare and implement municipal budget.
- Prepare Annual Financial Statements and other mandatory financial management reports.
- Manage Departmental budget, human resources & other resources in accordance with local government legislation;
- Establish, operate and maintain support structures, processes and systems;
- Direct and control key deliverables and outcomes for the department; Liaise with internal and external stakeholders;
- Facilitate stakeholder participation and involvement;
- Ensure legislative, regulatory, policy, practices and operating standards compliance;
- Management and monitoring of all income, expenditure, assets and Liabilities; Cash-flow management;
- Ensure implementation of GAMAP & GRAP Standards;
- Ensure the development of appropriate Strategies, Policies and plans for all relevant areas in the Department linked to the IDP and that will also have a measurable positive impact on the financial performance;
- Develop and implement Supply Chain Management Policy, specific procedures, systems and controls;
- Ensure timely preparation of Budget and Financial Statements; Implement all financial policies and ensure they comply with applicable legislation and National Treasury Regulations.



Senior Manager: Public Works and Basic Services Delivery

Mr. M Rassool

FUNCTIONS

- To manage the Technical Services, PMU and department of the municipality.
- Assist the CFO to compile annual projects budgets
- To assist the council to draw up and implement annual strategic plans
- To ensure compliance to all water service providers
- Ensure water and sewer effluent quality compliance to adhere to the Department of Water and Sanitation (DWS) Blue Drop and Green Drop requirements respectively.
- Ensure implementation of the council Free Basic Services (FBS) Policy.
- Ensures that all required licensing and permitting of all raw water abstraction and sewer effluent will be done and upheld.
- Ensure that Water Service development Plan (WSDP), By-Laws and tariffs are regularly updated.
- Approve technical reports of water, sanitation and roads projects in alignment with respective Municipal IDP's and Regional provincial Growth and Development Plan.
- Ensure that all projects are implemented using the EPWP principles.
- Ensures compliance to all legal aspects and conditions, required from different spheres of Government.
- Manage all contract administration of all projects implemented by council.
- Manage and control the approved budget of engineering department.
- Be prepared to serve on the Bid Adjudication Committee or Bid Evaluation Committee as and when required by the Municipal Manager.
- Maintain Project Performance data on a National Database.



Acting Senior Manager: Corporate Resource Support Services

Adv. AK Pulenyane

FUNCTIONS

Provide Administrative Support Services to the Council of Ngaka Modiri Molema District Municipality, its Committees and Office bearers including the Internal Departments.

We further give support to the Local Municipalities in the NMMDM in relation to a range of corporate support services including legal services, development of by-laws and policies, disciplinary issues, HR services, etc.

Objectives Lead by the Department

- Promote sound labour relations management within the Municipality.
- Provide employees with a quick and easy access for the lodging and application of discipline and grievances.
- Ensure that discipline is applied in a prompt, fair and consistent manner.
- Ensure that all employees are aware of SALGBC code of conduct for the Municipal employees.
- Advocate fair and equal treatment of all employees.

Labour Relations Unit

Key Performance Areas

- Training and advocacy
- Dispute management and conflict resolution
- Manage Relations with trade unions and employees
- Manage Relations with internal and external stakeholders
- Manage Communication and collective bargaining
- Manage Industrial action on behalf of the employer
- Change management
- Co-ordinates and controls procedures and research sequences associated with Disciplinary and Grievance cases

Legal Services Unit

- Provides legal support to the Council, management and staff in the discharge of their responsibilities generally
- Assists in the provision of legal advice and in the formulation of by-laws, policies and procedures to ensure that the municipality complies with all

relevant legislation as well as its constitutional mandate

- Provides a vibrant, effective and professional legal services to the Ngaka Modiri Molema District Municipality
- Co-operates with other spheres of government in developing sound working relations and minimizes areas of dispute or potential disputes in the legal context.
- Enhances organizational efficiency by establishing a corporate governance compliant environment that enables the municipality to achieve its objectives.

Services

- Preparation and submission of general and specialist legal opinions to Council, management and staff
- Identifying and researching legislation that has relevance to the municipality in order to keep abreast of developments through the use of applicable legislative and related instruments/tools
- Assist in the drafting of council by-laws, policies and procedures
- Reviewing and assisting in the drafting of contracts, acknowledgements of debt, resolutions, declarations, etc
- Reviewing and assisting in the drafting of by-laws to ensure compliance with constitutional and other legislative requirements
- Processing and preparation of by-laws for publication
- Monitoring ongoing litigation by and against council and coordinating interaction between directorates and external legal practitioners engaged by Council



Senior Manager: Community Services

Ms. MM Molawa

FUNCTIONS

- To provide strategic management and leadership to the Department that includes, Municipal Health Services, Disaster Management and Fire Fighting services to the entire District;
- Ensure co-ordination, integration and uninterrupted provision of Community Services;
- Integrate service delivery in the context of Council's IDP and oversee implementation;
- Participate in the IDP, SDBIP and Budget processes of the District municipality;
- Establishing a partnership with Governmental and non-Governmental stakeholders/role players dealing with environmental health, fire and public disasters;
- Manage the directorate budget planning, implementation and budget review to support priorities and the deliverables; update Council's by-laws and relevant policies.



Chief Audit Executive

Ms. L Mosiane

FUNCTIONS

- Responsible for the overall functioning of the Internal Audit Departments so that the audit fulfils the purpose, role and responsibilities as established in the Audit Charter.
- The effectiveness and adequacy of controls, risk management and governance processes.
- Reliability and integrity of financial and operational information.
- Economic application of resources.
- Safeguard of the company's assets.
- Compliance with laws, regulations, contracts, policies, and procedures
- Monitor and verify the adequacy, effectiveness, and correct operation of the internal control system.



Senior Manager: Planning & Development

Mr. TTH Ramorei

FUNCTIONS

The department enables the municipality to develop policies, design programs and implement project aimed at improving the socio-economic conditions of the district.

Due to the rural nature of the district, the department extends to also include a critical element of rural development aimed at finding ways to improve the livelihood of rural communities.

In order to ensure that there is proper planning and monitoring of economic and rural development projects, the department also has a dedicated unit responsible for ongoing Research and Monitoring.

Local Economic Development (LED) Overview

Local Economic Development as an approach to development is one of the most important ways of poverty alleviation. LED aims at creating jobs by stimulating growth of the local economy. This means that an ongoing process with key stakeholders and institutions from all spheres of society, public and private sector as well as civil society, work jointly to create unique advantage for the locality and its firms.

LED support programmes available

Ngaka Modiri Molema District Municipality NMMDM offers a range of support programmes which allows enterprises opportunity to deal with numerous obstacles such as, inadequate business skills, limited market opportunities and lack of entrepreneurial culture among others.

The Unit provides services such as:

- Facilitation of Small,Medium and Micro Enterprises (SMME) training and development;
- Facilitate the establishment and registration of Enterprises and Cooperative;
- Exposure of SMMEs to potential market opportunities;
- Facilitate access to finance for SMMEs

Like and old saying that goes by “actions speak louder than words”; the Ngaka Modiri Molema District Municipality in relation to LED has positively contributed to alleviating poverty through a number of jobs creation initiatives and other capital projects within the District:

ECO-gardens

Eco-gardens projects were implemented in Ottosdal which falls under jurisdiction of Tswaing Local Municipality and Kraaipan which in Ratlou Local Municipality. In total, six co-operatives with eleven (11) beneficiaries per co-operative were established. The products farmed in the eco-garden includes spinach, lettuce and cabbage. Currently, Co-operatives in Ottosdal are harvesting and selling their produce in the local market and part of their produce are spinach, lattice and cabbage.

Tswaing and Ratlou

175 beneficiaries are involved in environment and culture sector projects through EPWP in Ratlou and Tswaing local municipalities. In Ratlou and Tswaing local municipalities' sixty six (66) beneficiaries were involved in the Eco-Garden Pilot project in Ottosdal and Kraaipan respectively.

T 2.2.2

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

Ngaka Modiri Molema District Municipality is a full functionary of the Intergovernmental Relations and has demonstrated this by ensuring that there is a Unit designated at performing this function.

T 2.3.0

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTERGOVERNMENTAL STRUCTURES

Ngaka Modiri Molema District Municipality is a full member of the National IGR Forum.

T 2.3.1

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

Ngaka Modiri Molema District Municipality also participates in all IGR Structures including coordinating all the District Development Model forms.

T 2.3.2

RELATIONSHIPS WITH MUNICIPAL ENTITIES

Ngaka Modiri Molema District Municipality has appointed all its five Local Municipalities as Water Service providers. Also works with Magalies water Board as its Bulk Water service Provider. All the above relations are managed through the legally sound Service Level Agreements. These are five years agreements that are reviewed annually. All the Water service providers are expected to report Quarterly to the Water Service Authority.

T 2.3.3

DISTRICT INTERGOVERNMENTAL STRUCTURES

The following structures have been fully functional during the year under review:

1. The Political IGR Forum – Chaired by the Executive Mayor of the District and comprised of all Mayors
2. The District Command Council – Chaired by the District Mayor, comprised of all Municipalities, Sector departments, State owned Enterprises and the Water Board.
3. Municipal Managers' Forum Chaired by the District Municipal Manager and comprising of all Municipal Managers, CFOs, and Technical Services Directors
4. District Development Model has a functional technical team facilitated by the District IGR Office and all Sector Departments, Municipalities and National government departments and public entities operating in the jurisdiction of the district are represented.

T 2.3.4

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

The Municipal Public Accounts Committee (MPAC) holds meetings quarterly with departments and conducts in-loco inspections quarterly around the District and make recommendations to the Council.

The MPAC did hold its consultative meetings for 2023/2024 financial year.

T 2.4.0

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

The District Municipality in consultation with 5 Local Municipalities; namely: Mahikeng; Ditsobotla; Ramotshere; Tswaing and Ratlou Local Municipalities did formulate District IDP Framework and Process Plan which was tabled and adopted by Council as per resolution Number **C15-2023/2024**

T 2.4.1

WARD COMMITTEES

The District Municipality does not have the Ward Committee system.

T 2.4.2

| Public Meetings | | | | | |
|--------------------------------|------------------|---|--|---------------------------------------|--------------------------|
| Nature and purpose of meeting | Date of events | Number of Participating Municipal Councillors | Number of Participating Municipal Administrators | Number of Community members attending | Issue addressed (Yes/No) |
| Ratlou Local Municipality | 31 October 2023 | 26 | 12 | 0 | Yes |
| Tswaing Local Municipality | 01 November 2023 | 9 | 32 | 0 | YES |
| Ditsobotla Local Municipality | 02 November 2023 | 24 | 8 | 0 | YES |
| District IDP Rep Forum Meeting | 13 Feb 2024 | 14 | 39 | 170 | YES |
| District IDP Rep Forum Meeting | 06 May 2024 | 17 | 11 | 58 | YES |
| | | | | | T 2.4.3 |

COMMENT ON THE EFFECTIVENESS OF THE PUBLIC MEETINGS HELD:

These Public meetings are very much effective in the sense that Communities are given the opportunity to engage their Municipal Leadership on issues of service delivery and get feedback on infrastructure development and service delivery plans for their wards. The meetings involve working with community as well a strategically planning to ensure equitable service delivery across the District. IDP has proven to be a robust instrument for the District Strategic planning in Ngaka Modiri Molema.

T 2.4.3.1

2.5 IDP PARTICIPATION AND 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? | No |
| * Section 26 of Municipal Systems Act 2000 | T 2.5.1 |

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Through corporate governance the Ngaka Modiri Molema District Municipality closely monitors its business principles through policy guidelines, risk management and political oversight to ensure compliance, aiming to obtain an improved audit outcome. The implementation of the principles of good governance as promoted in the King IV Report on Governance, enshrined in the Code of Governance Principles for South Africa have been accepted as crucial elements towards the success of Government, including local government in meeting the needs of the people.

The first step to achieving ethical leadership is for the leadership within a municipality, whether political office bearers, managers, different committees or any other structure promoting leadership within the municipality, to clearly understand their respective roles and responsibilities, including the separation of duties as provisioned in legislation. A clear understanding of such roles and responsibilities will then allow for an ethical culture and the principle of accountability. Ngaka Modiri Molema District Municipality, through Good Governance, seeks to outline in summary the roles of different structures within the municipality. The purpose of the Framework is ensuring that political and administrative structures are aware of their roles and responsibilities to ensure synergy in the way Council Structures operate.

T 2.6.0

2.6. RISK MANAGEMENT

RISK MANAGEMENT

Risk assessment is a process that seeks to determine the possibility of expected and unexpected events occurring. These might have a negative effect on the achievement of municipal objectives. The first step in the Risk Management process is setting the objective of risk management followed by a systematic process to identify, assess, manage, and monitor risk on a continuous basis. Risk Management is a valuable management tool which increases an organization's prospects of success through minimizing negative outcomes and optimizing opportunities.

During the current financial year Risk Management Unit lead by the Chief Risk Officer facilitated the risk assessment process to identify strategic risks. The purpose of risk assessment was to identify and assess risk that could hamper the municipality in achieving its objectives and for Internal Audit to develop a risk based Annual Audit Plan.

| Top Five Risk | | | |
|----------------------|--|--|--|
| No. | Risk | Root Cause | Progress |
| 1 | Inability to meet water demands | <ol style="list-style-type: none"> 1. Depletion of water levels from water sources. 2. Vandalism of water infrastructure 3. Growing population 4. Water distribution losses due to Ageing water infrastructure | <ol style="list-style-type: none"> 1. Water Tankering services in place 2. Develop Water Services Development Plan 3. Develop Water master plan |
| 2 | Poor operations and non-maintenance of Wastewater treatment Plants | <ol style="list-style-type: none"> 1. Human and financial resources limitations 2. Lack of operational and maintenance plan. | <ol style="list-style-type: none"> 1. Draft Operational and Maintenance plan have been developed. 2. Service Providers have since been appointed to assist with maintenance of sewer plants 3. Maintenance of Plants are ongoing with a good progress achieved to date. |
| 3 | Non-compliance to SCM processes, policies and procedures | <ol style="list-style-type: none"> 1. Management Override of Internal Controls. 2. SCM unit inappropriately resourced. | <ol style="list-style-type: none"> 1. Adherence to the Procurement plan and Quarterly reporting to the Mayor on progress made. 2. SOP to be implemented after training of SCM officials |
| 4 | Lack of Assets management. | <ol style="list-style-type: none"> 1. No safeguarding of Municipal Assets 2. Non maintenance of assets register | <ol style="list-style-type: none"> 1. Procurement of Assets module. 2. Conduct assets condition assessment. |
| 5 | Ageing, Dilapidated and obsolete Municipal Assets | <ol style="list-style-type: none"> 1. Limited budget for capex and maintenance | <ol style="list-style-type: none"> 1. Utilization of Assets Consultants to assist with management of Assets and assets register 2. Asset condition assessment conducted, and assets register updated. Municipality has developed and maintained assets register |
| <i>T 2.6.1</i> | | | |

2.7 ANTI-CORRUPTION AND FRAUD

FRAUD AND ANTI-CORRUPTION STRATEGY

The Anti-fraud and Corruption policies are in place within Ngaka Modiri Molema District Municipality. These are reviewed annually, and community awareness campaigns are conducted. An Audit and Risk Committee comprising of 6 independent members is in place to assist the Municipality in strengthening operational controls.

Municipal Audit and Risk Committee reviewed the Anti-fraud and corruption related policies and recommended them for approval by Council. Council will adopt the Local Government anti-corruption strategy and reviewed Policies in the 2024/25 financial year. Ngaka Modiri Molema District Municipality had detected a case of financial misconduct through SIU investigation and the matter is currently being dealt with in line with the Labour Relations Act, The matter also incorporated issues related to Material Irregularities which are currently under SIU Tribunal.

T 2.7.1

2.8 SUPPLY CHAIN MANAGEMENT

OVERVIEW SUPPLY CHAIN MANAGEMENT

The municipality identified Supply Chain Management unit as critical shortcomings in terms of qualified and competent human resource as key critical in the value chain to expedite the procurement of goods and service in support to all user department in realizing their objectives.

The municipality has embarked on recruitment drive to strengthen the supply chain management division to meet municipal procurement of goods and service and, also to provide support to all user department in realizing their objectives.

Supply Chain Manager was appointed on the 6 May 2024 and other recruitment processes are still unfolding.

T 2.8.1

2.9 BY-LAWS

| By-laws Introduced during 2023/2024 | | | | | |
|--|---------|--|-------------------------------|----------------------------|---------------------|
| Newly Developed | Revised | Public Participation Conducted Prior to Adoption of By-Laws (Yes/No) | Dates of Public Participation | By-Laws Gazetted* (Yes/No) | Date of Publication |
| There were no by-laws for the year under review. | | | | | |
| *Note: See MSA section 13. | | | | | T 2.9.1 |

COMMENT ON BY-LAWS:

The District did not pass any by-laws in the financial year under review.

T 2.9.1.1

2.10 WEBSITE

| Municipal Website: Content and Currency of Material | | |
|---|-----------------|---------------------------|
| Documents published on the Municipality's / Entity's Website | Yes / No | Publishing Date |
| Current annual and adjustments budgets and all budget-related documents | Yes | 6/03/2024 & 06/06/2024 |
| All current budget-related policies | Yes | 06/06/2024 |
| The previous annual report 2022/2023 | Yes | 05/02/2023 |
| The annual report 2023/2024 to be published | Yes | 05/02/2025 |
| All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act for the financial year 2023/2024 and resulting scorecards | Yes | 14/12/23 |
| All service delivery agreements 2023/2024 | No | - |
| All long-term borrowing contracts 2023/2024 | N/A | N/A |
| All supply chain management contracts above a prescribed value (give value) for 2023/2024 | No | - |
| 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 2023/2024 | No | - |
| Contracts agreed in 2023/2024 to which subsection (1) of section 33 apply, subject to subsection (3) of that section | N/A | N/A |
| Public-private partnership agreements referred to in section 120 made in 2023/2024 | N/A | N/A |
| All quarterly reports tabled in the council in terms of section 52 (d) during 2023/2024 | Yes | 11/07/24 |
| <i>T 2.10.1</i> | | |

COMMENT MUNICIPAL WEBSITE CONTENT AND ACCESS:

The NMMDM website remains an integral part of the municipality communication infrastructure strategy and solely managed by Communication Manager. As a platform for information dissemination, participation and disclosure the website management has been suggestively accommodated in various pieces of legislation, such as:

The Local Government Municipal Systems Act No 32 of 2000 ("the Systems Act"); The Local Government Municipal Financial Management Act No 56 of 2003 ("the MFMA"). The Act evidently highlight that the municipal documents should be uploaded/ publicised to ensure transparency and public participation. Documents are uploaded as recommended and reported.

The municipal website is fully functional and up to date. Both Legislated, service delivery and informative documents are timemously uploaded. The municipal website has become easier to navigate from one page to the next and user friendly.

The municipal website will persist to strive in the digital distribution of information on service delivery, legislative matters and district achievements, however, it will be encouraging if the local municipalities and provincial governement as part of the District Development Model to cross share information to maximise news reach about government programmes throughout Ngaka Modiri Molema District Municipality.

T 2.10.1.1

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

PUBLIC SATISFACTION LEVELS

The Community Satisfaction Survey for 2023/24 financial year was not conducted due to financial constraints.

T 2.11.1



CHAPTER 3

Service Delivery

With the authors' sincere
compliments & pleasant
recollections of happy
days in the line of
mapping

Sae' Plaatje



Established 1916

Annual Report

2023/24

INTRODUCTION

The District Municipality is mainly responsible for the provision of Bulk Water and Sanitation. This is achieved through implementation of Capital Projects packaged with operations and maintenance.

Project Management Unit (PMU)

The PMU strives to eliminate service delivery backlogs and contribute positively to sustainable economic development of the District Municipality through the provision of infrastructure.

All service delivery capital projects are a core function of the PMU. The PMU assist in project implementation across the District and has a wealth of technical experience, skill, and acumen.

Functions of PMU

- Coordination of project feasibility and business planning processes.
- Coordination of the project identification processes in line with the IDP.
- Enforce compliance with statutory requirements (OHS, ECSA, CIDB, etc).
- Liaise with other government stakeholders for all infrastructure projects within the District.
- Encourage the use of labour-intensive construction methods to assist in job creation and poverty alleviation.
- Ensures project related capacity building and empowerment.
- Evaluate, monitor, and report on all projects

Challenges

The main challenges that the Municipality is facing are as follows:

- Limited financial resources for implementation of infrastructure maintenance.
- Energizing by Eskom has been slow thus leading to projects not closing and handover being postponed.
- Source development since there is limited ground water capacity and the lack of rain. As a result, projects are more expensive to implement since boreholes must be drilled too deep.
- MIG funding is not registering a wide-spread footprint in eradicating backlogs due to technical reports that are being approved with shortfalls.
- Dilapidating infrastructure.
- Declining revenue base due to grants being transferred to a Water Board that is experiencing in-house challenges.

COMPONENT A: BASIC SERVICES

INTRODUCTION TO BASIC SERVICES.

PMU is responsible for provision of water and sanitation infrastructure through implementation of capital projects across the district municipality.

The PMU strives to eliminate service delivery backlogs and contribute positively to sustainable economic development of the District Municipality through infrastructure development. The gazetted MIG Allocation for 2023/24 was R361 060 000, and was revised to R336 191 000. There were 24 projects that were planned for implementation in the 2023/24 FY. 18 projects were planned for water provision and 6 were planned for sanitation.

NMMDM did not spend MIG grant on water according to the plan in the previous financial year due to a slow pace of approval of water technical reports by **DWS**. The money was shifted and spent mostly on rural sanitation projects. Only 1 project was completed which is Matloding water supply for the year under review. Other 4 projects will be implemented in the 2024/25 FY.

| PROJECTS ON TENDER | MIG APPROVED FUNDS | STATUS |
|---------------------------|---------------------|---------------------------------|
| Matloding Water Supply | R75 971 630 | Completed |
| Lotlhakane Water Supply | R40 800 620 | Will be completed in 2024/25 FY |
| Lobatla Water Supply | R38 497 658 | Will be completed in 2024/25 FY |
| Rietvlei Water Supply | R26 975 502 | Will be completed in 2024/25 FY |
| Madibe a Tau Water Supply | R11 795 789 | Will be completed in 2024/25 FY |
| Total | R194 041 199 | |

Rural Sanitation has been implemented in the following Local Municipalities:

- Ditsobotla Rural Sanitation (800)
- Ramotshere Moiloa Rural Sanitation (1520)

Functions of PMU

- Co-ordinating the project feasibility and business planning process, with the involvement of other municipal departments where appropriate.

- Co-ordinate the project identification process between municipalities in line with the IDPs.
- Ensure compliance with statutory requirements (OHS, ECSA, CIDB, etc).
- Development of local contractors.
- Liaise with other government stakeholders for all infrastructure projects within the municipal area.
- Encourage the use labour intensive construction methods on projects to alleviate poverty by creating job opportunities.
- Project management, ensuring projects meet planning objectives.
- Ensuring that project-related capacity building and development objectives are met; and
- Manage, monitor, evaluate and prepares reports as and when required.

The projects are mainly focused on providing water and sanitation services across all five Local Municipalities, which includes Bulk Water Supply projects, Water Treatment Plants, Wastewater Treatment Plants, and augmentation programmes in accordance with the backlogs identified in Integrated Development Plan (IDP), cited by both the District Municipality in conjunction with the Local Municipalities in its jurisdiction.

While the main objectives of the projects are to meet the basic human need of clean drinking water and decent sanitation facilities, their impact create a far reach on social betterment of communities and stimulation of local economic development.

The distribution or conversion of in-kind grants (WSIG & RBIG), such as the 6B to 5B of the constitution, involves a lengthy process facilitated by the National Treasury and Department of Water and Sanitation. As a result, it may not offer an immediate solution but rather a long-term consideration by the municipality. Moreover, it is important to note that significant work has already been done in preparing the necessary plans and submissions for these grants.

Currently NMMDM has proposed that there should be a tripartite agreement in place amongst DWS, NMMDM and Magalies Water. The agreement will help the District Municipality to hold the Water Board accountable. The Water Board is an implementing agent, while DWS is the funder. The agreement is on draft stage.

The District Municipality needs funding on quick-win and long-term projects on an urgent basis. The Municipality is undated with a lot of complains from Communities due to that the available water not meeting the demand.

SUMMARY OF NEEDED ESTIMATED FUNDING

| LOCAL MUNICIPALITY | QUICK-WIN PROJECTS | LONG-TERM PROJECTS |
|---------------------------|---------------------------|---------------------------|
| DITSOBOTLA | R70m | R428m |
| MAHIKENG | R135m | R285m |
| RAMOTHERE | R38m | R1,205 billion |
| RATLOU | R52m | R172m |
| TSWAING | 38m | R620m |
| TOTAL | R333m | R2,710 billion |
| GRAND TOTAL | R3,043 billion | |

Request for funding has already been presented to Department of Water and Sanitation. A committee for funding negotiations comprising of Senior Managers has been established by the Municipal Manager.

T 3.1.0

3.1. WATER PROVISION

INTRODUCTION TO WATER PROVISION

Water is a basic human right and has no substitute, and as a result, life cannot be sustained without water.

The rural community of Ngaka Modiri Molema District Municipality (NMMDM) is classified as the poor and the infrastructure is designed to provide water on RDP standard. Opportunity of cost recovery is very slim. There is a historic challenge of water shortage due to undated illegal yard water connections that have mushroomed all over the district. Yard water connection is a higher level of service and services of this nature are paid for. Water sources have been severely affected due to a high demand of water emanating from illegal yard connections, gardening and livestock watering. Boreholes are being over pumped, and the lifespan of these sources is affected on daily basis hence we have a lot of reactive maintenance.

As a Water Services Authority, we are currently implementing several intervention projects to address the water challenges across the district.

The district has developed business plans and technical reports for implementation of systematic water intervention projects. These projects are funded through the equitable share and tax returns while waiting for a response from the office of the Minister: DWS.

It may also be noted that the district has experienced service delivery protests due to a number of challenges that we are all exposed to. One needs to acknowledge the causal connection between lack of water and load shedding.

Water supply is inadequate for some of the villages situated in NMMDM's area of jurisdiction, mainly due to population growth, and in addition to that the dewatering of boreholes, vandalism to existing infrastructure and lack of water resources have added to the severity of water supply shortages to the areas.

In terms of powers and functions, the District Municipality is directly responsible for provision of water in rural areas for basic water supply and also responsible for bulk water supply to Local Municipalities. Local Municipalities are directly responsible for water provision through retail infrastructure in urban areas. The mode of water supply is through boreholes (electrical, diesel engines and generators), dams and eyes. The Municipality is also recycling water in Mahikeng.

The District Municipality has **two Court Orders** issued for **Tswaing** and **Ditsobotla** Local Municipalities, whereby NMMDM has been instructed to fully take over the operations and maintenance of retail infrastructure without financial support.

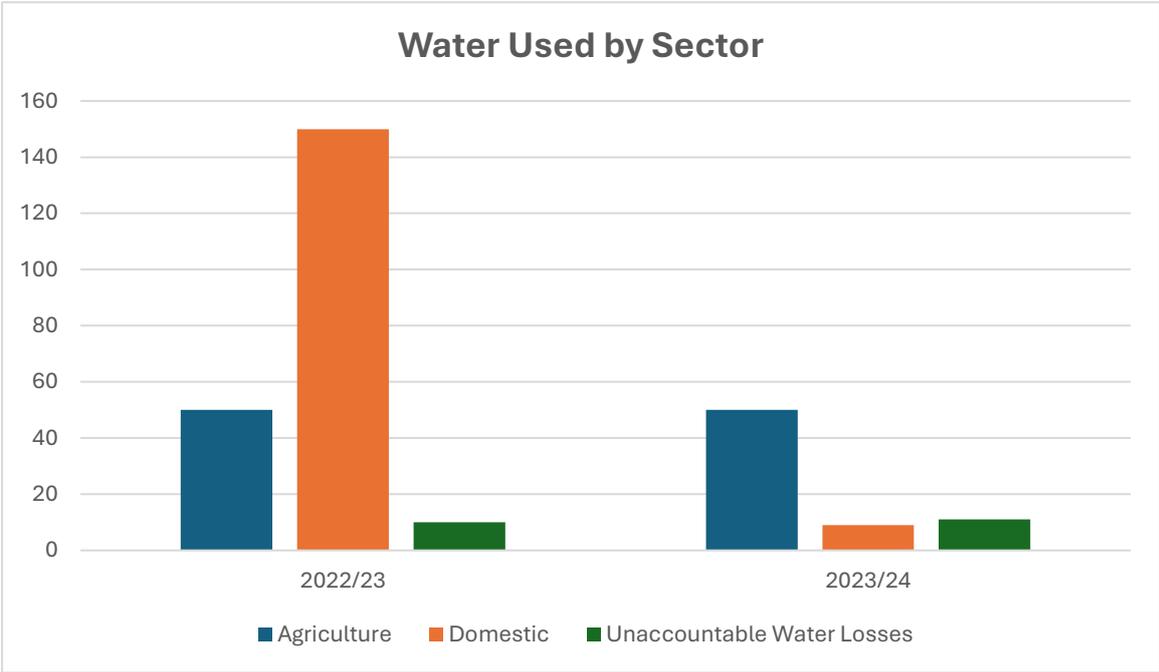
- The Intier infrastructure recorded in the asset register is worth **R5 billion**. This calls for an initial requirement of **R 500 million** for preventative maintenance. The equitable share on its own cannot do anything to keep the infrastructure up to

date for sustainable provision of services. Significant disparity in access to water and sanitation services between urban and rural areas, as well as between formal and informal settlements. Many marginalised communities still lack basic infrastructure for clean water and proper sanitation.

- Aging infrastructure, inadequate maintenance, and insufficient investment in water and sanitation facilities result in service disruptions, leakages, and inefficiencies in service delivery.
- In the Ngaka Modiri Molema District Municipality water-scarcity has been a serious challenge. Over the years, the district has been facing challenges including but not limited to droughts, water pollution, and over-extraction of water resources. On the other hand, climate change has exacerbated these challenges, impacting on our water availability and quality.
- Limited funding and budget constraints has always been a challenge, and that prevents the district's ability to invest in infrastructure upgrades, maintenance, and expansion of water and sanitation services to underserved areas.
- Undoubtedly, lack of capacity and governance issues within water utilities also impede effective service delivery and decision-making.
- High levels of non-revenue water collection, including physical losses from leaks and illegal connections, as well as commercial losses from billing and collection inefficiencies by local municipalities without the district benefiting from water infrastructure assets contributes to revenue losses and impact service sustainability.
- More worryingly, inadequate access to clean water and sanitation facilities continuously poses a health risks, leading to waterborne diseases and poor hygiene practices, particularly in informal settlements and rural areas.
- Ensuring compliance with water and sanitation regulations, and standards, has been challenging, requiring effective coordination and enforcement mechanisms which the municipality lack due to limited funding and poor coordination.
- Over some years, engaging communities in decision-making processes, promoting water conservation practices, and raising awareness about the importance of water and sanitation services has been a biggest challenge for Ngaka Modiri Molema District Municipality, which is essential for sustainable service delivery.

T3.1.1

| Water Used by Sector | | | |
|----------------------|-------------|----------|----------------------------|
| | Agriculture | Domestic | Unaccountable water losses |
| 2022/23 | 50 | 150 | 10 |
| 2023/24 | 50 | 9 | 11 |
| | | | T 3.1.2 |



T 3.1.2.1

COMMENT ON WATER USE BY SECTOR: DWS

The Department of Water and Sanitation is a public trustee of the nation's Water resources and has overall responsibility for water resource management. This among other includes the assurance that water is protected, used, conserved, managed, and controlled in a sustainable and equitable manner for the benefit of all, regulate the use, flow, and control of water, establish a National Water Resource Strategy and Management, and ensure public participation on water resource management.

The Department is responsible for administering all aspects of the Water Services Act delegated to it by the Minister or Director-General. Its role is that of water services

sector leader, supporter, and regulator. This means that it provides direction to the overall water sector as well as provides support and regulates the activities of water services institutions. It is responsible for water services national policy, norms, and standards, establishing a national information system, and monitoring the performance of every water services institution. The Department is also responsible for development and monitoring of Dams, Eyes and Dolomitic Areas. They issue abstraction licenses for institutions.

Department of Water and Sanitation (DWS) has overall responsibility for water resource management to:

1. Ensure water is protected, used, developed, conserved, managed, and controlled in a sustainable and equitable manner for the benefit of all.
2. Regulate the use, flow, and control of water,
3. Establish a National Water Resource Strategy and Management.
4. Ensure public participation on water resource management.

DWS is funding Municipalities through WSIG and RBIG. Currently these grants are being implemented through Magalies Water as an implementing agent. The Department is currently assisting NMMDM on development of a 5 – year Water and Sanitation Reliability Plan.

The purpose of this plan is to provide a comprehensive implementation plan to achieve reliable water services for within a period of five years. The focus is on reliable and sustainable service delivery. It is about actions, a “pipeline of projects” to achieve reliable services. It requires dedicated implementation by all sector role players and stakeholders. It is urgent and must achieve differential success in the committed

time frame of five years It is a must-do turn-around plan to become viable, resilient and self-sustaining WSA.

The first objective is to develop a Water & Sanitation Services Situational Assessment of the current services levels referenced to households at community level.

The second objective is to use the situational assessment information knowledge base which is then interpreted into a Needs Perspective that categorize each supply need and gap analysis into a reliability category:

Functionality – Situation and needs

Water Security (Including WCWDM) – Situation and needs

Governance

New Infrastructure Development Needs

Projects are then identified to address each of the Reliability Needs Classification Categories, and a funding model developed that enables a Five-Year pipeline of Project Implementation Plan that integrates all grant funding.

Definition Of Reliability Services:

An un-interrupted supply for 90% of the time through a fully functional infrastructure system which is operated and maintained to set standards supported by an

effective Governance institution that provides an acceptable quality of water **supply that is based on sustainable water security principles.**

Reliable water supply is subject to many factors including the following:

- **Adequate water resources** and associated storage to supply water at the required level of assurance (e.g. 98% for domestic use) across seasons and climate variation.
- **Adequately sized, functional water infrastructure** to distribute water from sources to users and manage sanitation and wastewater for sustained human and environmental health.
- **Water and wastewater treatment** to comply with user specific water quality requirements.
- **Continuous and efficient operation** and management of water supply processes from source-to-tap-to-source by the responsible institutions with required skills, capacity and accountability.
- **Responsible water uses** by households, business and industries in compliance with water use payment, water conservation, water demand management and wastewater regulations.
- **Infrastructure asset management** to maintain functional and efficient water services infrastructure, plan for future upgrade needs and schedule renewal of aged infrastructure.
- **Financial management** (budgeting, financing, revenue collection & expenditure accounting) to ensure that there is adequate funding for efficient and reliable water services delivery.
- **Disaster and risk management** to mitigate the impacts of unexpected water-related risks.
- **Good governance** (leadership, planning, regulation, organizing and control).
- **Political will, guidance and support** (centrality of water; outcome targets).

Reduction of NRW

- Institutionalise non-revenue water reduction function (leakage and pressure management, pipe replacement, meter management)
- Water Balancing- monthly.
- Minimum night flow measurements
- Customer survey & analysis per zone – meter accuracy, payment levels
- Water Conservation and Water Demand Management Plan
- Use RBIG Funding

COGTA

- An efficient and developmental sphere of government capable of delivering services to local communities,

- To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related local government legislation
- Support municipalities on governance and institutional matters through the District Development Model (DDM) approach, with District Hubs as central points of integration and coordination of support and capacity building interventions including amongst others, support on the following outputs: development of comprehensive institutional diagnostic analysis/assessments to determine skills, systems, performance, institutional gaps and main constraints impeding effectiveness and sound municipal performance development of institutional improvement plans guiding all capacity building grants and municipal support initiative.
- Assess and evaluate the readiness in terms of adoption and implementation of the Smart Cities Framework at the selected municipalities and develop a Support Program for Smart City Initiatives as per the Smart Cities Framework.
- Support municipalities on cost of supply studies for water and electricity (municipal tariff data management) and related matters

The development of the cost of supply study in water distribution will encompass amongst others the following processes and aspects: the gathering of all relevant information from the identified municipalities concerning the water service rendered and to analyse and interpret those figures to determine a cost of supply; assisting the municipalities with the development of CoS studies and transfer knowledge and all the data to the DCOG and the National Treasury; and updating the municipal asset registers using the water asset information obtained through this CoS project.

The Department is undertaking a cost of supply studies on water supply in 10 municipalities. The objective of a cost of supply study is to apportion all costs required to service customers among each customer class in a fair and equitable manner and is one of the most important considerations in establishing and designing water tariffs that are implemented to provide the service required by customers and recover costs incurred by authorized municipalities.

The Department will complete the project in the two phases, the first phase being the "As-is Assessment" and the second phase of the project will focus on the design of the rate.

In the medium to short term the Department intends to rollout the data management intervention in other municipalities.

T 3.1.2.2

| Water Service Delivery Levels | | Households | | |
|---|------------|------------|------------|--|
| Description | 21/22 | 22/23 | 23/24 | |
| | Actual No. | Actual No. | Actual No. | |
| <i>Water: (above min level)</i> | | | | |
| Piped water inside dwelling | 50613 | 50613 | 50613 | |
| Piped water inside yard (but not in dwelling) Using public tap (within 200m from dwelling) Other water supply (within 200m) | 30705 | 30705 | 30705 | |
| | 30557 | 30610 | 30916 | |
| | 76 266 | 76 319 | 76 400 | |
| <i>Minimum Service Level and Above sub-total Minimum Service Level and Above Percentage</i> | 188161 | 188247 | 188634 | |
| | 82.65% | 82.65% | 82.69% | |
| <i>Water: (below min level)</i> | | | | |
| Using public tap (more than 200m from dwelling) Other water supply (more than 200m from dwelling No water supply | 0 | 0 | 0 | |
| | 39498 | 39498 | 39498 | |
| | 0 | 0 | 0 | |
| <i>Below Minimum Service Level sub-total Below Minimum Service Level Percentage</i> | 39498 | 39498 | 39498 | |
| | 17.35% | 17.35% | 17.31% | |
| Total number of households* | 227639 | 227745 | 228132 | |
| | | | T 3.1.3 | |

| Employees: Water Services | | | | | |
|---------------------------|---------------|-----------|---------------|--------------------------------------|-------------------------------------|
| Job Level | 2022/2023 | 2023/2024 | | | |
| | Employees No. | Posts No. | Employees No. | Vacancies (fulltime equivalents) No. | Vacancies (as a % of total posts) % |
| T19-26 | 0 | 0 | 0 | 0 | 0% |
| T14-18 | 1 | 4 | 1 | 3 | 75% |
| T9-13 | 6 | 26 | 6 | 20 | 76.9% |
| T1-8 | 119 | 129 | 116 | 13 | 10% |
| | 126 | 159 | 126 | 33 | 20.8% |
| | | | | | T 3.1.6 |

**Capital Expenditure 2023/24:
Water Services**

R' 000

| Capital Projects | Year 2023/24 | | | | |
|------------------------|--------------|-------------------|--------------------|-------------------------------|---------------------|
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | R30 986 511 | R- | R25 840 577 | 83.1% | |
| Matloding Water Supply | R22 936 849 | R- | R24 607 527 | 107% | R26 975 502 |
| Rietvlei Water Supply | R8 049 662 | R- | R1 233 050 | 15.32 | R11 795 789 |
| | | | | | |
| | | | | | <i>T 3.1.8</i> |

COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

While resources are invested in the drilling and equipping of new boreholes, the District water remains a problem and the ageing and dilapidating infrastructure is not assisting at all. The regime governing the MIG does not speak to maintenance but to new projects.

T 3.1.9

3.2 WASTE-WATER (SANITATION) PROVISION

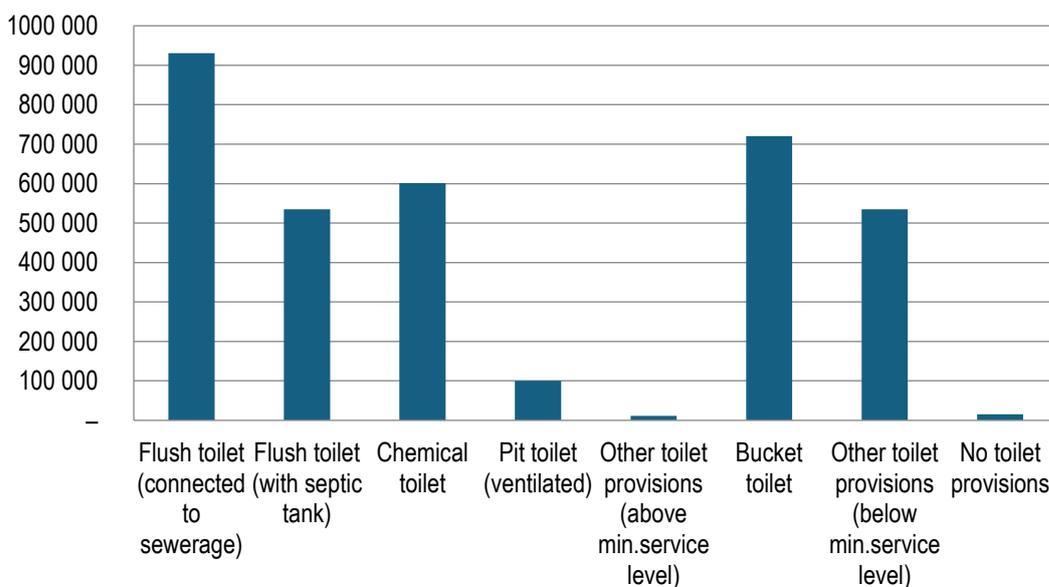
INTRODUCTION TO SANITATION PROVISION

One of the most important elements of the Water Services Act (WSA) it is that provides for the institutional arrangements for water services provision. Its sets out who is responsible for different activities and it gets its mandate from amongst others section 24 of the Bill of rights in the constitution that says everyone has the right to an environment that is not harmful to their health or well-being, prevent pollution and ecological degradation, promote conservation and secure ecological sustainable development and the use of natural resources.

The District has adopted the promotion of effective water resource management and conservation in line with WSA through effective and efficiency on operation and maintenance of its twelve Wastewater Treatment Works scattered across the District areas of jurisdiction together with its comprehensive collective systems and appropriate onsite technologies to fulfilled its mandate to ensure the water and sanitation business cycle is completed.

T 3.2.1

Sanitation/Sewerage (above minimum level): 2024



T 3.2.2

SANITATION /SEWERAGE

| Description | 2021/2022 | 2022/2023 | 2023/2024 |
|---|-----------|-----------|-----------|
| | Outcome | Outcome | Actual |
| | No. | No. | No. |
| <i>Sanitation/sewerage:</i> (above minimum level) | | | |
| Flush toilet (connected to sewerage) | | | |
| Flush toilet (with septic tank) | | | |
| Chemical toilet | | | |
| Pit toilet (ventilated) | 5644 | 7811 | 2320 |
| Other toilet provisions (above minimum service level) | | | |
| <i>Minimum Service Level and Above sub-total</i> | 5644 | 7811 | 2320 |
| <i>Minimum Service Level and Above Percentage</i> | | | |
| <i>Sanitation/sewerage:</i> (below minimum level) | | | |
| Bucket toilet | | | |
| Other toilet provisions (below minimum service level) | – | | |
| No toilet provisions | | | |
| <i>Below Minimum Service Level sub-total</i> | – | | |
| <i>Below Minimum Service Level Percentage</i> | 0,0% | | |
| Total households | | | |
| <i>*Total number of households including informal settlements</i> | | | T 3.2.3 |

| Employees: Sanitation Services | | | | | |
|---------------------------------------|------------------|--------------|------------------|--|--|
| Job Level | 2022/2023 | | 2023/2024 | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalentents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| T19-26 | 0 | 0 | 0 | 0 | 0% |
| T14-18 | 2 | 3 | 2 | 1 | 33.33% |
| T9-13 | 0 | 18 | 5 | 18 | 100% |
| T1-8 | 67 | 85 | 66 | 18 | 21.18% |
| Total | 69 | 106 | 73 | 37 | 34.90% |
| | | | | | T 3.2.5 |

| Capital Expenditure 2023/2024 Sanitation | | | | | |
|---|------------------|--------------------------|---------------------------|--------------------------------------|----------------------------|
| Capital Projects | 2023/2024 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | R 100 000 000 | R 102 070 340 | R 91 095 083 | | R 122 874 389 |
| Ramotshere Moiloa Rural Sanitation Programme | R50 000 000 | R 54 035 035 | R 54 575 034 | 101% | R 74 839 084 |
| Ditsobotla Rural Sanitation Programme | R50 000 000 | R 48 035 305 | R 36 520 049 | 76% | R 48 035 305 |
| | | | | | <i>T 3.2.7</i> |

COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

The Sanitation Unit has reached a good story to rely on continuous improvements to its bulk sanitation infrastructures especially on the discharged effluents into natural streams with a better quality on main physio-chemical and microbial parameters and aiming towards a better outcomes in terms of Green Drop Status and being a better environmental conscious municipality

There are still many challenges and obstacles ahead but with better strategically plans and appropriate budgets and recruitment drive on technical expertise and human resource the challenges will be contain within a short space of time

The Operation and Maintenance will be continued through the utilisation of external expertise on wastewater treatment specialisation on engineering and scientific contractors and to transfer the skills and knowledge to our own human resource

The District will strive to achieve a better environment condition to its citizenry and further to curb the sewer leakages within reasonable short period and promised to improve the living conditions and standards of the communities it serves.

T 3.2.8

3.3 FREE BASIC SERVICES AND INDIGENT SUPPORT

COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT:

Through the numerous projects implemented by the District Municipality, many short-term jobs were created in support of the unemployed. The District is categorically classified as rural with low levels of economic activity and high levels of unemployment. As a result, about 90% of the projects provide free basic services in the form of sanitation (VIP toilets). All rural water and sanitation schemes are free basic services.

The poor communities are also supported and empowered through skills transfer in construction. The objective is to skill people thus affording them an opening in seeking employment and the employability factor.

T 3.3.1

COMPONENT B: ROAD TRANSPORT

INTRODUCTION TO ROAD TRANSPORT

The NMMDM has a legislative mandate to plan, provide and administer road transport infrastructure and services within its entire area of jurisdiction. In doing so, a professional service provider by the name of NESSA Solutions PTY LTD was appointed on the 1st of March 2023 to develop the Rural Roads Asset Management System (RRAMS) for all municipal roads within its area of jurisdiction. This program seeks to classify roads in line with the Roads Infrastructure Strategic Framework of South Africa (RISFSA).

This process will further determine road inventory, infrastructure condition and traffic volumes. The information will be utilised to inform the future funding model by the Department of Transport and National Treasury. It will also be used by municipalities for planning relating to road infrastructure development and maintenance.

The management of municipal roads within the District is guided by the Roads Asset Management Plan (RAMP). The Ngaka Modiri Molema District prepares the RAMP on behalf of the Local Municipalities as per the prescript of the RRAMS requirements contained in the division of revenue act (DORA). The Local Municipalities are the owners and custodians of the road infrastructure.

T 3.4

3.4 ROADS

INTRODUCTION TO ROADS

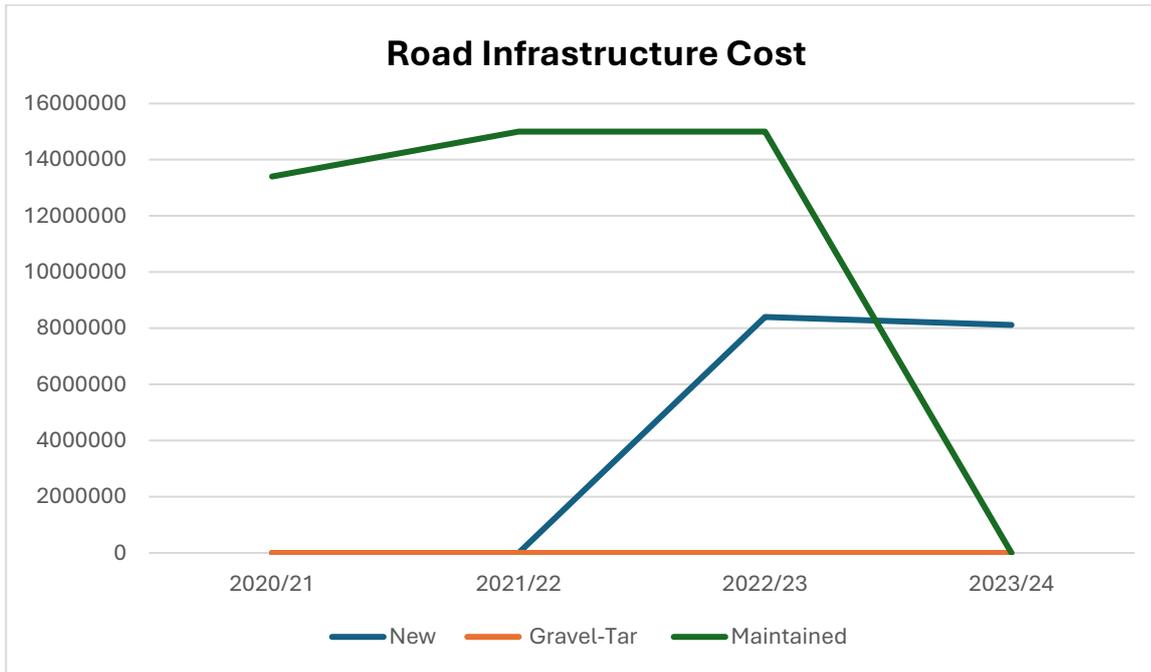
Section 88(2) of the Municipal Structures Act 117 of 1988 states that a District Municipality of request by a Local Municipality within its jurisdiction may provide financial, technical and administrative support services to the extent that the District Municipality has the capacity to provide those support services. Section 84(1)(f) of the same Act states that the District Municipality has a mandate and power to perform functions of municipal roads which form integral part of road transport system for the area as a whole. Ngaka Modiri District Municipality therefore has a mandate to maintain municipal gravel roads within its area of operation by constructing, re-gravelling and blading of gravel roads. This function is performed through internal and external mechanisms. Thereby ensuring synergy in terms of capacity to realise the above-mentioned legislation.

T3.4.1

| Gravel Road Infrastructure | | | | |
|-----------------------------------|---------------------------|-------------------------------------|-------------------------------------|---------------------------------------|
| Kilometres | | | | |
| | Total gravel roads | New gravel roads constructed | Gravel roads upgraded to tar | Gravel roads graded/maintained |
| 2020/2021 | 79 KM | - | - | 79 KM |
| 2021/2022 | 42.2 KM | - | - | 42.2 KM |
| 2022/2023 | 60.5 KM | - | - | 60.5 KM |
| 2023/2024 | 10.6 KM | 7.3 KM | - | 3.3 KM |
| | | | | T 3.4.2 |

| Tarred Road Infrastructure | | | | | |
|---|---------------------------|----------------------|-------------------------------------|--------------------------------------|-----------------------------|
| | Total tarred roads | New tar roads | Existing tar roads re-tarred | Existing tar roads re-sheeted | Tar roads maintained |
| <p>The Ngaka Modiri Molema District Municipality is not receiving any funding for tarring of roads. Therefore, the District is unable to implement this function. The information required in this tablet is not available.</p> | | | | | |
| | | | | | T 3.4.3 |

| Cost of Construction/Maintenance 2023/24 | | | |
|---|---------------|---------------------|-------------------|
| R' 000 | | | |
| | Gravel | | |
| | New | Gravel - Tar | Maintained |
| 2020/2021 | R0.00 | R0.00 | R13 400 000 |
| 2021/2022 | R 0.00 | R 0.00 | R15 M |
| 2022/2023 | R8 400 000 | R0.00 | R15 300 000 |
| 2023/2024 | R8 120 990 | R0.00 | R0.00 |
| | | | T 3.4.4 |



T 3.4.5

| Service Objectives / Service Indicators | | 2020/2021 | | 2021/2022 | | 2022/2023 | | 2023/2024 | 2023/2024 |
|--|------------------------------------|-----------|--------|-----------|--------|-----------|--------|-----------|-----------|
| | | Target | Actual | Target | Actual | Target | Actual | Target | Actual |
| Development of municipal roads as required | KM's of Municipal Roads Maintained | 60 KM | 79 KM | 38.9 KM | 42 KM | 50 KM | 60.5KM | 22.3KM | 7.3KM |

T 3.4.6

| Employees: Road Services | | | | |
|---------------------------------|------------------|------------------|---|--|
| Job Level | 2023/2024 | | | |
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| T19 - 26 | 0 | 0 | 0 | 0% |
| T14 - 18 | 3 | 1 | 2 | 67% |
| T9 - 13 | 6 | 4 | 2 | 33% |
| T1 - 8 | 21 | 8 | 14 | 67% |
| Total | 30 | 12 | 18 | 60% |
| | | | | T 3.4.7 |

| Financial Performance 2023/2024: Road Services | | | | | |
|---|------------------|------------------------|--------------------------|---------------|---------------------------|
| R'000 | | | | | |
| Details | 2022/2023 | 2023/2024 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | | | | | |
| Expenditure: | | | | | |
| Employees | | | | | |
| Repairs and Maintenance | R 13.9 M | R 18 M | R 0 M | R 23.7M | (R 5.7M) |
| Other | | | | | |
| Total Operational Expenditure | R 13.9 M | R 18 M | R 0 M | R 23.7M | (R 5.7M) |
| Net Operational Expenditure | | | | | |
| | | | | | T 3.4.8 |

COMMENT ON THE PERFORMANCE OF ROADS OVERALL:

The Municipality strives to eliminate service delivery backlogs and contribute positively to sustainable economic development of the District Municipality through the provision of infrastructure. This is by implementing routine and periodic maintenance of municipal gravel road networks in five Local Municipalities as part of support services. The maintenance entails road blading, construction, and re-gravelling where necessary. The poor condition of road network and limited machinery has hampered performance for the 2023/2024 financial year.

The service provider for RRAMS performed in terms of the condition of the contract during the 2023/2024 financial year. There were no challenges encountered.

T 3.4.9

COMPONENT C: PLANNING AND DEVELOPMENT

INTRODUCTION TO PLANNING AND DEVELOPMENT

IDP/BUDGET/PMS TIME SCHEDULE OF KEY DEADLINES 2023/24

The IDP/budget/PMS time schedule of key deadlines for 2022/23 was developed in preparation for the 2023/24 reviewed IDP and MTREF Budget. The draft 2024/25 IDP and draft MTREF budget were tabled in Council in March 2024 and the final IDP along with the budget were adopted by Council in May 2024.

The Planning and Development function at the municipality includes Town & Regional Planning, Integrated Development Plan, Local Economic Development as well as the Rural Development units. NMMDM was identified as one of the key Spatial Infrastructure priority programs that require reliable supply and the acceleration of investments in roads, rail, energy, water, sanitation, and ICT as catalyst for social needs delivery such as schools, clinics and hospitals; the facilitation of further development of mining, agricultural activities and tourism opportunities; and the opening up of beneficiation and economic growth opportunities in the key field existing in the District i.e. agriculture and tourism.

The newly developed District Development Model is building on this window of opportunity created through the amalgamation of previously conceptualised programmes and should be viewed as commitment from the national government to support and supplement this initiative and ensure success in all respects.

T 3.5

INTRODUCTION TO PLANNING

A core component of a municipality's economic, sectoral, spatial, social, institutional, and environmental planning is the Spatial Development Framework (SDF). The SDF is a tool to achieve the desired spatial form of the District Municipality taking key from the spatial development frameworks of the five constituent local municipalities and it is included as a Sector Plan in the IDP.

The Ngaka Modiri Molema District Municipality in its capacity as a commenting authority provides inputs on land use management and all other development applications processed at each constituent local municipality. The comments provided are informed by the vision and strategic objective of the District in order to create a synergy between what the local municipalities want to achieve, with what the District's is mandated to offer as the Water Service Authority (WSA), amongst other things.

Planning services managed to perform their duties within service delivery demands and managed to stay within the budget. Comparative figures not available due to the ongoing changes in organizational structure of the district.

TOWN PLANNING.

The joint Planning Interface Team was constituted and it consist of Town & Regional Planning personnel from the District, Municipal Planning Infrastructure Agency (MISA), North West Cooperative Governance & Traditional Affairs (NWCOGTA) has been meeting monthly to offer technical support to the town planning units at only four constituent local municipalities, namely (Ditsobotla, Ratlou, Tswaing and Ramotshere Moiloa local municipalities) with land development applications. The same officials also form part of the Municipal planning Tribunals (MPT) set up to handle the land development applications received at the same local municipalities.

COMMENT ON THE PERFORMANCE OF PLANNING SERVICES OVERALL

The Planning & Development Department could not manage to perform their duties in accordance with service delivery demands because of budget constraints of the operational budget.

The Planning & Development department has played a pivotal role in Transport Planning throughout the local municipalities. This has enabled the District, with the assistance of the Department of Community Safety and Transport Management (CoSATMA) to compile an Integrated Transport Plan (ITP) as well as Integrated Public Transport Plan (IPTN), these two strategic documents will untangle a lot of challenges that are public transport related.

INTEGRATED DEVELOPMENT PLANNING

The IDP unit is responsible for facilitating the development and review of the Integrated Development Plan (IDP) and ensuring compliance with Chapter 5 and 6 of the Municipal Systems Act. czmbengo@gmail.com

The IDP/Budget/PMS time schedule of key deadlines for 2023/2024 was developed in preparation for the 2024/2025 Reviewed IDP and MTREF Budget, The Draft 2024/2025 IDP and draft MTREF budget were tabled in Council in March 2024 and final IDP along with the budget were adopted by Council in May 2024.

T3.5.1

| Employees: Planning Services | | | | | |
|------------------------------|-----------|-----------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2022/2023 | 2023/2024 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| T19-26 | 0 | 0 | 0 | 0 | 0% |
| T14-18 | 6 | 8 | 6 | 2 | 25% |
| T9-13 | 18 | 26 | 18 | 8 | 30.76% |
| T1-8 | 0 | 2 | 0 | 2 | 100% |
| Total | 24 | 36 | 24 | 12 | 33.33% |
| | | | | | T 3.5.2 |

3.6 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

Ngaka Modiri Molema District Municipality has developed a ten (10) year District Growth and Development Strategy which has been noted by Council and advertised on the NMMDM website. The Municipality will start to facilitate job creation through Local Economic Services in 2023/24 when implementing the DGDS. The LED Unit has further developed the SMME Support Policy that has been approved by Council and the Unit is currently busy with Public Participation to inform local business on how the District is going to support SMME's through that Policy. The LED Unit is currently finalising the Contract Development Programme Policy which will be adopted by Council.

T 3.6.1

COMMENT ON LOCAL JOB OPPORTUNITIES:

The LED Unit did not create any Job opportunities in the financial 2023/24 due to financial constraints. 218 jobs have been created by the District Economic Development Unit through EPWP programme

T 3.6.4

Jobs Created during 2023/2024 LED Initiatives (Excluding EPWP projects)

| Total Jobs created / Top 3 initiatives | Jobs created | Jobs lost/displaced by other initiatives | Net total jobs created in year | Method of validating jobs created/lost |
|--|--------------|--|--------------------------------|--|
| | No. | No. | No. | |

The LED Unit has not created or initiated any jobs for the period under review due to unavailability of budget.

T 3.6.3

Job creation through EPWP* projects

| Details | EPWP Projects | Jobs created through EPWP projects |
|-----------|---|------------------------------------|
| | No. | No. |
| 2021/2022 | Screening & Sanitisation in 5 Locals Cleaning of NMMDM buildings in 5 Locals Monitoring of Water tankering in 5 Locals. | 224 |
| 2022/2023 | Road Maintenance across the District Cleaning of NMMDM buildings and properties Water Provisioning Support | 205 |
| 2023/2024 | Road Maintenance across the District Cleaning of NMMDM buildings and properties Water Provisioning Support | 218 |

T 3.6.4

| Employees: Local Economic Development Services | | | | | |
|--|---------------|-----------|---------------|----------------------------------|-----------------------------------|
| Job Level | 2022/2023 | 2023/2024 | | | |
| | Employees No. | Posts No. | Employees No. | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | | | | No. | % |
| T19-26 | 0 | 0 | 0 | 0 | 0% |
| T14-18 | 0 | 1 | 0 | 1 | 100% |
| T9-13 | 5 | 6 | 5 | 1 | 16.66% |
| T1-8 | 0 | 0 | 0 | 0 | 0% |
| Total | 5 | 7 | 5 | 2 | 28.57% |
| | | | | | T 3.6.5 |

| Economic Activity by Sector | | |
|-------------------------------------|---------|---------|
| R '000 | | |
| Sector | 2022/23 | 2023/24 |
| Agric, forestry and fishing | 9 | 5 |
| Mining and quarrying | 2 | 2 |
| Manufacturing | 14 | 63 |
| Wholesale and retail trade | 41 | 52 |
| Finance, property, etc. | 61 | 52 |
| Govt, community and social services | 68 | 25 |
| Infrastructure services | 31 | 41 |
| Total | 226 | 235 |

Source: (Quantec, 2021; Urban-Econ Calculations, 2021)

COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:

The Local Economic Development has in previous financial year ensured that the District Growth and Development Strategy is approved by Council, Developed SMME's Support Policy, Contract Development Programme Policy and employed 218 EPWP Participants.

T 3.6.5

COMPONENT F: HEALTH

INTRODUCTION TO HEALTH

Municipal Health Services are those services defined by the National Health Act 2003, Act 61 of 2003, as amended, that are inclusive of water quality monitoring, waste management, food control, health surveillance of premises, surveillance and control of communicable diseases excluding immunisation, vector control, environmental pollution control, disposal of the dead and chemical safety but exclusive of malaria control, hazardous substances control and port health services.

The Municipal Structures Act 1998, Act 117 of 1998 assigns powers and functions of Municipal Health Services to the Metropolitan and District Municipalities in terms of section 84 (1) (i).

The service delivery priorities for the year of reporting are: (a) Conduct awareness and educational campaigns to communities and stakeholders on topics of Municipal Health Services. (b) Promote good Health & Hygiene practices to prevent outbreaks of water borne & food borne diseases. (c) Monitor, Certify & enforce compliance of food handling premises. (d) Monitor management & handling of human remains. (e) Monitor Early Childhood Development (ECD) centres for health and safety compliance, Health surveillance & certification of premises.

T 3.7

3.7 HEALTH INSPECTION; FOOD AND ABBATOIR LICENSING AND INSPECTION; ETC

SERVICE STATISTICS FOR HEALTH

- (a) Awareness & educational campaigns conducted – 63 conducted
- (b) Promotion of good Health & Hygiene practices 4 290 people reached
- (c) Food handling premises inspected – 2 253
- (d) Funeral Undertaker premises inspected – 81
- (e) ECD centres inspected – 226
- (f) Health Certificates issued – 49
- (g) Potable water quality monitoring – 305 samples taken
- (h) Milk & dairy products quality monitoring – 45 samples taken

T 3.7.1

| Service Objectives | 2022/2023 | | 2023/2024 | |
|---|----------------|--------|----------------|---------------|
| | Target | Actual | Target | |
| Service Indicators (i) | *Previous Year | | *Previous Year | *Current Year |
| | (iii) | (iv) | (v) | (vi) |
| Promote good health & hygiene practices through education in communities (members of community reached) | 2000 | 4290 | 2000 | 2500 |
| Conduct health awareness & educational campaigns (number of campaigns conducted) | 60 | 60 | 60 | 60 |
| Promote food safety (number of food handling premises inspected) | 1450 | 2253 | 1450 | 2000 |
| Monitor & Inspect Early Childhood Development (ECD) centres(number inspected) | 45 | 226 | 45 | 50 |
| Monitor Management of Human Remains (Funeral Undertaker premises inspected & exhumations monitored) | 45 | 81 | 45 | 50 |
| Health Certification of premises (number of Health Certificates issued) | 35 | 49 | 35 | 50 |
| T 3.7.2 | | | | |

| Employees: Health Inspection and Etc | | | | | |
|---|------------------|------------------|------------------|--------------|------------------|
| Job Level | 2022/2023 | 2023/2024 | | | |
| | Employees | Posts | Employees | Posts | Employees |
| | No. | No. | No. | No. | No. |
| T19-26 | 0 | 0 | 0 | 0 | 0% |
| T14-18 | 6 | 7 | 7 | 0 | 0% |
| T9-13 | 17 | 52 | 17 | 35 | 67% |
| T1-8 | 0 | 0 | 0 | 0 | 0% |
| Total | 23 | 59 | 24 | 35 | 59% |
| | | | | | <i>T 3.7.3</i> |

COMMENT ON THE PERFORMANCE OF HEALTH

The year under reporting saw the decline of operational personnel to eleven (11) due to appointment of six (06) Assistant Managers drawn from the operational staff we had before. One of the areas, namely Ratlou Local Municipality has to date no operational staff, and this require attention to address the challenge. However, during September 2023 ten (10) vacant positions of operational staff were advertised and currently appointments are done, and all appointed personnel will soon assume duty. Hopefully the new appointments will assist in improving the overall performance of the Health services.

T 3.7.4

COMPONENT G: SECURITY AND SAFETY

3.8 FIRE

INTRODUCTION TO FIRE SERVICES

In the current fiscal year 2023/2024 the more focus was to address the fire station offices in order to comply with the legislation. A piece of land was acquired from the relevant authorities for the construction / establishment of Fire Stations in line with the approved plan.

Thus, Delareyville and Setlagole Local Municipality were prioritised, an amount of R 19million was set aside for fencing and phase one (1) for construction of both fire stations for an amount of R21m and R25m respectively. The fencing was completed around November 2022. Then the remaining work has been rolled to next financial year 2023/2024 for progress on both constructions. Phase one (1) include construction of Guard Houses, paving of internal route, reticulation of water and sanitation water systems included borehole. Steel elevated tank.

Also Lehurutshe fire station was also renovated for an amount of R3m.

T 3.8

| District Fire Service Data | | | | | | | | |
|----------------------------|---|--------------|------------|--------------|------------|--------------|--------------|------------|
| | Details | 2020 / 2021 | | 2021/2022 | | 2022/2023 | 2023/2024 | |
| | | Estimate No. | Actual No. | Estimate No. | Actual No. | Estimate No. | Estimate No. | Actual No. |
| 1 | Total fires attended in the year | 300 | 388 | 320 | 360 | 340 | | 379 |
| 2 | Total of other incidents attended in the year | 40 | 160 | 38 | 121 | 100 | | 208 |
| 3 | Average turnout time - urban areas | 3 minutes | 3 minutes | 3 minutes | 3 minutes | 3 minutes | | 3 minutes |
| 4 | Average turnout time - rural areas | 3 minutes | 3 minutes | 3 minutes | 3 minutes | 3 minutes | | 3 minutes |
| 5 | Fire fighters in post at year end | 218 | 217 | 220 | 215 | 215 | | |
| 6 | Total fire appliances at year end | 28 | 19 | 18 | 13 | 13 | | 20 |
| 7 | Average number of appliances off the road during the year | 0 | 9 | 9 | 08 | | | 4 |
| | | | | | | | | T 3.8.1 |

| Fire Service Policy Objectives Taken From IDP | | | | | | | | | |
|---|-------------------------|--|--|---|---|--|--|---|--|
| Service Objectives | Outline Service Targets | 2020/2021 | | 2021/2022 | | | 2022/2023 | 2023 / 24 | |
| | | Target | Actual | Target | | Actual | Target | | |
| Service Indicators | | *Previous Year | | *Previous Year | *Current Year | | *Current Year | *Current Year | *Following Year |
| (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) | (viii) | (ix) | (x) |
| Provide Fire Fighting Function | 3 | Seeking sponsor / strong financial muscle for establishment of Satellite station in with the Fire Service Plan | Financial constrains hindered further planning | Registering acquired pieces of land construction of Tswaing and Setlagole Fire Stations with Deeds Office | Planned to construct Tswaing and Ratlou Fire Stations | Phase one of Setlagole and Tswaing Fire Stations completed | Phase two of Tswaing and Setlagole Fire Stations completed | Phase 1 Setlagole and Delareyville Fire Station. Renovation of Lehurutshe fire Station. | construction of Phase 2 Delareyville Fire Station. Continuation of phase1 Setlagole Fire Station. Renovation of Lichtenburg and Groot Marico Fire Station. |

| | | | | | | | | | |
|--------|--|--|--|---|--|--|--|--------------------------|---|
| | Equip Fire Stations with Fire Engines and Equipment | Equip all four Fire Stations with Fire Engines and Equipment | Complete the previous Tender and equip four existing Fire Stations accordingly | Delivery of seven Fire Engines instead of 8 | Financial constrains hindered further planning | Expanding by establishing addition Satellite stations in line with the Fire Plan | Secure funds for additional Fire Engines (small) and Equipment | none | Procurement of 3 first response fire vehicles and 3 utility vehicles. |
| | Support of Fire Safety Sub-Unit in relation to PIER activities | 105 PIER Conducted | 100 PIER Targeted | 80 PIER Targeted | 105 PIER Conducted | 50 PIER to be conducted | 80 PIER to conducted | 100 PIER to be conducted | 120 PIER to be conducted |
| T3.8.2 | | | | | | | | | |

| Employees: Fire Services | | | | | |
|--------------------------|-----------|-----------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2021/2022 | 2022/2023 | | | |
| Fire Fighters | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| Administrators | No. | No. | No. | No. | % |
| T19-26 | 0 | 0 | 0 | 0 | 0% |
| T14-18 | 5 | 6 | 5 | 1 | 16.66% |
| T9-13 | 121 | 126 | 116 | 10 | 7.93% |
| T12-8 | 89 | 181 | 89 | 92 | 50.82% |
| T7-1 | 215 | 313 | 210 | 103 | 32.90% |
| | | | | | T3.8.3 |

| Financial Performance Year 2023/24: Fire Services | | | | | |
|--|---------|-----------------|-------------------|--------|--------------------|
| R'000 | | | | | |
| Details | 2022/23 | 2023/24 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | 909541 | - | - | - | - |
| Expenditure: | | | | | |
| Employees | 399762 | 138186 | 138186 | 83668 | -65% |
| Repairs and Maintenance | 25 | 244 | 250 | 248 | 2% |
| Other | 501357 | 9498 | 9498 | 9105 | -4% |
| Total Operational Expenditure | 901144 | 147928 | 147934 | 93021 | -59% |
| Net Operational Expenditure | -8397 | 147928 | 147934 | 93021 | -59% |
| <i>Net expenditure to be consistent with summary T 5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual.</i> | | | | | T 3.8.4 |

3.9 OTHER (DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES AND OTHER)

INTRODUCTION TO DISASTER MANAGEMENT

Chapters 5 of the Disaster Management Act No. 57 of 2002 as amended places more emphasis on the requirements highlighted starting from Section 42 which District Municipalities need to accomplish. The National Disaster Management Framework of 2005 has also coined up those requirements into four (4) KPA's and three (3) enablers that each and every organ of State had to put in place or implement. In so doing, the District Disaster Management Centre had been in the forefront in implementing such requirements.

T 3.9.1

SERVICE STATISTICS FOR DISASTER MANAGEMENT, ANIMAL LICENCING AND CONTROL, CONTROL OF PUBLIC NUISANCES, ETC

In 2023/24 financial year, less progress has been registered particularly in KPA 1 – Institutional capacity arrangement on the continuation of equipping the allocated building to be used as a Joint District Disaster Management Centre. It shall be recalled that in 2018/19 financial year, the Provincial Disaster Management Centre assisted in installing burglar doors and windows for the Joint District Disaster Management Centre in support to Ngaka Modiri Molema District Municipality.

Internet, telephones and fax line that were installed are now problematic and the Joint District Disaster Management Centre can no longer operate on 24/7 day basis and such need to be addressed urgently. In an endeavor to realize an integrated and coordinated approach to disaster management, Local Municipalities are also encouraged to establish disaster management function or unit and develop disaster management plans for their areas of jurisdiction but to no avail. The District Disaster Management Centre shall always strive to achieve a comprehensive system that will assist in coordination, communication and management of incidents within the entire District Municipality.

T 3.9.2

Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc. Policy Objectives Taken From IDP

| Service Objectives | Outline Service Targets | 2020/2021 | | 2021/2022 | | 2022/2023 | 2023/2024 | | |
|--------------------|-------------------------|----------------|--------|----------------|---------------|-----------|---------------|---------------|-----------------|
| | | Target | Actual | Target | | Actual | Target | | |
| Service Indicators | | *Previous Year | | *Previous Year | *Current Year | | *Current Year | *Current Year | *Following Year |
| (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) | (viii) | (ix) | (x) |

Service Objective xxx

| | | | | | | | | | |
|--|-------------------------|---|--|---|---|---|---|---|---|
| Disaster risk assessments and awareness campaigns | 4 x awareness campaigns | To conduct four (4) awareness campaigns | Three (3) awareness campaigns were conducted | To conduct four (4) awareness campaigns | To conduct four (4) awareness campaigns | 3 X Disaster Awareness Campaigns were conducted, one (1) through Mahikeng FM and other two (2) zero budget disaster awareness campaigns were conducted in partnership with DSD, Home Affairs, Municipal Health and Fire Services. | To conduct four (4) awareness campaigns | To conduct four (4) X seasonal disaster awareness campaigns | To conduct four (4) X seasonal disaster awareness campaigns |
|--|-------------------------|---|--|---|---|---|---|---|---|

| | | | | | | | | | |
|--|----------------|----------------|---|----------------|----------------|---|----------------|----------------|----------------|
| Disaster Response and Relief Material | 100 Households | 100 Households | No service provider was appointed and therefore no response and relief material was available | 100 Households | 100 Households | 130 households were provided with disaster response and relief material | 100 Households | 100 Households | 100 Households |
| T 3.9.3 | | | | | | | | | |

| Employees: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc | | | | | |
|---|------------------|------------------|------------------|---|--|
| Job Level | 2022/2023 | 2023/2024 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| T19-26 | 0 | 0 | 0 | 0 | 0% |
| T14-18 | 2 | 2 | 2 | 0 | 0% |
| T9-13 | 12 | 21 | 12 | 9 | 42.85% |
| T1-8 | 0 | 0 | 0 | 0 | 0% |
| Total | 14 | 23 | 14 | 9 | 39.13% |
| | | | | | <i>T 3.9.4</i> |

| Financial Performance 2023/24: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc | | | | | |
|---|------------------|------------------------|--------------------------|---------------|---------------------------|
| R'000 | | | | | |
| Details | 2022/2023 | 2023/2024 | | | |
| | Actual | Original Budget | Adjustment Budget | Actual | Variance to Budget |
| Total Operational Revenue | | - | - | - | - |
| Expenditure: | | | | | |
| Disaster Management Conditional Grant | - | - | - | - | - |
| Employees | | 13 020 | 13 020 | 28 527 | 54% |
| Repairs and Maintenance | - | - | - | - | - |
| Other | R 0 | 0 | 0 | 0 | None |
| Total Operational Expenditure | 2989280,0 | 13 020 | 13 020 | 28 527 | 54% |
| Net Operational Expenditure | 2989280,0 | 13 020 | 13 020 | 28 527 | 54% |
| | | | | | <i>T 3.9.5</i> |

| Capital Expenditure 2023/2024: Disaster Management, Animal Licencing and Control, Control of Public Nuisances, Etc | | | | | |
|---|------------------|--------------------------|---------------------------|--------------------------------------|----------------------------|
| R' 000 | | | | | |
| Capital Projects | 2023/2024 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | R2 200 800 | R2 200 800 | R1 296 061 | R4 04 449 | |
| Disaster Awareness Campaigns | R 104,800.00 | R 104,800.00 | R162 750 | R0 | R267 550 |
| Disaster Response and Relief Material | R 2 096 000 | R 2 096 000 | R1 133 311 | R4 04 449 | R3 633 760 |
| <i>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate.</i> | | | | | T 3.9.6 |

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

3.10 EXECUTIVE AND COUNCIL

INTRODUCTION TO EXECUTIVE AND COUNCIL

The priorities of the Ngaka Modiri Molema District Municipality areas follow:

- Provision of Water and Sanitation
- District Economic Growth and Rural Development
- Disaster Management
- Municipal Health Services and Safety
- District Internal Rural Roads

T 3.10

| Employees: The Executive and Council | | | | | |
|---|------------------|------------------|------------------|--------------|------------------|
| Job Level | 2022/2023 | 2023/2024 | | | |
| | Employees | Posts | Employees | Posts | Employees |
| | No. | No. | No. | No. | No. |
| T19-26 | 0 | 0 | 0 | 0 | 0 |
| T14-18 | 9 | 7 | 9 | 7 | 9 |
| T9-13 | 16 | 20 | 16 | 20 | 16 |
| T1-8 | 2 | 7 | 2 | 7 | 2 |
| Total | 27 | 34 | 27 | 34 | 27 |
| | | | | | <i>T 3.10.1</i> |

3.11 HUMAN RESOURCE SERVICES

In line with the Employment Equity Act (55 of 1998), the employment equity report was submitted to the Department of Labour in January 2024. The District Municipality submitted the Workplace Skills Plan as requested by the Department of Employment and Labour, which had extended the submission from April 2024

Education and Training has been a serious challenge as the process of appointing the panel providers has been dragging. Six councillors and Six employees were registered for Municipal Executive Finance. One employee was trained for Management programme and one for Office Administration.

The Municipality advertised sixty-six critical positions in various department that were vacant and budgeted for. The process led to filling of critical positions in Finance.

T 3.11.1

SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

The contract of Municipal Manager and of Senior Managers came to an end in November 2022 and December 2022 respectively. This is in exclusion of the Chief Audit Executive position that will come to an end in August 2024. The council was able to appoint Municipal Manager in the previous financial year and the Senior Managers in July and August 2023 respectively in exclusion of the of Senior Manager Corporate Support Services. The appointment of the four Senior Managers is permanent in line with the Local Government municipal Systems Act as amended.

A total of twelve positions were filled in the financial year while thirteen terminations were registered.

T3.11.2

Service Objectives taken from IDP

| Service Objectives/Indicators | Outline Service Targets | 2020/2021 | | 2021/2022 | | 2022/2023 | 2023/2024 | |
|--|---|---|--|---|-------------------|---|---------------------|-------------------|
| | | Target | Actual | Target | Actual | Target | Actual | |
| (i) | (ii) | Previous year (iii) | (iv) | Previous year (v) | Current year (vi) | (vii) | Current year (viii) | Current year (ix) |
| | | | | | | | | |
| To create an equitable, participative organisational structure | Update and correct the organisational structure | Update and correct the organisational structure by 30 June 2019 | Updated and corrected organisational structure approved by Council in May 2019 | Update and correct the organisational structure by May 2019 | N/A | Implemented arbitration award by c creating seven (7) wastewater aid workers positions in the existing organisational structure and approved by council on the 27 th of November, resolution number C54/2019 | N/A | N/A |
| | | | | | | | | T3.11.3 |

| Employees: Human Resource Services | | | | | |
|---|------------------|------------------|------------------|--------------|------------------|
| Job Level | 2022/2023 | 2023/2024 | | | |
| | Employees | Posts | Employees | Posts | Employees |
| | No. | No. | No. | No. | No. |
| T19-26 | 0 | 0 | 0 | 0 | 0 |
| T14-18 | 2 | 2 | 2 | 2 | 2 |
| T9-13 | 9 | 15 | 9 | 15 | 9 |
| T1-8 | 2 | 2 | 2 | 2 | 2 |
| Total | 13 | 19 | 13 | 19 | 13 |
| | | | | | <i>T 3.11.4</i> |

COMMENT ON THE PERFORMANCE OF HUMAN RESOURCE SERVICES OVERALL:

The strategic objective of the human resource services is to recruit and retain competent human capital and create a platform for sound labour relations. Added thereto, the unit is expected to support employees, councillors, and communities effectively and efficiently. This objective was pursued through the following projects and programmes:

Recruitment and selection of suitable candidates for positions; Coordination of capacity building activities; Conducting medical surveillance; Hazard identification and risk assessment; Occupational health and safety capacity building; Employee wellness programmes; Employee labour relations; Induction sessions; Compilation and submission of Workplace Skills Plan; Training; Capacitation of young people in the District with regard to learnership and experiential training; Job evaluation, and Implementation of Employment Equity Plan and submission of annual Employment Equity Report. The implementation of performance Management and Developmental System and approval of the Organizational structure are still outstanding.

The Local Labour Forum and labour relations sub-committees as well as human resource committees were established.

All the report were submitted on time to Department of labour is prescribed for the year under review. The filling of Senior Manager on permanent basis were concluded in exception of the one of Senior Manager Corporate Support Services.

T 3.11.5

3.12 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The over-arching mission of this unit is to provide ICT services in support of business needs within the municipality. This mission is supported by strategic objectives and goals which are to provide operations and support, provide ICT network support, and the provision of ICT security system and data base administration.

CURRENT STATUS

The ICT Strategy Plan has been approved by Council. ICT policies will be reviewed as and when required. The municipality has appointed a service provider to upgrade and or install network infrastructure on an as and when required basis for 36 months. The service provider has already upgraded Montshioa Guesthouse and Molopo Regional Office.

T 3.12.1

SERVICE STATISTICS FOR ICT SERVICES

SERVICES PROVIDED

1. Operations Support
2. Network Support
3. Security and Database Administration

T 3.12.2

| Service Objectives | Outline Service Targets | 2021/2022 | | | 2022/2023 | 2023/2024 | | |
|--|--|----------------|--|--|----------------|--|--|---|
| | | Target | | Actual | Target | | | Actual |
| Service Indicators (i) | (ii) | *Previous Year | *Current Year | | *Current Year | *Current Year | *Following Year | |
| | | (v) | (vi) | (vii) | (viii) | (ix) | (x) | |
| Business Continuity Plan (Disaster Recovery Plan) | Development of Business Continuity Plan including ICT Disaster Recovery Plan | No performance | Development of Business Continuity Plan including ICT Disaster Recovery Plan | Development of Business Continuity Plan including ICT Disaster Recovery Plan | No performance | Development of Business Continuity Plan including ICT Disaster Recovery Plan | Development of Business Continuity Plan including ICT Disaster Recovery Plan | Business Continuity Plan including Disaster Recovery will be finalised in current financial year. |
| Business Continuity Plan (Disaster Recovery Plan) | Upgraded and or new network infrastructure installed in Municipal Offices | No Performance | Upgraded and or new network infrastructure installed in Municipal Offices | No Performance | No Performance | Upgraded and or new network infrastructure installed in Municipal Offices | Upgraded and or new network infrastructure installed in Municipal Offices | Upgraded Montshiwa Guesthouse and Molopo Regional Offices |

T 3.12.3

| Employees: ICT Services | | | | | |
|-------------------------|-----------|-----------|-----------|----------------------------------|-----------------------------------|
| Job Level | 2022/2023 | 2023/2024 | | | |
| | Employees | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | No. | % |
| T19-26 | 0 | 0 | 0 | 0 | 0% |
| T14-18 | 1 | 1 | 1 | 0 | 0% |
| T9-13 | 5 | 6 | 5 | 0 | 0% |
| T1-8 | 1 | 1 | 1 | 0 | 0% |
| Total | 7 | 8 | 8 | 0 | 0% |
| | | | | | T3.12.4 |

| Capital Expenditure Year 2023/2024: ICT Services | | | | | |
|--|------------|-------------------|--------------------|-------------------------------|---------------------|
| R' 000 | | | | | |
| Capital Projects | 2024 | | | | |
| | Budget | Adjustment Budget | Actual Expenditure | Variance from original budget | Total Project Value |
| Total All | 16 000 000 | | | | |
| Telephones | 5 500 000 | 0 | 5500000 | 0% | 5500000 |
| Photocopiers | 750 000 | 0 | 750000 | 0% | 750000 |
| ICT Plans | 2200000 | 0 | 2200000 | 0% | 2200000 |
| Laptops | 500000 | 0 | 500000 | 0% | 500000 |
| Software Licenses | 7000000 | 0 | 7000000 | 0% | 7000000 |
| <p>Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate).</p> | | | | | |
| | | | | | T 3.12.5 |

COMMENT ON THE PERFORMANCE OF ICT SERVICES OVERALL:

The overall municipal organogram which includes reviewed ICT organogram is awaiting Council approval. Business continuity plan has not yet been finalised. Operationally, ICT only maintain the ongoing contracts of telephones, software licenses and leasing of photocopy machines. Maintenance of ICT equipment and refresh of laptops and desktops. We have appointed a service provider for 36 months to upgrade and install network infrastructure on an as and when required basis. We already upgraded Montshioa Guest House and Molopo Regional offices. Network points are repaired or replace as and when faults are identified in other offices. Currently the service provider is busy with Lehurutshe Fire and Regional Office.

T 3.12.6



ANNUAL PERFORMANCE REPORT

2023 - 24

COMPONENT K: ORGANISATIONAL PERFORMANCE SCORECARD

| NATIONAL LG PRIORITIES | CORPORATE RESOURCE SERVICES LABOUR MATTERS, FINANCIAL AND ADMINISTRATIVE CAPACITY, SERVICE DELIVERY, FINANCIAL VIABILITY, GOOD GOVERNANCE, INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT, ECONOMIC DEVELOPMENT | | | | | | | | | | | | | |
|-----------------------------|--|---|--|--|--------|-------------------|---------|---|--|--|----------|--|---------------------------------------|--|
| KPA | KPA 1: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION | | | | | | | | | | | | | |
| Outcome | Output 1 | IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT | | | | | | | | | | | | |
| | Output 6 | ADMINISTRATIVE AND FINANCIAL CAPABILITIES OF MUNICIPALITIES ARE ENHANCED | | | | | | | | | | | | |
| Functional Area/Development | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/2023 | | | | | | | | | | | | |
| Council Sittings | To promote good governance and accountable government | 11 Council Meetings supported | 7 Council Meetings supported by 30 June 2024 | | Opex | Opex | Opex | KPI 1 Number of Council Meetings supported | | 10 Council meetings supported: (07 July 2023; 31 August 2023; 10 October 2023; 18 October 2023; 07 December 2023; 12 December 2023; 29 January 2024; 28 February 2024; 27 March 2024; and 31 May 2024) | 3 | Urgent matters necessitates Council to hold more meetings. | None | Agenda, Notice of Council meeting, Minutes, Attendance Register and Council Resolutions, Memo for unsigned Minutes |
| Human Resource Management | Achieve positive employee climate | 2021/2022 Employment Equity on EE Plan Progress Report submitted on 13 January 2023 | 2022/2023 Progress Report on Employment Equity Plan submitted to Department of Labour by 15th January 2024 | | Opex | Opex | Opex | KPI 2 Submission of 2022/2023 Employment Equity Progress Report to the Department of Labour | | Employment Equity Progress Report submitted to the Department of Labour | None | None | None | Signed Employment Equity Progress Report and Acknowledgement of receipt Letter from Department of Labour |
| Training and Development | To promote skills development | 2022/2023 Workplace Skills Plan submitted on 26 April 2023 to Local Government Sector Education and Training Authority (LGSETA) | 2023/2024 Workplace Skills Plan developed and submitted on to Local Government Sector Education and Training Authority (LGSETA) by 30 April 2023 | 2024/2025 Workplace Skills Plan developed and submitted on to Local Government Sector Education and Training Authority (LGSETA) by 30 April 2024 | Opex | Opex | Opex | KPI 3 Development and submission of the 2023/2024 Workplace Skills Plan to Local Government Sector Education and Training Authority (LGSETA) | Development and submission of the 2024/2025 Workplace Skills Plan to Local Government Sector Education and Training Authority (LGSETA) | Submitted 2024/2025 Workplace Skills Plan to Local Government Sector Education and Training Authority (LGSETA) | None | None | None | Workplace Skills Plan and Acknowledgement of receipt letter from Local Government Sector Education and Training Authority (LGSETA) |

| NATIONAL LG PRIORITIES | CORPORATE RESOURCE SERVICES LABOUR MATTERS, FINANCIAL AND ADMINISTRATIVE CAPACITY, SERVICE DELIVERY, FINANCIAL VIABILITY, GOOD GOVERNANCE, INSTITUTIONAL TRANSFORMATION AND DEVELOPMENT, ECONOMIC DEVELOPMENT | | | | | | | | | | | | | |
|---------------------------------------|--|--|---|---|--------|-------------------|-------------|--|-----------------------------------|---|----------|--|---------------------------------------|--|
| KPA | KPA 1: MUNICIPAL INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION | | | | | | | | | | | | | |
| Outcome 9 | Output 1 | IMPLEMENT A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT | | | | | | | | | | | | |
| | Output 6 | ADMINISTRATIVE AND FINANCIAL CAPABILITIES OF MUNICIPALITIES ARE ENHANCED | | | | | | | | | | | | |
| Functional Area/ Development | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| Labour Relations | Achieve positive employee climate | 4 LLF meetings held | 4 Local Labour Forum Meetings held by 30 June 2024 | | Opex | Opex | Opex | KPI 4 Number of Local Labour Forum (LLF) meetings held | | 5 x Local Labour Forum meetings held: (07 September 2023; 30 November 2023; 12 March 2024; 28 March 2024 and 22 May 2024) | 1 | Urgent matters necessitated the LLF to hold more meetings. | None | Minutes; Attendance Register; Notice of meeting |
| Legal Services | To promote accountable, efficient and transparent administration | 4 Updated Litigation Registers for and Against the Municipality submitted to the Municipal Manager | Four Updated Litigation Registers for and against the Municipality submitted to the Municipal Manager by 30 June 2024 | | R 7,6m | | R21 993 442 | KPI 5 Number of updated Litigation Registers submitted to the Municipal Manager | | 4 x Updated Litigation Registers for and against the Municipality submitted to the Municipal Manager | None | None | None | Updated Litigation Register submitted to MM |
| Information Communications Technology | To improve technology efficiency | 4 Information and Communications Technology Governance Reports submitted | 4 Information and Communications Technology Governance Reports submitted to Municipal Manager by 30 June 2024 | | Opex | Opex | Opex | KPI 6 Number of Information and Communications Technology Governance Reports submitted to Municipal Manager | | 4 x Information and Communications Technology Governance Reports submitted to the Municipal Manager | None | None | None | Signed ICT Governance Report |
| Security Support Services | Creating a safe and secure working environment for the Municipality | New | 4 Employees vetting forms submitted to State Security Agency by 30 June 2024 | | Opex | Opex | Opex | KPI 7 Number of employees vetting forms submitted to State Security Agency by 30 June 2024 | | 4 Employees vetting forms submitted to State Security Agency by 30 June 2024 | None | None | None | Acknowledgment letters from State Security Agency. |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | | |
|---|---|------------------------------------|---|---|------------|-------------------|------------|--|--|---|----------|----------------------------------|---------------------------------------|---|--|
| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome 9 | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Security Support services | Creating a safe and secure working environment for the Municipality | New | 3 WWTP installed with CCTV security monitoring systems across the district (Zeerust WWTP, Itsoseng WWTP, Lichtenburg WWTP) by 30 June 2024 | | R2 000 000 | | R1 821 610 | | KPI 7(A) Number of WWTP installed with CCTV security monitoring systems by 30 June 2024 | 3 WWTP installed with CCTV security monitoring systems across the district (Zeerust WWTP, Delareyville WWTP, Lichtenburg WWTP) by 30 June 2024 The vandalism situation at Itsoseng is still the same and is reported at SAPS and there is case number. | None | None | None | Advert, Appointment letter, CCTV photos and contractor's closing report | |
| Disaster Management Services | Disaster Awareness Campaigns | 4 | 4 x Disaster Awareness Campaigns held by 30 June 2024 (1 at Tswaing LM; 1 at Ratlou LM; 1 at Ramotshere Moiloa LM; 1 at Ditsobotla LM) | | R104 800 | | R102 035 | KPI 8 Number of Disaster Awareness Campaigns conducted by end June 2024 | | 4 x Disaster Awareness Campaigns were conducted through Mahikeng FM, Bokone Bophirima FM, Ratlou FM and Motsweding FM on 15/09/2023, 19/12/2023, 27/03/2024 and 27/06/2024 respectively | None | None | None | Attendance registers, request, reports, radio podcast and confirmation of interview | |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | | |
|---|--|------------------------------------|--|---|----------|-------------------|---------|---|-----------------------------------|--|----------|--|---------------------------------------|--|--|
| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome g | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Municipal Health Services | To provide Municipal Health Services | 60 | 60 health educational and awareness campaigns conducted on topics of Food safety, Health surveillance of premises, Health & Hygiene, Water safety, Waste Management throughout the district by June 2024 (Ratlou LM = 12; Tswaing LM = 12; Ditsobotla LM = 12; Ramotshere LM = 12 Mafikeng LM 12)) | | R360 000 | R219 551 | R- | KPI 9 Number of health educational & awareness campaigns conducted by June 2024 | | 70 Health educational awareness campaigns conducted by June 2024 | 10 | Additional campaigns were conducted in collaboration with the DFFE (department of Forestry Fisheries & Environment) on environmental management education, schools competitions. | N/A | Attendance registers programme and reports | |
| Fire & Rescue Services | To provide Fire & Rescue Services | 80 | 100 PIER conducted in four Local Municipalities by June 2024 (Ramotshere Moiloa LM 24; Tswaing LM 28; Ditsobotla LM 24; Ratlou LM 24) | | OPEX | OPEX | OPEX | KPI 10 Number of PIER (Public Information Education Relations) conducted by 30 June 2024 | | 100 PIER conducted by 30 June 2024 Ramotshere LM = 25 Ditsobotla LM = 26 Ratlou LM = 25 Tswaing LM = 24 The were more fire incidents in other areas hence more educational campaigns were conducted | None | None | None | Attendance registers programme and reports | |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | | |
|---|--|------------------------------------|--|---|-------------|-------------------|-------------|--|-----------------------------------|--|----------|----------------------------------|---------------------------------------|--|--|
| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome 9 | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Fire & Rescue Services | To provide Fire & Rescue Services | Part of Phase 1 work complete | Two fire stations on Phase 1 and 2 completed by 30 June 2024 (Ratlou and Tswaing Fire Stations) (Phase 1-Compacting; Guard Houses; Water Reticulation; Site Paving and Electrification. Phase 2 - 50% Construction completed | | R17 404 500 | R19 000 000 | R26 480 380 | KPI 11 Number of fire stations on Phase 1 and 2 completed by 30 June 2024 | | Ratlou (Setlagole) Fire Station: Phase 1 Site hand-over took place on 01-Mar-24. 51% progress on site. Setting out and site clearance; Site clearance for paving, roads and building platform; Refurbishment of Existing Borehole; Sighting and Drilling of New Borehole; Pipe fitting installations (Sewer junctions) | None | None | None | Implementation Plan, Progress Report, Completion Certificate | |
| | | | | | | | | | | Setlagole Fire Station: Phase 2 not catered for in this financial year | | | | | |
| | | | | | | | | | | Tswaing (Delareyville) Fire Station: Final completion certificate signed dated 28 June 2024 | None | None | None | | |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | | |
|---|--|--|---|---|--------|-------------------|---------|---------------------------|---|---|--|---|--|---|--|
| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome g | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Water services Planning | Ground Water Development | 26 boreholes were drilled and equipped | 19 boreholes drilled and equipped by 30 June 2024: Drilling and equipping of 19 boreholes at the following areas:- 02 Boreholes at Ikopeleng 02 Boreholes at Madibogo-Motsitlane 02 Boreholes at Miga 02 Boreholes at Makgwakgwane 02 Boreholes at Ramatlabama Six Hundred (600) 04 Boreholes at N4 crossing Lehurutshe 03 Boreholes at Sunnyside-Welvebedacht 02 boreholes at Tsetse. | 73 boreholes drilled and equipped and 07 boreholes refurbished by 30 June 2024: Drilling and equipping of 73 boreholes at the following areas:- 8 bhs at Motswedi; 10 bhs at Ntsweletsoku; 09 Lomanyaneng Ward 17/18; 06 bhs at Dithakong/Setlopo Ward 5, 27, 31, 35; 01 Borehole at Mabule; Boreholes at Madibog Garaleng; 01 Borehole at Madibogo RDP Section; 01 Boreholes at Ramatlabama Six Hundred (600); 04 Boreholes at N4 crossing Lehurutshe; 03 Boreholes at Sunnyside-Welvebedacht; 01 borehole at Stratdrift Farm; 01 Boreholes at Doornlagte; 03 boreholes at Magogwe ward 19; 02 boreholes at Lomanyaneng Sehuba Section Ward 18; 02 | R80m | | | R103 957 647 | KPI 12 Number of boreholes drilled and equipped by June 2024 | Number of boreholes drilled, equipped and refurbished by 30 June 2024 | 23 boreholes drilled, equipped and 4 boreholes refurbished by 30 June 2024. Drilling and equipping of 23 boreholes at the following areas: - 01 Borehole at Mabule; 01 Boreholes at Madibogo, Garaleng 01 Borehole at Madibogo RDP Section, 03 boreholes at N4 crossing Lehurutshe 01 Boreholes at Doornlagte; 04 boreholes at Sehujwane Dam; 03 bhs at Shiela; 03 bhs at MADIBEGA-TAU; 02 bhs at Dinokana Ward 9; 03 bhs at DINOKANA at Baipei, Selosesha and Matshelapad Ward 12; 04 Refurbished boreholes: 01 borehole in Madibogo Rabatho Section ; 01 borehole in Madibogo Cover ground; 01bhs at Dinokana Ward 9; 01 additional (existing) borehole in Deelpan donated by COGTA; | 50 boreholes not drilled, equipped and 4 boreholes not refurbished 8 BHs at Motswedi; 10 Bhs At Ntsweletsoku; 9 BHs at Lomanyaneng Ward 17/18; 6 BHs at Dithakong Setlopo Ward 05,27,31 & 35; 1 BH at Ramatlabama 600; 3 BHs at Sunnyside Welbedacht; 1 Bh at Straatdrift; 3 BHs at Magogoe Ward 19; 2 Bhs at Lomanyaneng Sehuba Section | Most of the work is in progress and has been delayed due to non payment to service providers, community unrests demanding subcontracting, and also limited available funds. Boreholes Awaiting energising (Electric and Standby generators) | The contractors were instructed to fast track and complete projects. Procurement of stand by generator is at advanced stage with SCM processes. Eskom has been engaged to assist with electrification of boreholes. Additional funding is requested from DWS. | Listing with GPS Co-ordinates, Completion certificates with co-ordinates |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | | |
|---|--|------------------------------------|-----------------------------------|--|--------|-------------------|---------|---------------------------|-----------------------------------|-----------------------------------|---|----------------------------------|---------------------------------------|-----------------------|--|
| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome 9 | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| | | | | boreholes at Deelpan New extension; 05 boreholes at Boikhutso; 01 bh at Reitvlie Farm; 01 Borehole at Reagile near Sehujwane Dam; 03 bhs at Shiela; 03 bhs at MADIBE-GA-TAU; bh at Dinokana Ward 10; bhs at Dinokana Ward 9; bhs at DINOKANA at Baipei, Selosesha and Matshelapad Ward 12 07 Refurbished boreholes: 01 borehole in Madibogo Rabatho Section; 01 borehole in Madibogo Cover ground ; 02 boreholes at Boikhutso 01 borehole in Magogoe Ward 19; 01 borehole in Dinokana Ward 09; 01 Borehole in Herbenia Farm | | | | | | | Ward 18; 5 BHs at Boikhutso; 1 BH at Rietvlei Farm; 1 BH at Dinokana Ward 10 4 BHs Refurbished boreholes; 2 BHs at Boikhutso; 1 BH at Magogoe Ward 19; 1 BH at Herbenia Farm | | | | |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | | |
|---|--|---|---|---|--------|-------------------|--------------|--|-----------------------------------|---|--|---|---|--|--|
| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome 9 | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Water services Planning | To upgrade water services infrastructure | 10.3km bulk pipeline replaced by 30 June 2023. (7,8km bulk pipelines at Blesbokpan to Delareyville and 2,5km at Greysdorp | 8.01km aging leaking bulk pipeline replaced by 30 June 2024. A total of 3.31 Km (0.83 km Between Blydeville to Boikhutso and 2.48 km at Blydeville); 4,7 km at Ottosdal / Wagkraal) | 3,75km of aging leaking bulk pipeline replaced by 30 June 2024. (1km at Blydeville; 0,83 km at Boikhutso; 1,48 km at Burgersdorp; 0,45 km from Wagkraal to Ottosdal) | R40m | | R 29 027 553 | KPI 13 Kilometres of aging leaking bulk pipeline replaced by 30 June 2024 | | 5,29 km of aging leaking bulk pipeline replaced by 30 June 2024. (1km by 160mm size bulk pipeline at Blydeville is at 98% completed; 0,83 km by 450mm size bulk pipeline at Boikhutso is at 98% in progress; 1,48 km by 110mm size bulk pipeline at Burgersdorp is at 99% in progress; 1,99 km from Wagkraal to Ottosdal completed) | Additional 1,54km Wagkraal to Ottosdal completed | Community unrest and lack of cash flow. At Wagkraal to Ottosdal the issue of farm owners to avail agreed servitude has delayed the construction of the pipeline. At Blydeville Boikhutso and Burgerdorp the contractor is attending to minor leaks for completion | Additional funding is requested from DWS. Legal team has resolved the issue of the servitude with farm owners in Wagkraal Ottosdal. | Technical report and Completion certificate for each bulk line | |
| | To monitor Water Service Providers | 1 Monitoring Report of the Water Service Providers submitted to the Municipal Manager by 30 June 2023 | 4 Monitoring Reports of the Water Service Providers submitted to the Municipal Manager by 30 June 2024 (Mahikeng, Ratlou, Ditsobotla, Tswaing, Ramotshere Moiloa LMs & Magalies Water) | 2 Monitoring Reports of the Water Service Providers submitted to the Municipal Manager by 30 June 2024 (Mahikeng, Ratlou, Ditsobotla, Tswaing, Ramotshere Moiloa LMs & Magalies Water) | Opex | Opex | Opex | KPI 14 Number of monitoring reports of the Water Service Providers submitted to the Municipal Manager by 30 June 2024 | | 2 Monitoring Reports of the Water Service Providers submitted to the Municipal Manager by 30 June 2024 (Mahikeng, Ratlou, Ditsobotla, Tswaing, Ramotshere Moiloa LMs & Magalies Water) | None | Water Service providers are not responsive in submitting quarterly reports. | Local Municipalities were requested to submit quarterly reports with schedule of how reports must be submitted. | Monitoring Report & Copies of SLA | |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | |
|---|--|--|---|---|--------|-------------------|--------------|--|-----------------------------------|--|--|---|---------------------------------------|-----------------------------------|
| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | |
| Outcome 9 | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Water services Provision | Repairs of infrastructure through customer care services | 2203 water related queries addressed within 48 hours | 1800 mechanically and electrically water related queries repaired within 48 hours by 30 June 2024. (throughout NMMDM repairs include: Boreholes, Burst Pipes, prepaid and bulk Meters; Standpipes and water treatment Plants; booster pump station; transformers and splitter subs) | 2204 mechanically and electrically water related queries repaired within 48 hours by 30 June 2024. (throughout NMMDM repairs include: Boreholes, Burst Pipes, prepaid and bulk Meters; Standpipes and water treatment Plants; booster pump station; transformers and splitter subs) | R 170m | | R 58 938 047 | KPI 15 Number of mechanical and electrical water related queries repaired within 48 hours by 30 June 2024 | | 2 565 Mechanically and electrically water related queries repaired within 48 hours by 30 June 2024. (throughout NMMDM repairs include: Boreholes, Burst Pipes, prepaid and bulk Meters; Standpipes and water treatment Plants; booster pump station; transformers and splitter subs) | 361 Extra queries resolved within 48 hours | There was a need to attend to queries as and when they are reported to ensure the uninterrupted water supply to the communities and curb the water loss caused by leakages / burst pipes and leaking taps | None | Customer Care Register, Job Cards |

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| Water Quality Compliance | To improve Compliance to the Water and Wastewater Quality Standards for portable water (SANS241) and general / or special limits for Wastewater Treatment Discharge Effluents | 718 Water and Wastewater Samples collected and tested and information uploaded onto the DWS Performance Management System (IRIS) by 30 June 2023 MLM = (124) Ratlou LM= (37) Ramotshere LM (157) Ditsobotla LM= (197) | 1176 Water and waste water Samples collected, tested and uploaded onto the DWS Performance Management System (IRIS) by 30 June 2024 MLM = 180 Ratlou LM= 132 Tswaing LM=336 Ramotshere LM = 204 Ditsobotla LM= 324 | 816 Water and Wastewater Samples, collected, tested and uploaded onto the DWS Performance Management System (IRIS) By 30 June 2024 MLM =132 Ratlou LM= 49 Ramotshere LM= 180 Ditsobotla LM=203 Tswaing LM 252 | R 1.5m | | R 1 452 532 | KPI 16 Number of water and sanitation samples collected, tested and uploading of information onto the DWS Performance Management System by 30 June 2024 | | 1037 Water and Wastewater Samples, collected, tested and uploaded onto the DWS Performance Management System (IRIS) by 30 June 2024 MLM =167 Ratlou LM= 79 Ramotshere LM= 234 Ditsobotla LM = 258 Tswaing LM=299 | Tswaing LM=47 RamotshereLM=54 Ditsobotla LM=55 Mafikeng LM=35 Ratlou LM=30 | (i) The sample points were more due to ad-hoc sampling require to navigate the water quality that were reported and further to verify and validated the queries reported (ii) The sample were also repeated wherever there were out of specification acceptance range of the important physiochemical and microbial parameters and correction measures taken and to resample the those out of specification sampling points (iii) Furthermore the were additional sampling points on newly drilled boreholes to ascertain our mandated water | NONE | Listing with coordinates sampling programme & coordinates of sampling points IRIS generated acknowledment of receipt |
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| National LG Priorities | | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | |
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| KPA | | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | |
| Outcome 9 | | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Operation and Maintenance of Bulk Treatment Works and associated Pump Stations | Operating and Maintaining of the Bulk Wastewater Treatment Works to discharge good quality effluents as per design in each permits | 11 Wastewater Treatment Works maintained by 30 June 2024 1. Lichtenburg WWTW - O&M done 2. Coligny WWTW 3. Itsoseng WWTW 4. Blesiesvlei WWTW 5. Ottosdal WWTW 6. Delareyville WWTW 7. Atamelang WWTW 8. Sannieshof WWTW 9. Groot Marico WWTW 10. Zeerust WWTW 11. Lehurutshe WWTW | 13 Wastewater Treatment Works maintained by 30 June 2024 1.Mmabatho WWTW 2. Mafikeng WWTW 3.Itsoseng WWTW 4.Colign WWTW 5.Biesiesvlei WWTW 6.Litchenburg WWTW 7.Ottosdal WWTW 8.Delarayville WWTW 9.Atamelang WWTW 10.Sannieshof WWTW 10.Sannieshof WWTW 11.Groot Marico WWTW 11.Groot Marico WWTW 12.Zeerust WWTW 12.Zeerust WWTW 13.Lehurutshe WWTW 13.Lehurutshe WWTW | R 90m | | R213 310 471 | KPI 17 Number of Waste Water Treatment Plants maintained by 30 June 2024 | | 13 Wastewater Treatment Works maintained by 30 June 2024 1.Mmabatho WWTW 2. Mafikeng WWTW 3.Itsoseng WWTW 4.Colign WWTW 5.Itsekeng (Biesiesvlei) WWTW 6.Litchenburg WWTW 7.Ottosdal WWTW 8.Delarayville WWTW 9.Atamelang WWTW 10.Sannieshof WWTW 11.Groot Marico WWTW 12.Zeerust WWTW 13.Lehurutshe WWTW | None | None | None | Preventative maintenance Plan; Reports; Job cards | |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | | |
|---|--|--|--|--|---|--------|-------------------|-------------|--|--|--|---|--|---|--|
| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome g | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | | |
| Transportation Engineering | To promote transport engineering | 60,5 KM of gravel roads maintained by 30 June 2023 | | 30 KMs of Gravel roads maintained (6 KMs for Makhubung in Mahikeng LM, 6 KMs for Mosweu in Ramotshere Moiloa LM, 6 KMs for Matile in Ditsobotla LM, 6 KMs for Setlagole in Ratlou LM and 6 KMs for Delleraville in Tswaing LM) by June 2024. | 22,3 KMs of Gravel roads constructed and 3,3km maintained by 30 June 2024 (6,4 KMs constructed for Makhubung in Mahikeng LM; 0,9KMs constructed for Rhodes Park/Imperial Reserve in Mahikeng LM; 5KMs constructed for Matile in Ditsobotla LM; 5KMs constructed for Lonely Park & 5KMs constructed for Setumo Park in Mahikeng LM) (2,1km gravel roads maintained in Makhubung and 1,2km gravel roads maintained at Rhodes Park / Imperial Reserve) | R15M | R25m | R 8 120 990 | KPI 18 Kilometres of gravel roads maintained by 30 June 2024 | KPI 18 Kilometres of gravel roads constructed and maintained by 30 June 2024 | 7,3KMs of Gravel roads constructed and 3,3km maintained by 30 June 2024: Gravel Roads Constructed (6,4 KMs constructed for Makhubung in Mahikeng LM) ; (0,9KMs constructed for Rhodes Park/Imperial Reserve in Mahikeng LM); (0KMs constructed for Matile in Ditsobotla LM); (0KMs constructed for Lonely Park) ; (0KMs constructed for Setumo Park in Mahikeng LM); Gravel Roads Maintained (2,1km gravel roads maintained in Makhubung) ;(1,2km gravel roads maintained at Rhodes Park/Imperial Reserve) | Lonely Park - 5KMs; Setumo Park - 5KMs; Matile - 5KMs | Insufficient equipment and plant hire contract expired | Due to financial constraints the municipality decided to purchase its own fleet | Monthly gravel roads construction and maintenance reports; Site Diaries. |

| National LG Priorities | | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | |
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| KPA | | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | |
| Outcome | | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Transportation Engineering | To promote transport engineering | 689,8km of unpaved roads assessed and reviewed (Ditsootla) 689,8 km of unpaved roads at Ditsobotla Additional work 75,01km of paved roads at Ditsobotla 52 Structure assessed MLM=42; RMLM = 8; Ratlou = 6 | 1347.21km of unpaved and 48,63 km paved roads in rural and township area assessed and reviewed by 30 June 2024 (Ratlou LM: Unpaved =550km & paved = 9.91 km) and (Tswaing LM: unpaved = 797.21 km & paved= 38.72 km). | Assessments and review of 4891,83 km unpaved roads; 366,47 KM of paved roads by 30 June 2024. 2 044,68 km municipal unpaved roads (villages) conducted in Ramotshere Moiloa LM; 178km of municipal paved roads (Townships & villages) conducted in Ramotshere Moiloa LM and 2 010,24km municipal unpaved roads (villages) conducted in Ratlou LM ; 52,41 km municipal paved roads (townships & villages) conducted in Ratlou LM; 136,06 km municipal paved roads (townships & villages) conducted in Tswaing LM ;836,91 km municipal unpaved roads (villages) conducted in Tswaing LM. | R2 728 000 | R2 728 000 | R 2 728 000 | KPI 19 Number kilometres of unpaved and paved roads in rural areas and Townships assessed and reviewed by 30 June 2024 | | Assessments and review of 4891,83 km unpaved roads and 366,47 KM of paved roads by 30 June 2024 4891,83 km unpaved roads 2 044,68 km municipal unpaved roads (villages) conducted in Ramotshere Moiloa LM; 2 010,24km municipal unpaved roads (villages) conducted in Ratlou LM 836,91 km municipal unpaved roads (villages) conducted in Tswaing LM 366,47 KM of paved roads 178km of municipal paved roads (Townships & villages) conducted in Ramotshere Moiloa LM 52,41 km municipal paved roads (townships & villages) conducted in Ratlou LM; 136,06 km municipal paved roads (townships & villages) conducted in Tswaing LM Additional: Assessments and review of 58,837km paved roads conducted in Ramotshere Moiloa LM | 58,837km paved roads in RMLM | Service Provider increased internal capacity | None | Assessment Report for municipal paved and unpaved roads (Ditsobotla LM, Ratlou LM, Tswaing LM and Ramotshere) | |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | | |
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| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome g | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Construction of water related projects | Upgrading water infrastructures including water sources and storages | | 2 Water projects completed by 30 June 2024 | | R30 986 511 | R30 986 311 | R25 840 577 | KPI 20 Number of Water projects completed by 30 June 2024 | | 1 Water project was completed | | | | Completion Certificates and Close out report | |
| | | The sites were established for both Matloding and Rietvlei Water Supply | 1.Matloding Water Supply | | R22 936 849 | R22 936 649 | R24 607 527 | | | Project Completed | None | None | None | | |
| | | | 2.Rietvlei Water supply | | R8 049 662 | R8 049 662 | R1 233 050 | | | No progress was registered on the project | 100% | Poor Performance by Contractor | The municipality is in a process of terminating the contract with the service provider | | |
| Construction of sanitation related projects | To provide basic sanitation and to upgrade bulk sanitation | 0 | 1 sanitation project constructed and completed by 30 June 2024: Zeerust WWTW) | | R 81m | | R | KPI 21 Number of sanitation projects constructed and completed by 30 June 2024 | | The construction of Zeerust WWTW was not completed | 1 | We are awaiting response from DWS regarding the recommendation | Technical report was taken to DWS for additional funding | Completion Certificates and Close out report | |

| National LG Priorities | PUBLIC WORKS & BASIC SERVICES | | | | | | | | | | | | | | |
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| KPA | KPA 2: BASIC SERVICE DELIVERY & INFRASTRUCTURE DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome g | Output 1 | IMPROVING ACCESS TO BASIC SERVICES | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Construction of sanitation related projects | To provide basic sanitation and to upgrade bulk sanitation | 7811 VIP toilets were constructed | 3 700 VIP toilets constructed and completed by 30 June 2024: | 3200 VIP toilets constructed and completed by 30 June 2024: | R 140m | | | KPI 22 Number of VIP toilets constructed and completed by 30 June 2024 | | 2320 VIP toilets constructed and completed by 30 June 2024: | 880 | None | None | Completion certificates; Happy letters Close out reports Beneficiary List | |
| | | | Ramotshere =600 | Ramotshere = 1800 | | | | | | R 54 575 034 | Ramotshere = 1520 units completed | -280 | Excessive amount of hard rock found on site delayed the progress | | We alternatively used raised box pit which was suitable for excessive hard rocks |
| | | | Ratlou = 1000 | Ratlou = 700 | | | | | | R . | Ratlou = 0 | -700 | Implementation could not commence without DWS recommendation letter received end of March 2024 | | Recommendation letter received 19 March 2024 |
| | | | Mahikeng = 800 | Mahikeng = 0 | | | | | | R . | Mahikeng = 0 | None | None | | None |
| | | | Ditsobotla = 1000 | Ditsobotla = 700 | | | | | | R 36 520 049 | Ditsobotla = 800 units erected. | 100 | Additional MIG funding was allocated during December and more VIP toilets were constructed. | | None |
| | | | Tswaing = 300 | Tswaing = 0 | | | | | | R - | Tswaing = 0 | None | None | | None |

| National LG Priorities | FINANCIAL SERVICES | | | | | | | | | | | | | | |
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| KPA | KPA 3: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | | | | | | | | | | | | | |
| Outcome 9 | A POLICY FRAMEWORK THAT PROVIDES FOR A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT IS IMPLEMENTED | | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Supply Chain Management | To promote financial accountability and transparency | 4 quarterly SCM reports | 4 quarterly SCM reports submitted to the Mayor within 10 working days of each quarter by 30 June 2024 | | Opex | Opex | Opex | KPI 23 Number of Supply Chain Management quarterly reports submitted to the Mayor within 10 working days after the end of each quarter | | 4 Supply Chain Management quarterly reports submitted to the Mayor by 30 June 2024 2022/23 Quarter 4 SCM report 2023/24 Quarter 1 SCM report 2023/24 Quarter 2 SCM report 2023/24 Quarter 3 SCM report | None | None | None | Acknowledgement of receipt from the office of the Executive Mayor; Quarterly SCM Report | |
| Budget and Reporting | | 2023/2024 Annual Budget was approved by Council on 31 May 2023, Council Res No: C81-202223 | 2024/2025 Budget approved by Council by 31st May 2024 | | Opex | Opex | Opex | KPI 24 Approved 2023/24 Budget by Council by 31 May 2024 | | 2023/2024 Annual Budget was approved by Council on 31 May 2024, Council Res No: C67/20232024 | None | None | None | Council resolution on noting 2024/25 MTREF Draft MSCOA budget; Council resolution on approving Final MTREF 2024/25 MSCOA budget. | |
| | | 2 MFMA section 52 (d) reports | 4 MFMA Section 52(d) reports submitted to council by 30 June 2024 | | Opex | Opex | Opex | KPI 25 Number of MFMA Section 52(d) reports on the financial state of the municipality submitted to Council within 30 days after the end of the quarter | | 4 MFMA Sec 52(d) were submitted to Council by 30 June 2024 * 2022-23 Q4 Sect 52 (d) report * 2023-24 Q1 Sect 52(d) Report * 2023-24 Quarter 2 Sect 52(d) report * 2023-24 Q3 Sect 52(d) Report | None | None | None | Council Resolution; MFMA Section 52(d) reports | |

| National LG Priorities | FINANCIAL SERVICES | | | | | | | | | | | | | | |
|---|--|--|--|---|--------|-------------------|---------|---|-----------------------------------|--|----------|----------------------------------|---------------------------------------|---|--|
| KPA | KPA 3: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | | | | | | | | | | | | | |
| Outcome | A POLICY FRAMEWORK THAT PROVIDES FOR A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT IS IMPLEMENTED | | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Budget and Reporting | To promote financial accountability and transparency | 12 monthly budget statements (Municipal Finance Management Act section 71) submitted | 12 monthly budget statements (Municipal Finance Management Act section 71) submitted to the Executive Mayor, Provincial and National Treasury within 10 working days after the end of each month by 30 June 2024 | | OPEX | Opex | Opex | KPI 26 Number of monthly budget statements (Municipal Finance Management Act section 71) to be submitted to the Executive Mayor and Provincial Treasury within 10 working days after the end of each month | | 12 monthly budget statements (Municipal Finance Management Act Section 71) to be submitted to the Executive Mayor and Provincial Treasury 30 June 2024 * 2022-23 June Sec 71 Report; * 2023-24 July Sec 71 Report; * 2023-24 Aug Sec 71 Report; *2023-24 Sept Sec 71 Report; * 2023-24 Oct Sec 71 Report; * 2023-24 Nov Sec 71 Report; * 2023-24 Dec Sec 71 Report; * 2023-24 Jan Sec 71 Report; * 2023-24 Feb Sec 71 Report; * 2023-24 March Sec 71 Report; * 2023-24 April Sec 71 Report; * 2023-24 May Sec 71 Report; | None | None | None | Acknowledgement from Treasury automated email upload and Mayor; Monthly MFMA Section 71 Reports | |
| Financial Accountability and Transparency | To promote financial accountability and transparency | MFMA Section 72 on the 2022/23 Mid-Term budget report was submitted to Council on 3 Feb 2023, Council Res No: C60/202223 | Municipal Finance Management Act section 72 report on the mid-term budget and performance assessment submitted to council by 31st January 2024 | | Opex | Opex | Opex | KPI 27 Submission of the Municipal Finance Management Act section 72 report on the mid-term budget and performance assessment to Council | | MFMA Section 72 on the Mid- Term budget and performance assessment report was submitted to Council on 29 January 2024, Council Res No: C53/2023-2024 | None | None | None | Mid-Term budget and performance report; Council resolution | |

| National LG Priorities | FINANCIAL SERVICES | | | | | | | | | | | | | | |
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| KPA | KPA 3: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT | | | | | | | | | | | | | | |
| Outcome | A POLICY FRAMEWORK THAT PROVIDES FOR A DIFFERENTIATED APPROACH TO MUNICIPAL FINANCING, PLANNING AND SUPPORT IS IMPLEMENTED | | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Financial Accountability and Transparency | To promote financial accountability and transparency | 2022/23 Adjustment budget submitted to Council on 24 March 2023, Council Res C70/2022-23 | 2023/24 Adjustment Budget Approved by Council by 28 Feb 2024 | | Opex | Opex | Opex | KPI 28 Approved 2023/24 Adjustment Budget by Council by 28 February 2024 | | 2023/24 Adjustment Budget Approved by Council by 28 Feb 2024. Council Resolution number C57/2023-2024 | None | None | None | Council Resolution; Adjustment Budget | |
| | | 2022/23 AFS were submitted to the Auditor General on 31 August 2022. Interim financial statements submitted to AG and PT on 28 March 2023 | 2022-23 Annual Financial Statements submitted to Council and Auditor-General by 31st August 2023 | | Opex | Opex | Opex | KPI 29 Submission of the Annual financial statements to Council and Auditor-General by 31 August 2023 | | 2022-2023 Annual Financial Statements submitted to Council and Auditor - General on 31 August 2023. | None | None | None | Acknowledgement Letters from AGSA and Provincial Treasury on Annual Financial Statement Council Resolution | |

| National LG Priorities | LOCAL ECONOMIC DEVELOPMENT LABOUR MATTERS, FINANCIAL AND ADMINISTRATIVE CAPACITY | | | | | | | | | | | | | |
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| KPA | KPA 4: LOCAL ECONOMIC DEVELOPMENT | | | | | | | | | | | | | |
| Outcome | IMPLEMENTATION OF THE COMMUNITY WORK PROGRAMME | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Planning & Development (Integrated Development) | To Develop, Amend and Adopt 5-year Credible IDP | Adoption of final Reviewed IDP for 2023/24 adopted by 31 May 2023, Res No: C80/202223 | Approval of the Reviewed IDP for 2024/25 by Council by June 2024 | | R710 000 | R1 030 000 | R284 723 | KPI 30 Review the IDP for 2024/25 by June 2024 | | Final 2024/25 IDP adopted by Council on 31st May 2024 Council Resolution No C66/2023-2024 | None | None | None | IDP/PMS/Budget Process Plan, Council Resolution; Draft IDP, Final IDP |
| Spatial Development | To create a credible EMF document to be incorporated into the IDP | 0 | Approval of Draft Environmental Management Framework (EMF) by Council 30 June 2024 | | R800 000 | R800 000 | R 869 147 | KPI 31 Approval of the draft Environmental Management Framework by Council by June 2024 | | The Draft Environmental Management Framework was not approved by Council | 1 | The bidders who responded were found to be non-responsive to the tender requirements | The bid was advertised, with a clearer articulation of the affiliation with statutory | Environmental Management Framework Status Quo Report |
| Sector Promotion | To Promote Local Economic Development | The KPI was removed during review of the SDBIP | 10 convertible retail containers installed at Delareville (Tswaing) by 30 June 2024 | | R1 200 000 | R800 000 | R 0 | KPI 32 Number of convertible retail containers installed at Delareville (Tswaing) by 30 June 2024 | | Convertible retail containers were not installed at Delareville | 10 | The Unit could not implement the KPI due to lack of Pre Development Plans by Tswaing Local Municipality | The Unit will lodge for approved land Development Application and building plans. | Proof of submission for Consolidation Application; Site Development Plan; Building Plans |

| National LG Priorities | LOCAL ECONOMIC DEVELOPMENT LABOUR MATTERS, FINANCIAL AND ADMINISTRATIVE CAPACITY | | | | | | | | | | | | | | |
|---|---|---|---|---|---|-------------------|------------------------------|---|--|---|----------|--|--|---|--|
| KPA | KPA 4: LOCAL ECONOMIC DEVELOPMENT | | | | | | | | | | | | | | |
| Outcome | IMPLEMENTATION OF THE COMMUNITY WORK PROGRAMME | | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Sector Promotion | To Promote Local Economic Development | Nongo Joint Cannabis Project assisted | 6 SMME's supported by 30 June 2024 (Togetherness Hair Salon; Pioneer Youth Development Initiative; Mr Chicken Enterprise; BMK Kgomongwe Cooperative; Tumiso Communications ;Four Leave Construction) | SMME Support Policy developed and approved by Council by 30 June 2024 | R2 200 000 | | R 0 | KPI 33 Number of SMME's supported by 30 June 2024 | Development of SMME Support Policy by 30 June 2024 | SMME Support Policy was approved by Council on the 31 May 2024, Council Res Number: C67/2023-2024 | None | None | None | SMME Support Policy; Council Resolution | |
| | To promote Rural Development in the district | New | To promote Rural Development in the district | 500 Goats procured and supplied to beneficiaries by 30 June 2024 | R 2 500 000 | R 2 500 000 | R 0 | KPI 34 Number of LIVE Boer Bok goats procured by 30 June 2024 | Number of Goats procured and supplied to beneficiaries by 30 June 2024 | Goats were not procured and supplied to beneficiaries | 1 | The Unit could not implement the KPI due to lack of adopted Goat Massification Strategy by Council | The Unit has started with the Development of Goat Massification Strategy which will be finalised in the next financial year. | Delivery Notes, Reports | |
| Expanded Public Works Programme | To create Job opportunities through Expanded Public Works Programme | 170 jobs created through EPWP in five Local Municipalities by 30 September 2022 | 216 contracts extended through EPWP by 30 June 2024 | | R 1 845 000 Grant R3 765 000 Equitable Share | R8 200 000 | R1 845 000 Grant R11 746 820 | KPI 35 Number of extended contracts through EPWP by 30 June 2024 | | 218 contracts extended through EPWP by 30 June 2024 | 2 | The Unit employed 2 more participants due to the savings incurred from absent participants. | - | Signed Contracts | |

| National LG Priorities | INTERNAL AUDIT GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
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| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Financial Accountability and Transparency | To promote financial accountability and transparency; To promote Good Governance and Public | 86 of the 167 issues raised are resolved as per audit findings for 2020/21 Post Audit Action Plan MM's office = 8 MI are work in progress CRSS = 2 Community Services = 1 PW&BS = 14 BTO = 60 IASS = 1 | 181 Resolved Audit Findings as per 2021/2022 Post Audit Action Plan by 30 June 2024 (MM's Office = 17 BTO= 122 Community Services = 3 Corporate = 16 Internal Audit = 2 Technical Services = 20 Risk = 1) | | Opex | Opex | Opex | KPI 36 Number of resolved audit findings as per 2021/2022 Post Audit Action Plan | | 80 Resolved audit findings as per 2021/2022 Post Audit Action Plan | 101 | In order to streamline implementation of the PAAP, management resolved to monitor PAAP on the online portal. The change management process of this approach resulted in a delay in updating PAAP progress. Furthermore several findings can only be addressed at year end. | Management has established a Technical Steering Audit Committee which will monitor progress on the implementation of PAAP on a weekly basis | PAAP Signed Memo/ Report on the Implementation of 2021/22 Post Audit Action Plan | |
| | | MM's Office audit findings resolved = 8 (MM's Office = Risk + Internal Audit Shared Services) | | | | | | | | | | | | | |
| | | Corporate Resource Support Services Departmental audit findings resolved = 6 | | | | | | | | | | | | | |
| | | Budget & Treasury Departmental audit findings resolved = 52 | | | | | | | | | | | | | |
| | | Technical Services audit findings resolved = 12 | | | | | | | | | | | | | |
| | | Community Services audit findings resolved = 1 Political Office = 1 | | | | | | | | | | | | | |
| Internal Audit | To evaluate and improve the effectiveness of risk management, controls and governance processes | 2022/24 Three Year rolling Risk Based Internal Audit Plan approved by the Audit and Risk Committee on 14 July 2022 | 2023/25 Three Year Rolling Risk Based Internal Audit Plan developed and approved by the Audit and Risk Committee by 30 September 2023 | | Opex | Opex | Opex | KPI 37 Developed and approved 2023/25 Three Year Rolling Risk Based Internal Audit Rolling Plan by the Audit and Risk Committee by 30 September 2023 | | 2023/25 Three Year Roll-out Risk Based Internal Audit Plan was developed and approved by Internal Audit Committee by 08 August 2023. | None | None | None | A signed copy of the 2032/25 Three Year rolling Risk Based Internal Audit Plan; Minutes of Audit and Risk Committee meeting; Attendance Register | |

| National LG Priorities | INTERNAL AUDIT GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
|---|---|---|---|---|--------|-------------------|---------|---|-----------------------------------|--|----------|----------------------------------|---------------------------------------|---|--|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
| Outcome g | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Internal Audit | To evaluate and improve the effectiveness of risk management, controls and governance processes | 2022/23 Internal Audit Charter approved by the Audit and Risk Committee on 14 July 2022 | 2023/24 Internal Audit Charter reviewed and approved by the Audit and Risk Committee by 30 September 2023 | | Opex | Opex | Opex | KPI 38 Reviewed and approved 2023/24 Internal Audit Charter by the Audit and Risk Committee by 30 September 2023 | | 2023/24 Internal Audit Charter reviewed and approved by Audit and Risk Committee by 08 August 2023 | None | None | None | A signed copy of the 2023/24 Internal Audit Charter; Minutes of the Audit and Risk Committee; Attendance register | |
| | | 2022/23 Audit and Risk Committee Charter approved by Council on 14 July 2022 | 2023/24 Audit and Risk Committee Charter reviewed and approved by Council by 30 September 2023 | | Opex | Opex | Opex | KPI 39 Reviewed and approved 2023/24 Audit and Risk Committee Charter by Council by 30 September 2023 | | 2023/24 Audit and Risk Committee Charter was reviewed and approved by Council by 31 August 2023 with Council Resolution No: C05\ 2023-2024 | None | None | None | A signed copy of the 2023/24 Audit and Risk Committee Charter and the Council Resolution | |

| National LG Priorities | INTERNAL AUDIT GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | |
|---|--|---|---|---|--------|-------------------|---------|--|-----------------------------------|--|----------|--|--|--|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | |
| Outcome g | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Internal Audit | To improve the effectiveness of risk management, controls and governance processes | 2022/23 Annual Operational Internal Audit Plan was approved by the Audit and Risk Committee on 14 July 2022 | 2023/24 Annual Operational Internal Audit Plan developed and approved by the Audit and Risk Committee 30 September 2023 | | Opex | Opex | Opex | KPI 40 Developed and approved 2023/24 Annual Operational Internal Audit Plan by the Audit and Risk Committee by 30 September 2023 | | 2023/24 Annual Operational Internal Audit Plan was developed and approved by Audit and Risk Committee by 08 August 2023. | None | None | None | 2023/24 Signed Annual Operational Internal Audit Plan; Minutes of the meetings and attendance register |
| | | 11 Audit and Risk Committee meetings were held. Three (3) Ordinary and Eight (8) Special Audit and Risk Committee meetings. | (Ten) Audit and Risk Committee meetings held by 30 June 2024 | | Opex | Opex | Opex | KPI 41 Number of Audit and Risk Committee meetings held by 30 June 2024 | | Seven (7) Audit and Risk Committee meetings held by 08 August 2023; 25 August 2023; 11 October 2023; 15 February 2024; 20 May 2024; 24 June 2024 and 25 June 2024. | None | Other meetings were cancelled due to other competing of National and Provincial activities | The Audit and Risk Committee will comply with the approved Schedule by Municipal Council | Minutes of the Audit & Risk Committee meetings; attendance register. |
| | | 2022/23 Internal Audit Methodology was approved by the Audit and Risk Committee on 14 July 2022 | 2023/24 Internal Audit Methodology developed and approved by the Audit and Risk Committee 30 September 2023 | | Opex | Opex | Opex | KPI 42 Developed and approved 2023/24 Internal Audit Methodology by the Audit and Risk Committee by 30 September 2023 | | 2023/24 Internal Audit Methodology was developed and approved by Audit and Risk Committee by 8 August 2023 | None | None | None | 2023/24 Signed Internal Audit Methodology Minutes of the meetings and attendance register |

| National LG Priorities | RISK MANAGEMENT GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | |
|---|--|---|---|---|----------|-------------------|---------|---|-----------------------------------|--|--|----------------------------------|---------------------------------------|---|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | |
| Outcome | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Risk Management | To improve the effectiveness of risk management, controls and governance processes | Strategic Risk Register for 2022/2023 Approved by Council- during March 2023 | Strategic Risk Register developed and approved by the council by 30 Sep 2023 | | Opex | Opex | Opex | KPI 43 Development and approval of the 2023/24 Strategic Risk Register by council by 30 September 2023 | | Strategic Risk Register for 2023/24 developed and approved by Council on the 31st Aug 2023. Council Res: C20/2023-2024 | None | None | None | Approved Risk Register, Council Resolution |
| | | Risk Management Implementation plan for 2022/2023 Approved by ARC during 2023 | 2023/24 Risk Management Implementation Plan developed and approved by Audit Committee by 30 Sep 2023 | | Opex | Opex | Opex | KPI 44 Development and approval of the 2023/24 Risk Management Implementation Plan approved by the Audit & Risk Committee by 30 September 2023 | | 2023/24 Risk Management Implementation Plan developed and approved by Audit Committee by 30 Sep 2023 | Risk implementation plan approved by ARC on the 8th Aug 2023 | None | None | Approved Risk Management Implementation Plan, Minutes |
| Intergovernmental Relations | To promote Good Governance and Public Participation | 6 (Inter-Governmental Relations) IGR and Corporate Governance forums were facilitated | 8 (Inter-Governmental Relations) IGR and Corporate Governance forums facilitated through visual meeting by 30 June 2024: (4 x Political IGR 4 X MM's Forum) | | R150 000 | R - | R70 680 | KPI 45 Number of IGR and Corporate Governance Forums facilitated by 30 June 2024 | | POLITICAL FORUM MEETINGS: 12 JULY 2023 05 DECEMBER 2023 09 April 2024 11 April 2024 MUNICIPAL MANAGER 'S FORUM MEETINGS: 27 JULY 2023 06 November 2023 22 NOVEMBER 2023 19 March 2024 | None | None | None | Programme; Attendance Register; Report |

| National LG Priorities | INTER-GOVERNMENTAL RELATIONS GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | |
|---|--|--|--|--|----------|-------------------|----------|--|--|--|----------|--|--|---|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Intergovernmental Relations | To promote Good Governance and Public Participation | One District Development Model (DDM) Report submitted to COGTA National & Provincial Departments | 4 District Development Model (DDM) reports submitted to Council, Department of Corporate Governance and Human Settlement by 30 June 2024 | 3 District Development Model (DDM) reports submitted to Council by 30 June 2024 | R700 000 | R - | R22 259 | KPI 46 Number of District Development Model (DDM) reports submitted to Council, Department of Corporate Governance and Human Settlement by 30 June 2024 | Number of District Development Model (DDM) reports submitted to Council, Department of Corporate Governance and Human Settlement by 30 June 2024 | 3 DDM Reports compiled and 1 served before council during August 2023 and submitted to Cogta. | -2 | The was a delay due to last council sitting was 31 May 2024. | The DDM report will be submitted in the next financial year | District Development Model (DDM) Reports; Acknowledgement letters |
| | | 1 Stakeholder consultative meetings held: Meeting with Traditional and Khoi San Authority took place on 15 June 2023 | 2 Stakeholder consultative meetings held to by 30 June 2024 1 Dikgosi | 2 Stakeholder consultative meetings held to by 30 June 2024 1 Dikgosi; 1 xDistrict Development Stakeholder meeting | Opex | Opex | Opex | KPI 47 Number of Stakeholder consultative meetings held by 30 June 2024 | | Stakeholder Consultative Meeting: District Development Stakeholder meeting held by 28 November 2023; | -2 | There was competing matters that were beyond the municipal control | The municipality ensure implemented in the next financial year | Programme; Attendance Register; Reports |
| | | Review of the 2022/23 Strategy reviewed during the Midterm Review on the 31 January 2023 | Developed and approved 2024/25 Strategic Planning Document by Council by 30 June 2024 | | R500 000 | R - | R134 704 | KPI 48 Developed & approved 2024/2025 Strategic Plan Document by Council by 30 June 2024 | | The strategic pain document for 2024/25 was not developed | -1 | Due to competing National and Provincial activities, the strategic Plan could not be developed | The strategic Plan document will be implemented in the next financial year | 2024/25 Strategic Plan Document; Council Resolution |

| National LG Priorities | PERFORMANCE MANAGEMENT SYSTEMS GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | |
|---|--|--|---|---|----------|-------------------|----------|---|-----------------------------------|---|----------|----------------------------------|---------------------------------------|---|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Performance Management System | To promote Planning and Performance Management | 6 Performance Agreements were signed and submitted to Council on 30 September 2022, Council Res No: C 23-2022/23 | 7 Performance Agreements Signed and submitted to Council by 31 December 2023 (Municipal Manager, Technical Services, Chief Financial Officer, Community Services, Corporate Resource Services; Chief Audit Executive; Planning & Development) | | Opex | Opex | Opex | KPI 49 Number of Performance Agreements signed by Section 54(A) and Section 56 Managers and submitted to Council | | 7 Performance Agreements were signed and submitted to Council on 12 December 2023, Council Res No: C46/2023-24 | None | None | None | Signed Performance Agreements and Council Resolution Acknowledgement from MEC: DLG&HS |
| | | 2021/2022 Annual Report was tabled on 3 Feb 2023 | 2022/2023 Annual Report tabled to Council by 31 January 2024 | | R250 000 | R- | R159 100 | KPI 50 2022/23 Annual Report tabled at Council by 31 January 2024 | | The Unaudited 2022/2023 Draft Annual Report was not tabled to Council on the 31 August 2023 as prescribed The Annual Report was tabled at Council meeting held on 29/01/2024 per Res no C52/2023-2024 | None | None | None | Draft 2022/2023 Annual Report; Council Res; Annual Report 2022/23; Council Res |
| | | The Mid-Year Performance Report 2022/23 was tabled at Council on 03 Feb 2023; Council Res No; C59/2022-2023 | 2023/24 Mid-Year Performance Report submitted to Council by 31 January 2024 | | Opex | Opex | Opex | KPI 51 2023/24 Mid-Year Performance Report submitted to Council by 31 January 2024 | | The Mid-Year Performance Report was submitted to Council on 29/01/2024 per Res no C53/20232024 | None | None | None | 2023/24 Mid-Year Performance Report; Council Resolution |

| National LG Priorities | PERFORMANCE MANAGEMENT SYSTEMS GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | |
|---|--|---|--|---|----------|-------------------|---------|--|-----------------------------------|--|----------|----------------------------------|---------------------------------------|--|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Performance Management System | To promote Planning and Performance Management | The 2022/23 Reviewed SDBIP was approved by Council on 24 March 2023; Council Res No: C71/20222 023 | Reviewed 2023/24 SDBIP approved by Council by 28 February 2024 | | Opex | Opex | Opex | KPI 52 2023/2024 SDBIP Reviewed and approved by Council by 28 February 2024 | | The Reviewed SDBIP was approved by Council during the meeting held on 28/02/2024 per Res C58/2023-2024 | None | None | None | 2023/2024 Reviewed SDBIP; Council Resolution |
| | | 2 Performance Reviews were held: 2022/23 Q1 Performance Review was held on 15 November 2022. In the MM's office & the 2022/23 Mid-Term Performance Review was conducted on 18-19 January at Bonno Lodge | 2 Performance reviews conducted by 30 June 2024 | | R320 000 | R320 000 | R23 906 | KPI 53 Number of Performance Reviews conducted by 30 June 2024 | | The 2023/2 Q4 and 2023/24 Annual Performance was conducted on 28 August 2023. The Mid Term Performance Review was held on 17-18 Jan 2024 | None | None | None | Consolidated Mid-Term Reports, Annual Performance Report |

| National LG Priorities | COMMUNICATION GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | |
|---|---|---|--|---|----------|-------------------|-----------|---|-----------------------------------|--|---|---|---|--|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Enhance Communications | To enhance communication and public participation | 44 Media Liaison Activities were conducted by 30 June 2023 : +(1) 2 Press Conferences on service Delivery plan (2) 3 Simulcast broadcasting on service Delivery (3) 25 Radio interviews on service delivery (4) 5 TV Interviews (5) 12 Newspaper Advertisement on legislative matters (6) 0 District Communication Lekgotla | 19 Media and Public Liaison Activities Conducted by 30 June 2024 | | R917 000 | R607 000 | R 152 965 | KPI 54 Number of Media and Public Liaison Activities Conducted | | 43 Media and Public Liaison Activities Conducted (1) 4 Simulcast broadcasting on service delivery (2) 12 Radio Interviews on Service Delivery (3) 1 Live Broadcasting on Service Delivery (4) 9 Live Interview on Service Delivery (5) 1 Print Newspaper Advertorial on Service Delivery (6) 2 MPAC Simulcast 15 Print Newspaper on Legislative Matters (7) 0 Service Delivery Advertorial (8) 0 Video Profiling of District Tourism Destinations | (1) + 1 Over performance for Simulcast (2) + 9 over performance on Radio Interviews (3) +6 Over performance on Live interview on Service delivery (4) +1 MPAC Simulcast (5) +10 Overperformance on Print Newspaper advertorial on Service delivery (5) - Delay in Supply chain process | The municipality had inadequate resources to conduct service delivery Advertorial and Profiling of District Tourism Destinations | The target will be conducted in the next financial year | Media Monitoring Report; Programs; Attendance Registers for virtual engagements; Newspaper Articles; Audio Clips; Proof of newspaper adverts |

| National LG Priorities | COMMUNICATION GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
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| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Enhance Communications | To enhance communication and public participation | New | 32 Documents to be uploaded in the municipal website in terms of section 75 of the MFMA | | R148 400 | R - | R219 600 | KPI 55 Number of documents to be uploaded in the municipal website in terms of Section 75 of the MFMA | | 28 Documents uploaded in the Municipal Website (1) Performance Agreement of the MM (2) Performance Agreement of the CFO (3) Performance Agreement of (Senior manager Planning (4) Performance Agreement of PWBS 5) Performance Agreement of Acting Senior manager Corporate (6) Performance Agreement of Snr Manager CS(7) Performance Agreement of the CAE (8) 2024/25 IDP Process Plan 11/09/2023; (9). 1 April - June 2023 Section 52 (D) Report 07/08/2023; (10) 2023/24 Tarrifs04/07/2023; (11) Public Notice of Council Sitting 18/08/2023; (12) Council Resolution Register for April to June 2023 30/07/2023; (13) Notice of the approved SDBIP 31/08/2023; (14) Jan to March 2023 Section 52(D) report;. (15) Section 52d October to Dec 2023 (16) Notice of Approved budget ; (17) approved SDBIP 2023-24 (18) Public Notice on the 2023/24 SDBIP Mid-term Performance Report; (19) Reviewed SDBIP for 2023/24; (20) Approved 2023/24 Adjustment Budget; (21) Notice of adopted annual report 2022/23 (22) Adopted annual report 2022/2023 (23)Notice of the Approved Draft Budget 2024/25; (24) Notice of the Approved Draft IDP Reviewed 2024/25; (25) Notice of the Approved IDP Budget 2024/25; (26) Notice of the Approved draft tarrifs; (27) Approved Budget 2024/25; (28) Jan- March Section 52(D); (29) Approved Reviewed IDP 2024/25 | 4 | Template submitted was too internal | For 2024/25 Financial year the municipality will develop an template for record keeping of uploaded documents | Uploads Reports; Screen-munch of uploaded contents and document; Analytic report on website data audience overview; | |

| National LG Priorities | GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | |
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| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Promote Good Governance | To promote Good Governance and Public Participation | No mayoral programme conducted | 4 Mayoral Programs conducted by 30 June 2024 (Sons and Daughters of NMMDM; Ngaka Modiri Molema Commemoration week; Mayoral Education Awards and State of the District address) | 2 Mayoral Programs conducted by 30 June 2024 (sons and daughters and Ngaka Modiri Molema Commemoration) | R 2m | R 1,5m | R 1 121 310 | KPI 56 Number of Mayoral programs conducted by 30 June 2024 | | 1 x Mayoral program was conducted: Ngaka Modiri Molema commemoration held in the third quarter on the 24 April 2024. | 1 | Programme could not be implemented due to non-availability of funds. | The program will be conducted in the next financial year | Reports and attendance register |
| | | 9 Special programs were conducted | 11 Special programs conducted by 30 June 2024 (LGBTQIA+ Awareness Women empowerment program; Heritage awareness program; Older persons program; GBV+F; People living with disability program; HIV/AIDS Campaign; Back to school programme; Albinism awareness; Children's Rights awareness program; Youth empowerment program) | 9 Special programs conducted by 30 June 2024 (LGBTQIA+ Awareness Women empowerment program; Older persons program; GBV+F; People living with disability program; HIV/AIDS Campaign; Back to school programme; Children's Rights awareness program; Youth empowerment program) | R 1,3m | R1 500 000 | R 16 848 | KPI 57 Number of Special programs conducted by 30 June 2024 | | 6 x Special Programs were conducted by 30 June 2024 Women's day programme celebrated on the 31st August 2023, older persons 13 October 2023, Disability 18 October 2023, AIDS 26 October 2023, GBV+F 22 November 2023, and Back to school 31 March 2024 | 3 | Programmes could not be implemented due to non-availability of funds. | The special programs will be Conducted in the next financial year | Reports and the attendance registers |

| National LG Priorities | GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | |
|---|---|--|---|---|-----------|-------------------|---------|---|-----------------------------------|--|----------|----------------------------------|---------------------------------------|--|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Promote Good Governance | To promote Good Governance and Public Participation | The District Governance Lekgotla was not conducted | 1 District Governance Lekgotla held by 31 March 2024. | | R 150 000 | R 60 000 | R0 | KPI 58 Number of District Governance Lekgotla to be held | | 0 District Governance Lekgotla were held | 1 | | | Report; Invite / agenda; Attendance Register |

| | | | | | | | | | | | | | | |
|--|--|---|--|---|-----------|-----------|----|---|--|--|------|------|------|--|
| | | 8 District Public Participation Programme was conducted by 30 June 2023 | 11 District Public Participation Programmes conducted by 30 June 2024 (District Wide) | 7 District Public Participation Programmes conducted by 30 June 2024 (District Wide) | R 250 000 | R 250 000 | R0 | KPI 59 Number of Public Participation Programmes Conducted by 30 June 2024 | | 7 x Public Participation Programmes were held by 30 June 2024 Launch of Home Affairs Forum held on 16 September 2023; 16 November 2023 in Sweding; 30 November 2023 in Boikhutso; 3x IDP Consultative Meeting; held on 1 Nov 2023 in Tswaing LM; 14 Nov 2023 in Ditsobotla LM; IDP Rep Forum held on 13 Feb 2024 in Mocoseng sundown Resort; 1 x IDP Rep Forum held on 6 May 2024 in Mahikeng LM | None | None | None | Report; Invite / agenda; Attendance Register |
|--|--|---|--|---|-----------|-----------|----|---|--|--|------|------|------|--|

| National LG Priorities | GOVERNANCE / PUBLIC PARTICIPATION | | | | | | | | | | | | | |
|---|---|---|---|---|----------|-------------------|------------|--|-----------------------------------|--|----------|--|---|--|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence |
| | | 2022/23 | | | | | | | | | | | | |
| Promote Good Governance | To promote Good Governance and Public Participation | Moral Regeneration Campaign was not Conducted | 5 Moral Regeneration Campaigns Conducted by 30 June 2024 | | R250 000 | R1 202 558 | R1 055 004 | KPI 60 Number of Moral Regeneration Campaigns Conducted by 30 June 2024 | | 4 x Moral Regeneration Campaigns were conducted: 1 x Boy-Child was held in Ganalaagte on the Aug 2023; 1 x Kids in Bophelong Hospital; 1 x Moral Regeneration Summit was Conducted on 23-24 November 2023; 1 x Prayer Day Session was held at Uniting Reform Church in Boikhutso on 16 May 2024 | 1 | Unavailability of funds | The regeneration of campaigns will be included in the next financial year | Report; Invite / agenda; Attendance Register |
| | | Training programme to capacitate Councillors were not Coordinated and facilitated | 5 Training Programmes to capacitate Councillors Facilitated by 30 June 2024 | 3 Training Programmes to capacitate Councillors Facilitated by 30 June 2024 | R250 000 | R250 000 | R0 | KPI 61 Number of training programme to capacitate Councillors to be Facilitated by 30 June 2024 | | 4 training programmes to capacitate Councillors were conducted; CPMD at WITS School of Governance 9 March 2023; Municipal Corporate Governance and Stakeholder Relations on 11 March 2024; Municipal Financial Reporting on 06 May 2024; Municipal Budgeting and Supply Chain Mngt on 30 June 2024 | 1 | None | None | Report; Attendance Register |
| | | 3 Chief Forums were held by 30 June 2023 | 4 Chief Whips Forums held by 30 June 2024 | | R77 500 | R60 000 | R0 | KPI 62 Number of Chief Whips Forums held by 30 June 2024 | | 1 x Chief Whip Forum was held: 03 October 2023 | 3 | The office of the chief whip could not hold 3 chief whip's Forum due to commitments of other chief Whip's. | The Chiefs Whip forum will be conducted in the next financial year | Notice; Agenda; Attendance Register; Minutes |

| National LG Priorities | Political Office | | | | | | | | | | | | | | |
|---|---|--|---|---|----------|-------------------|---------|---|-----------------------------------|--|--|---|--|-------------------------------------|---|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| Promote Good Governance | To promote Good Governance and Public Participation | 24 TROIKA meetings were held by 30 June 2023 | 24 TROIKA meetings held by 30 June 2024 | | Opex | Opex | Opex | KPI 63 Number of TROIKA meetings held by 30 June 2024 | | 19 x TROIKA meetings held 07 July 2023; 26 July 2023; 08 August 2023; 21 August 2023; 10 October 2023; 23 October 2023; 27 November 2023; 03 December; 2023; 07 December 2023; 11 December 2023; 09 January 2024; 28 January 2024; 14 February 2024; 19 February 2024; 08 April 2024; 23 April 2024; 07 May 2024; 23 May 2024; 06 May 2024 | 5 | Due to unforeseen circumstances and other work commitments surficed | TROIKA meetings will be conducted in the next financial year | Notice; Agenda; Attendance Register | |
| | | MPAC oversight Report for 2021/2022 tabled and approved by Council on 31 March 2023, Council Res No:C79/202223 | 2022/2023 MPAC oversight report approved by Council by 31st of March 2024 | | R160 000 | R80 000 | R 0 | KPI 64 Approval of MPAC Oversight report by Council by 31 March 2024 | | | MPAC Oversight tabled and adopted by Council 10 April 2024 | None | None | None | Council Resolution; 2022/23 MPAC oversight report |

| National LG Priorities | Political Office | | | | | | | | | | | | | | |
|---|---|---|---|---|--------|-------------------|----------|---|-----------------------------------|---|----------|---|---------------------------------------|--------------------------------------|--|
| KPA | KPA 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION | | | | | | | | | | | | | | |
| Outcome 9 | DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE MODEL | | | | | | | | | | | | | | |
| Functional Area/ Development Priorities | Strategic Objective | Baseline | Annual Performance Target 2023/24 | Revised Annual Performance Target 2023/24 | Budget | Adjustment Budget | YTD Exp | Key Performance Indicator | Revised Key Performance Indicator | 2023/24 Actual Annual Performance | Variance | Reasons for non/over performance | Measures taken to improve performance | Portfolio Of Evidence | |
| | | 2022/23 | | | | | | | | | | | | | |
| | | 2 Project Visit conducted 27 March 2023 | 2 MPAC Project Visits conducted across the District by 30 June 2024 | | OPEX | OPEX | OPEX | KPI 65 Number of MPAC Project Visits conducted across the District | | 4 MPAC Project Visits were conducted across the District: Tswaing Bulk Water; Tswaing wwtw; Mafikeng WWTW; Scotland Ward 17 - water reticulation and sanitation yard connections on the 25 March 2024 | 2 | None | None | Council Resolution; Report | |
| Promote Good Governance | To promote good governance and Community Participation | 7 MPAC Meetings Held by 30 June 2023: | 4 MPAC meetings held by 30 June 2024 | | | R160 000 | R140 060 | KPI 66 Number of MPAC meetings held by 30 June 2024 | | 23 MPAC meetings were held: 7 x Meetings with Management and MM 12 - 14 September 2023 UIF&W Expenditure investigations 26 -27 September 2023 6 x Meetings with MMC's on 17 October 2023 1 x Meeting with EM - 18 October 2023 8 x Meetings with PMS and Directorates 1 x MPAC Meeting held 11 April 2024 (virtual) | 19 | Pressing and outstanding matters necessitated that meetings should be conducted | None | Agenda, Minutes, Attendance Register | |



 MR O A LOSABA
 MUNICIPAL MANAGER

29/11/2024
 DATE



CHAPTER 4

Organisational Dev.

With the authors' compliments & pleasant recollections of happy days in the line of mapping

Sae's Place



Annual Report

2023/24

INTRODUCTION

OVERVIEW

Organisation development is the planned and systematic enabling of sustained performance in the organisation through the involvement of its people. This is a strategic way of enhancing the operations of the Municipality through Organisational Restructuring and Human Resource Management.

FUNCTIONS WITHIN THE UNIT

Facilitation of Organisational Design and Job Evaluation
Employee Wellness Programme
Occupational Health and Safety
Organisational Development and Change Management.

FACILITATION OF ORGANISATIONAL DESIGN AND JOB EVALUATION

With regards to this function, we strive to ensure the manner in which a management achieves the right combination of integration of the organization's operations given the internal and external environment. Integration refers to the linking of differentiated units to achieve synergy of effort in working toward municipal goals. Job Evaluation seeks to ensure rating of jobs in line with a specific and planned procedure in order to determine the relative worth and weight of each job.

OCCUPATIONAL HEALTH AND SAFETY

The Occupational Health and Safety Management System or Plan applies to all sites, offices and workstations of Ngaka Modiri Molema District Municipality. This also includes any project sponsored by the District, Employees, Clients, Visitors and all those who access municipal premises. The purpose of this OHS unit is to establish and maintain effective OHS Management System or Plan, to achieve a consistently high standard of safety performance and to provide OHS services to promote a safe working environment in compliance with legislation.

EMPLOYEE WELLBEING PROGRAMME

To provide employees with a high-quality Employee Wellbeing Programme in the Municipality should partner with an accredited service provider, an independent external company specializing in employee support service provision. We acknowledge that Employee's personal commitment to the team is vital to our success and to achieve a productive life, with a healthy balance between their professional and personal goals.

ORGANISATIONAL DEVELOPMENT AND CHANGE MANAGEMENT

Organisational Development and Change Management is done in line with our Integrated Development Plan as many of the issues concern the 'people aspects' of change. We monitor organizational change in terms of ensuring right flow of information; change of strategies and manage resistance to change. We furthermore monitor organizational culture.

T 4.0.1

COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

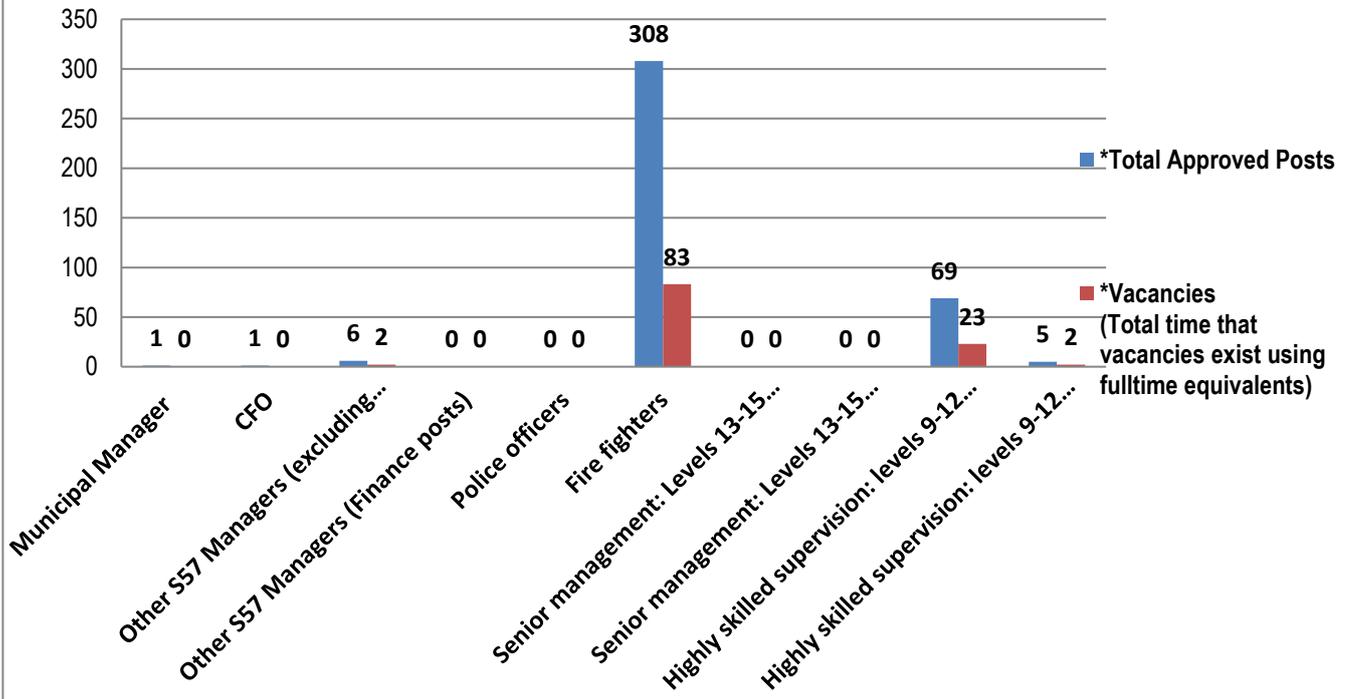
4.1. EMPLOYEE TOTALS, TURNOVER AND VACANCIES

| Employees | | | | | |
|-------------------------------------|------------|----------------|------------|------------|---------------|
| Description | 2022/2023 | 2023/2024 | | | |
| | Employees | Approved Posts | Employees | Vacancies | Vacancies |
| | No. | No. | No. | No. | % |
| The Executive & Council (political) | 32 | 32 | 34 | -2 | 0,00 |
| Municipal Manager | 23 | 27 | 23 | 4 | 14,81 |
| Internal Audit Shared Services | 11 | 13 | 11 | 2 | 15,38 |
| Planning and Development | 29 | 37 | 29 | 8 | 21,62 |
| Finance (BTO) | 30 | 60 | 30 | 30 | 50,00 |
| Local Economic Development | 5 | 7 | 5 | 2 | 28,57 |
| Community Services | 253 | 399 | 250 | 149 | 37,34 |
| corporate support services | 109 | 148 | 103 | 45 | 30,40 |
| Technical Services | 210 | 308 | 205 | 103 | 33,44 |
| | | | | | |
| Totals | 702 | 1 031 | 690 | 341 | 33,07% |
| | | | | | T 4.1.1 |

| Vacancy Rate: 2023/2024 | | | |
|---|--|--|---|
| Designations | *Total Approved Posts No. | *Vacancies (Total time that vacancies exist using fulltime equivalents) | *Vacancies (as a proportion of total posts in each category) % |
| | | No. | |
| Municipal Manager | 1 | 0 | 0,00 |
| CFO | 1 | 0 | 0,00 |
| Other S57 Managers (excluding Finance Posts) | 5 | 1 | 33,00 |
| Other S57 Managers (Finance posts) | 0 | 0 | 0,00 |
| Police officers | 0 | 0 | 0,00 |
| Fire fighters | 308 | 83 | 27,00 |
| Senior management: Levels 13-15 (excluding Finance Posts) | 0 | 0 | 0,00 |
| Senior management: Levels 13-15 (Finance posts) | 0 | 0 | 0,00 |
| Highly skilled supervision: levels 9- 12 (excluding Finance posts) | 69 | 23 | 33,00 |
| Highly skilled supervision: levels 9- 12 (Finance posts) | 5 | 2 | 40,00 |
| Total | 390 | 110 | 28% |

T 4.1.2

Vacancy Rate



| Turn-over Rate | | | |
|-----------------------|---|---|------------------------|
| Details | Total Appointments as of beginning of Financial Year | Terminations during the Financial Year | Turn-over Rate* |
| | No. | No. | |
| 2021/2022 | 32 | 34 | 94% |
| 2022/2023 | 3 | 15 | 20% |
| 2023/2024 | 10 | 12 | 83,3% |
| | | | <i>T 4.1.3</i> |

COMMENT ON VACANCIES AND TURNOVER:

The position of Senior Managers was filled in exception of the position of Senior Manager Corporate Service Support as no suitable candidate was found. Critical positions in Finance of Manager Asserts & Inventory Manager, Manager Income and Expenditure and Manager Supply Chain were filled. A total of ten vacancies were filled 50% of which were finance one.

A total of thirteen terminations were registered based on several reasons. Of the thirteen, six(6) are resignations ,Four deceased and three went for retirement.

T 4.1.4

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

Workforce Management (WFM) is a term that encompasses all the activities needed to maintain a productive workforce. The position of Senior Managers became vacant in December 2022. The council then resolved to extend their contract of employment for three months and after three months they were further extended on month to month for the period not exceeding three months.

The Local Labour Forum serves as a tool to ensure working relations between the workforce, management, and council. The workforce is represented by Trade Union members who may serve on various committees (Employment Equity, Training and Development, Re-structuring, Conditions of Service, etc.) The workforce is also governed by collective agreements and human related policies.

T 4.2.0

4.2 POLICIES

| HR Policies and Plans | | | | |
|-----------------------|---|-----------|----------|--|
| | Name of Policy | Completed | Reviewed | Date adopted by council or comment on failure to adopt |
| | | % | % | |
| 1 | Acting Policy | N/A | N/A | Approved by council August 2019 |
| 2 | Attraction and Retention | N/A | N/A | Not finalised |
| 3 | Placement | N/A | N/A | Approved by council August 2019 |
| 4 | Delegations, Authorisation & Responsibility | N/A | N/A | See Delegation Register |
| 5 | Disciplinary Code and Procedures | N/A | N/A | See LRA |
| 8 | Employment Equity | N/A | N/A | Policy Manual |
| 9 | Performance Management and Development | N/A | N/A | Approved by council August 2019 |
| 10 | Grievance Procedures | N/A | N/A | |
| 11 | HIV/Aids | N/A | N/A | |
| 12 | Training and Development | N/A | N/A | Approved by council August 2019 |
| 13 | Information Technology | N/A | N/A | |
| 14 | Job Evaluation | N/A | N/A | |
| 15 | Leave | N/A | N/A | Approved by council August 2019 |
| 16 | Occupational Health and Safety | N/A | N/A | |
| 17 | Overtime | N/A | N/A | Approved by council August 2019 |
| 18 | Official Journeys | N/A | N/A | |
| 19 | Official transport to attend Funerals | N/A | N/A | No policy |
| 20 | Official Working Hours and Overtime | N/A | N/A | see overtime policy |
| 21 | Organisational Rights | N/A | N/A | Regulated by collective agreement |
| 22 | Payroll Deductions | N/A | N/A | Regulated by collective agreement |
| 23 | Performance Management and Development | N/A | N/A | Approved by council August 2019 |
| 24 | Recruitment, Selection and Appointments | N/A | N/A | Approved by council August 2019 |

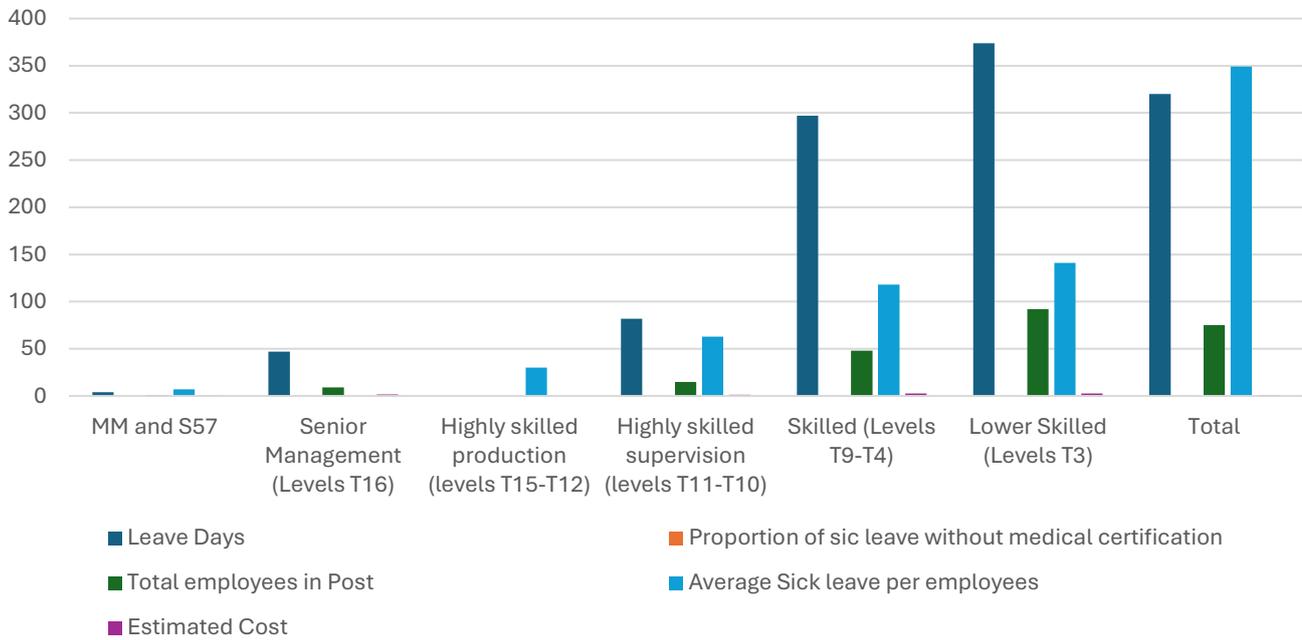
| HR Policies and Plans | | | | |
|-----------------------|------------------------------------|-----------|----------|--|
| | Name of Policy | Completed | Reviewed | Date adopted by council or comment on failure to adopt |
| 25 | Remuneration Scales and Allowances | N/A | N/A | |
| 26 | Reset Tlement | N/A | N/A | included on cost containment and recruitment policy |
| 27 | Sexual Harassment | N/A | N/A | still needs to be reviewed |
| 28 | Skills Development | N/A | N/A | see Training |
| 29 | Smoking | N/A | N/A | still needs to be reviewed |
| 30 | Special Skills | N/A | N/A | No policy |
| 31 | Work Organisation | N/A | N/A | No policy |
| | | | | |
| 32 | Uniforms and Protective Clothing | N/A | N/A | No policy |
| 33 | Other: | | | |
| | | | | T 4.2.1 |

4.3 INJURIES, SICKNESS AND SUSPENSIONS

| Number and Cost of Injuries on Duty | | | | | |
|---------------------------------------|--------------------|------------------------------|---------------------------------------|-----------------------------------|----------------------|
| Type of injury | Injury Leave Taken | Employees using injury leave | Proportion employees using sick leave | Average Injury Leave per employee | Total Estimated Cost |
| | Days | No. | % | Days | R'000 |
| Required basic medical attention only | 53 | 5 | 9% | 10,60 | R 47 601,00 |
| Temporary total disablement | 122 | 10 | 8% | 12,20 | R 118 720,00 |
| Permanent disablement | 9 | 1 | 0% | 0,00 | R 6 975,00 |
| Fatal | 0 | 0 | 0% | 0,00 | R 0,00 |
| Total | 184 | 16 | 18% | 22,80 | R 173 296,00 |
| | | | | | T 4.3.1 |

| Number of days and cost of Sick Leave (excluding injuries on duty) | | | | | | |
|--|-------------|--|----------------------------|--------------------------|-----------------------------------|----------------------|
| Salary band | O/ leave | Proportion of sick leave without medical certification | Employees using sick leave | Total employees in post* | *Average sick leave per Employees | Estimated cost |
| | Days | % | No. | No. | Days | R' 000 |
| MM and S57 | 4 | 0% | 1 | 7 | 0,58 | R3 333.33 |
| Senior Management (Levels T16) | 47 | 1% | 9 | 30 | 1,57 | R289 881.81 |
| Highly skilled production (levels T15-T12) | 82 | 1% | 15 | 63 | 1,30 | R770 922.18 |
| Highly skilled supervision (levels T11-T10) | 297 | 6% | 48 | 118 | 2,51 | R970 028.73 |
| Skilled (Levels T9-T4) | 374 | 4% | 92 | 141 | 2,66 | R1 595 012.76 |
| Lower Skilled (Levels T3) | 320 | 7% | 75 | 349 | 0,91 | R198 540.80 |
| Total | 1124 | 19% | 240 | 708 | 66.95 | R3 824 316.28 |
| * - Number of employees in post at the beginning of the year | | | | | | T 4.3.2 |
| *Average is calculated by taking sick leave in column 2 divided by total employees in column 5 | | | | | | |

Number of days and cost of Sick Leave (excluding injuries on duty)



COMMENT ON INJURY AND SICK LEAVE:

The report on injury and sick leave for 2023/2024 financial year is based on the new cases. We had sixteen (16) newly reported cases of Injury on Duty for 2023/2024 which cost municipality in monetary value of One Hundred and Seventy-Three Thousand, Two Hundred and Ninety-Six (R 173 296,00). There is "No" case which carried on from previous year. The total number of one hundred and eighty-four (184) days of sick leave due to Injury on Duty costed the municipality One Hundred and Seventy-Three Thousand, Two Hundred and Ninety-Six (R 173 296,00) for the reporting period.

There are two (2) employees who consumed high number of sick leave days at hundred and seven (107) at the cost of eighty-six thousand, seven hundred and nine (R 86 709,00) and it will overlap to the next financial year. It must be noted that the number of IODs have slightly decreased however, employer-employee responsibilities do play a major role in capping the increase on number of injuries, if all could adhere to Occupational Health and Safety measures which are in place as controls to reduce number of IODs in the workplace. There was one (1) motor vehicle accident which involved two (2) employees." no" fatalities occurred for the period of reporting.

These is unfortunate incidents which employer does not have control over, however the high number of cases need attention to work towards reduction of such incidents. NMMDM recognises and accepts that it has an obligation under OH&S legislation to provide a healthy and safe working environment. This obligation extends to employees and to all visitors with business in municipal premises. The Municipality could not appoint a professional service provider for comprehensive Occupational Health and Safety service including Occupational Doctors due to the bidders not meeting the requirements however we are working hard towards ensuring the appointment of such and budget provision has been made. All OHS related records are kept and maintained by OHS Unit for every financial year.

T 4.3.4

| Number and Period of Suspensions | | | | |
|---|-------------------------------------|---------------------------|--|-----------------------|
| Position | Nature of Alleged Misconduct | Date of Suspension | Details of Disciplinary Action taken, or Status of Case and Reasons why not Finalised | Date Finalised |
| Trainee Fire Fighter | Abscondment | 07 February 2024 | Final Written Warning | 05 March 2024 |
| | | | | <i>T 4.3.5</i> |

| Disciplinary Action Taken on Cases of Financial Misconduct | | | |
|---|--|----------------------------------|-----------------------|
| Position | Nature of Alleged Misconduct and Rand value of any loss to the municipality | Disciplinary action taken | Date Finalised |
| None | None | N/A | N/A |
| | | | <i>T4.3.6</i> |

COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT:

There was no case of suspension and cases of financial misconduct

T 4.3.7

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The process of Capacity Building is managed by Senior Managers in their respective departments. Skills Development requests the training needs of employees from Managers in all departments in pursuit of the Workplace Skills Plan, the Annual Training Report and the Pivotal Report 2024/2025. The report was submitted to the Local Government SETA in April 2024. In the Workplace Skills Plan, the training needs that should be implemented are filled in different sections of the document, and these are the Skills Programme, Learnerships and Pivotal programmes. The table below provides details for the training embarked upon in 2024/2025.

| No. | Course | Number of Employees |
|------------|--|----------------------------|
| 1. | Municipal Executive Financial Management Programme | 12 |
| 2. | ODETDP | 01 |
| 3. | Office Administration | 01 |
| 4. | Minute Taking | 01 |

T 4.5.0

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.5 SKILLS DEVELOPMENT AND TRAINING

| Skills Matrix | | | | | | | | | | | |
|--|--------|--|---|------------------------|------------------------|---|------------------------|------------------------|-------------------------|------------------------|------------------------|
| Management level | Gender | Employees in post as of 30 June Year 2022/2023 | Number of skilled employees required and actual as of 30 June 2023/2024 | | | | | | | | |
| | | | Learnerships | | | Skills programmes & other short courses | | | Other forms of training | | Total |
| | | | No. | Actual: End of 2023/24 | Actual: End of 2023/24 | 2022/23 Target | Actual: End of 2023/24 | Actual: End of 2023/24 | 2022/2023 Target | Actual: End of 2021/22 | Actual: End of 2022/23 |
| MM and s57 | Female | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Male | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Councillors, senior officials and managers | Female | | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| | Male | | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Technicians and associate professionals* | Female | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Male | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professionals | Female | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Male | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled Technical | Female | | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | Male | | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Semi-Skilled | Female | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Male | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sub total | Female | | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 |
| | Male | | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 |
| Total | | | 9 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 12 |

T4.5.1

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

| Financial Competency Development: Progress Report* | | | | | | |
|---|--|---|---------------------------------------|---|---|---|
| Description | A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c)) | B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c)) | Consolidate d: Total of A and B | Consolidated : Competency assessments completed for A and B (Regulation 14(4)(b) and (d)) | Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f)) | Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e)) |
| Financial Officials | | | | | | |
| Accounting officer | 1 | | 1 | 1 | | 1 |
| Chief financial officer | 1 | | 1 | 1 | | 1 |
| Senior managers | 4 | | 4 | 4 | | 4 |
| Any other financial officials | 31 | | 32 | 11 | | 11 |
| Supply Chain Manageme nt Officials | 8 | 0 | 8 | 0 | 0 | 0 |
| Heads of supply chain manageme nt units | 1 | 0 | 1 | 0 | 0 | 0 |
| Supply chain manageme nt officials | 9 | 0 | 9 | 0 | 0 | 0 |
| TOTAL | 45 | | 46 | 20 | | 25 |

T 4.5.2

CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE

| Skills Development Expenditure 2023/24 | | | | | | | | | | |
|--|--------|---|--|----------|---|--------|-------------------------|--------|-----------------|----------|
| | | | | | | | | | | R'000 |
| Management level | Gender | Employees as at the beginning of the financial year | Original Budget and Actual Expenditure on skills development | | | | | | | |
| | | | Learnerships | | Skills programmes & other short courses | | Other forms of training | | Total | |
| | | No. | Original Budget | Actual | Original Budget | Actual | Original Budget | Actual | Original Budget | Actual |
| MM and S57 | Female | 0 | 0 | 0 | | | | | | |
| | Male | 0 | | | | | | | | |
| Legislators, senior officials and managers | Female | 3 | | R174 000 | | | | | | R174 000 |
| | Male | 6 | R1 000 000 | R116 000 | | | | | | R116 000 |
| Professionals | Female | 0 | | | | | | | | |
| | Male | 0 | | | | | | | | |
| Technicians and associate professionals | Female | 0 | | | | | | | | |
| | Male | 0 | | | | | | | | |
| Clerks | Female | 3 | | R58 000 | | | | | | R58 000 |
| | Male | 3 | | R116 000 | | | | | | R116 000 |
| Service and sales workers | Female | 0 | | | | | | | | |
| | Male | 0 | | | | | | | | |
| Plant and machine operators and assemblers | Female | 0 | | | | | | | | |
| | Male | 0 | | | | | | | | |
| Elementary occupations | Female | 0 | | | | | | | | |
| | Male | 0 | | | | | | | | |
| Sub total | Female | 0 | | | | | | | | |
| | Male | 0 | | | | | | | | |
| Total | | 15 | R1 000 000 | R464 000 | | | | | | R464 000 |
| | | | | | | | | | | T4.5.3 |

**COMMENT ON SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND ON THE FINANCIAL
COMPETENCY REGULATIONS:**

According to the 2023/2024 training plan, only six (6) training has been implemented that is Finance Management Programme. The following trainings were implemented with its expenditure:

| Name of Training | Number of Beneficiaries | Amount Spent |
|---|--------------------------------|---------------------|
| 1. Municipal Executives Financial Management Programme | 12 | R464 000-00 |
| 2. ODETDP | 01 | Free |
| 3. Office Administration | 01 | Free |
| 4. Minute Taking | 01 | Free |

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

INTRODUCTION TO WORKFORCE EXPENDITURE

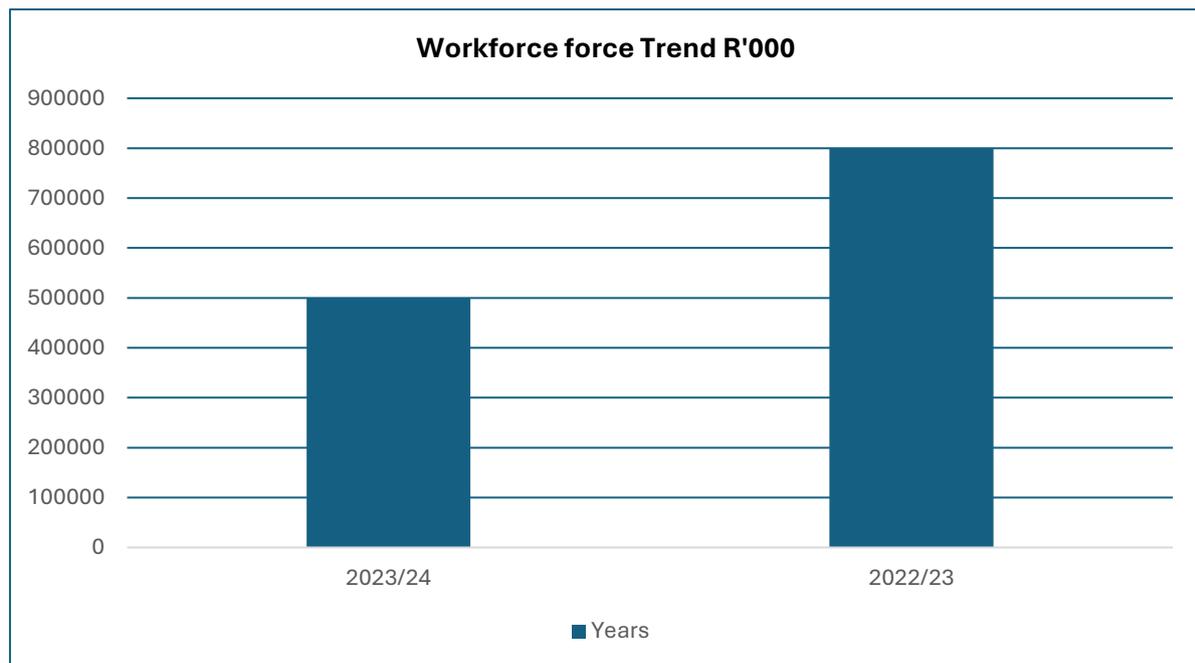
Job Evaluation has enabled municipality in containing the workforce expenditure. Jobs have been evaluated and remunerated is done according to their worth as and when they are filled. The municipality frozen to fill some of the vacated unnecessary position with a view to abolish them during the review of staff establishment. The Municipality has prioritised critical positions to address service delivery in our area of operation.

The Management is on par to manage all allowances in line with prescribed legislation and related collective agreements.

T 4.6.0

Workforce Expenditure

4.6 Employee Expenditure



T 4.6.1

| Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation | | | | |
|--|----------------------------|-----------------------------|--------------------------------------|-----------------------------|
| Occupation | Number of employees | Job evaluation level | Remuneration level (Peromnes) | Reason for deviation |
| Communications Officer | 1 | T10 | PL7 | |
| Admin Officer: Communications | 2 | T10 | PL6 | |
| Customer Care Officer | 4 | T5 | PL10 | |
| Admin Officer: Private Sector Coordination | 1 | T10 | PL7 | |
| Physical Security Officer | 1 | T7 | PL6 | |
| Site Security Officer | 1 | T7 | PL6 | |
| Information Security | 1 | T7 | PL7 | |
| PMS Specialist | 1 | T12 | PL2 | |
| Internal Auditor | 4 | T11 | PL6 | |
| IDP Planner | 1 | T11 | PL3 | |
| Admin Officer: IDP | 1 | T10 | PL6 | |
| LED Coordinator | 2 | T11 | PL3 | |
| Tourism Officer | 2 | T10 | PL7 | |
| GIS Specialist | 1 | T12 | PL3 | |
| GIS Technician | 1 | T11 | PL4 | |
| Agricultural Specialist | 1 | T12 | PL2 | |
| Rural Development Specialist | 1 | T12 | PL2 | |
| Rural Development Coordinator | 3 | T11 | PL2 | |
| EPWP Coordinator | 1 | T11 | PL3 | |
| Admin Officer: Dev & Town Planning Serv | 1 | T10 | PL6 | |
| Administrator LED | 1 | T10 | PL6 | |
| Senior Accountant: Internal Control | 1 | T13 | PL3 | |
| Communications Officer | 1 | T10 | PL7 | |
| Admin Officer: Communications | 2 | T10 | PL6 | |

| Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation | | | | |
|--|----------------------------|-----------------------------|--------------------------------------|---|
| Occupation | Number of employees | Job evaluation level | Remuneration level (Peromnes) | Reason for deviation |
| Senior Accountant: Bid Management | 1 | T13 | PL2 | The new TASK Job Evaluation System graded positions lower than the Peromnes Job Evaluation System which led to Personal to Holder |
| Senior Accountant: Demand and Acquisition | 1 | T13 | PL3 | |
| Clerk: Demand and Acquisition | 1 | T7 | PL9 | |
| Senior Accountant: General Expenditure | 1 | T13 | PL3 | |
| VAT Specialist | 1 | T12 | PL2 | |
| Assistant Accountant: General Expenditure | 2 | T10 | PL7 | |
| Assistant Accountant: Payroll Admin | 2 | T10 | PL7 | |
| Cashier | 2 | T7 | PL8 | |
| Clerk: General Expenditure | 1 | T7 | PL9 | |
| Clerk: Payroll Admin | 1 | T7 | PL9 | |
| Senior Accountant: Asset Management | 1 | T13 | PL3 | |
| Clerk: Inventory | 2 | T7 | PL9 | |
| Clerk Movable Assets | 3 | T7 | PL9 | |
| Admin Officer | 1 | T10 | PL6 | |
| Admin Officer | 1 | T10 | PL6 | |
| EHP | 7 | T11 | PL5 | |
| Admin Officer | 1 | T10 | PL6 | |
| Platoon Commander | 40 | T11 | PL6 | |
| Senior Fire Fighter | 24 | T9 | PL7 | |
| Fire Fighter | 8 | T7 | PL8 | |
| Junior Fire Fighter | 16 | T6 | PL9 | |
| Trainee Fire Fighter | 12 | T5 | PL12 | |
| Dispatcher/Receptionist | 5 | T5 | PL11 | |
| Admin Officer Disaster Management | 1 | T10 | PL6 | |
| Coordinator Awareness and Training | 1 | T12 | PL4 | |
| Disaster Management Officer | 8 | T10 | PL6 | |
| Admin Officer | 1 | T10 | PL6 | |

| Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation | | | | |
|--|----------------------------|-----------------------------|--------------------------------------|---|
| Occupation | Number of employees | Job evaluation level | Remuneration level (Peromnes) | Reason for deviation |
| Assistant Manager Human Resources | 1 | T14 | PL2 | The new TASK Job Evaluation System graded positions lower than the Peromnes Job Evaluation System which led to Personal to Holder |
| Skills Development & EE Facilitator | 1 | T12 | PL3 | |
| Snr. HR Practitioner | 2 | T12 | PL3 | |
| Filing Clerk | 1 | T7 | PL9 | |
| Labour Relations Officer | 1 | T11 | PL6 | |
| Employee Assistance Practitioner | 1 | T11 | PL3 | |
| OHS Officer | 1 | T11 | PL3 | |
| Photocopier Operator | 1 | T4 | PL10 | |
| General Worker: Cleaner | 25 | T3 | PL14 | |
| General Worker Gardener | 15 | T3 | PL14 | |
| Project Manager ICT | 1 | T12 | PL1 | |
| Database Administrator | 1 | T12 | PL10 | |
| ICT Technician | 2 | T11 | PL3 | |
| Legal Advisor | 1 | T14 | PL2 | |
| Admin Officer Fleet | 1 | T10 | PL6 | |
| Mechanical Technician | 1 | T12 | PL3 | |
| Fleet Management Coordinator | 1 | T11 | PL3 | |
| Artisan Mechanic | 1 | T9 | PL6 | |
| Mechanic | 1 | T7 | PL7 | |
| Transport Clerk | 2 | T7 | PL9 | |
| Workshop Clerk | 1 | T7 | PL9 | |
| Fuel Attendant | 4 | T4 | PL13 | |
| Trainee Mechanic | 2 | T5 | PL10 | |
| Water System Operator | 2 | T7 | PL7 | |
| Clerk Stores | 1 | T7 | PL9 | |
| Technical Assistant: Civil | 1 | T11 | PL7 | |
| Senior Foreman | 3 | T10 | PL6 | |
| Team Leader | 15 | T7 | PL9 | |
| Truck Driver | 8 | T6 | PL11 | |
| TLB Operator | 1 | T6 | PL9 | |
| Water Aid Worker | 83 | T4 | PL12 | |
| Water Quality Specialist | 1 | T12 | PL2 | |
| Clerk Roads | 1 | T7 | PL9 | |
| Transport Planner/Data Base | 1 | T12 | PL6 | |
| | | | | T4.6.2 |

| Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation | | | | |
|--|----------------------------|-----------------------------|--------------------------------------|---|
| Occupation | Number of employees | Job evaluation level | Remuneration level (Peromnes) | Reason for deviation |
| Senior Foreman: Roads | 1 | T10 | PL6 | The new TASK Job Evaluation System graded positions lower than the Peromnes Job Evaluation System which led to Personal to Holder |
| Team Leader: Sanitation | 1 | T7 | PL9 | |
| Waste Water Aid Worker | 52 | T4 | PL12 | |
| Road Workers Aid | 3 | T4 | PL12 | |
| Lowbed Operator | 1 | T6 | PL9 | |
| Admin Officer PMU | 1 | T10 | PL3 | |
| Data Capturer | 1 | T7 | PL9 | |
| Data Capturer | 1 | T7 | PL6 | |
| Project Manager PMU | 4 | T14 | PL2 | |
| | | | | <i>T 4.6.3</i> |

| Employees appointed to posts not approved | | | | |
|--|--------------|----------------------------|----------------------|--|
| Department | Level | Date of appointment | No. appointed | Reason for appointment when no established post exists |
| Office of the Chief Whip | T7 | 01 September 2023 | 2 | Appointed in line with Upper limits of Councillors wherein the Council Whip is qualifying for two (2) protectors |
| | | | | <i>T 4.6.4</i> |

COMMENT ON UPGRADED POSTS AND THOSE THAT ARE AT VARIANCE WITH NORMAL PRACTICE:

No position was upgraded during the year under review, and this was due to the implementation of the TASK Job Evaluation system as it is the only systematic and scientific way of upgrading positions.

T 4.6.5

DISCLOSURES OF FINANCIAL INTERESTS

The disclosure forms for 2023/2024 were distributed to all employees to complete, however not all employees have responded positively and only a few submitted the completed forms. The disclosures have been submitted to the Municipal Manager for noting or any other action consequential to such conflict of interest.

T 4.6.6



CHAPTER 5

Financial Performance

With the author's compliments & pleasant recollections of happy days in the line of mapelking

Sae's Plaak

Established 1916



Annual Report
2023/24

CHAPTER 5 FINANCIAL PERFORMANCE

INTRODUCTION

The municipality closely monitors its performance of Budget versus actual on monthly basis using management accounts which reflect material variances. These variances are investigated, and corrective action is taken when required.

Mayoral Committee oversees finances through Section 52(d) quarterly performance and 72 mid-term reports by pronouncing and endorsing the report as tabled in the council.

T 5.0.1

COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

INTRODUCTION TO FINANCIAL STATEMENT

The annual financial statements have been prepared on the accrual basis and in accordance with historical cost convention, unless otherwise specified. The annual financial statements have been prepared in accordance with Standards of Generally Recognized Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standard Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003). The principal accounting policies adopted in the preparation of the annual financial statement are set out in this document.

The municipality reflects adequate financial performance for the 2023/24 financial year, with total revenue of R 1,320,197,273. Typical of district municipalities in the country, the Ngaka Modiri Molema District Municipality (NMMDM)'s revenue sources predominantly comprise operating fiscal transfers from the National Government that accounted 98% of the operating revenues in 2023/24. Equitable shares make up the bulk (77.2%) of these operating fiscal transfers and are utilized at the municipality's discretion to provide basic services to poor communities within its jurisdiction.

T5.1

5.1 STATEMENTS OF FINANCIAL PERFORMANCE 2023/2024

| Reconciliation of Table A1 Budget Summary | | | | | | | | | | | | | | | |
|--|-----------------|---|--------------------------|--|---|-------------------|----------------|--------------------------|-----------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| Description | 2023/24 | | | | | | | | | | | 2022/23 | | | |
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousands | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Financial Performance | | | | | | | | | | | | | | | |
| Property rates | – | | – | | | – | | | | | | | | | |
| Service charges | 70 | 0 | 70 | | | 70 | 81 | | 11 | 116% | | | | | 54 |
| Investment revenue | 150 | 18 000 | 18 150 | | | 18 150 | 23 658 | | 5 508 | 130% | | | | | 28 876 |
| Transfers recognised – operational | 1 006 741 | 393 | 1 067 134 | | | 1 067 134 | 1 000 575 | | (61 409) | 94% | | | | | 978 588 |
| Other own revenue | 880 | -250 | 630 | | | 630 | 1 093 | | 463 | 173% | | | | | 28 522 |
| Total Revenue (excluding capital transfers and contributions) | 980 604 | 19 789 | 1 000 393 | – | | – 1 000 393 | | – | 35 647 | 104% | 0 | – | – | – | 1 036 040 |

Chapter 5

| Reconciliation of Table A1 Budget Summary | | | | | | | | | | | | | | | |
|---|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|----------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| Description | 2023/24 | | | | | | | | | | | 2022/23 | | | |
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousands | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Employee costs | 458 452 | 1 081 | 459 532 | | | 459 532 | 432 672 | | 26 760 | 94% | | | | | 407 326 |
| Remuneration of councillors | 15 049 | - | 15 049 | | | 15 049 | 15 073 | | -24 | 100% | | | | | 13 900 |
| Debt impairment | | - | - | | | - | | | - | | | | | | - |
| Depreciation & asset impairment | 217 000 | 37 721 | 265 722 | | | 265 722 | 201 795 | | 52 927 | 79% | | | | | 231 502 |
| Finance charges | - | - | - | | | - | | | 0 | 0 | | | | | 14 198 |
| Materials and bulk purchases | 550 809 | -219 112 | 331 697 | | | 331 697 | 212 454 | | 119 243 | 64% | | | | | 607 458 |
| Transfers and grants | 30 000 | -8 600 | 21 400 | | | 21 400 | 21 400 | | - | 100% | | | | | 75 000 |
| Other expenditure | 100 758 | 3 074 | 103 833 | | | 103 833 | 142 072 | | - 38 238 | 137% | | | | | 133 763 |

Chapter 5

| Reconciliation of Table A1 Budget Summary | | | | | | | | | | | | | | | |
|--|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|-----------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| Description | 2023/24 | | | | | | | | | | | 2022/23 | | | |
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousands | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Total Expenditure | 1 199 378 | (238 231) | 961 147 | - | - | 961 147 | - | - | 521 999 | 154% | 0 | - | - | - | 1 483 147 |
| Surplus/(Deficit) | (218 774) | 258 020 | 39 246 | - | - | 39 246 | - | - | (486 353) | -1139% | 0 | - | - | - | (447 107) |
| Transfers recognised – capital | 355 703 | -24 149 | 331 554 | | | 331 554 | 289 911 | | 41 643 | 87% | | | | | 347 553 |
| Contributions recognised - capital & contributed assets | | | - | | | - | | | - | | | | | | - |
| Surplus/(Deficit) after capital transfers & contributions | 128 779 | 258 020 | 386 799 | - | - | 386 799 | - | - | (486 353) | -26% | 0 | - | - | - | (99 554) |
| Share of surplus/ (deficit) of associate | | | - | | | - | | | | | | | | | |
| Surplus/(Deficit) for the year | 128 779 | 258 020 | 386 799 | - | - | 386 799 | - | - | (486 353) | -26% | 0 | - | - | - | (99 554) |
| Capital expenditure & funds sources | | | | | | | | | | | | | | | |

Chapter 5

| Reconciliation of Table A1 Budget Summary | | | | | | | | | | | | | | | |
|---|-----------------|---|--------------------------|--|---|----------------|----------------|--------------------------|-----------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| Description | 2023/24 | | | | | | | | | | | 2022/23 | | | |
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousands | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Capital expenditure | | | | | | | | | | | | | | | |
| Transfers recognised – capital | 350 107 | -23 507 | 326 600 | | | 326 600 | 480 182 | | 582 153 | 147% | | | | | 248 844 |
| Public contributions & donations | | | - | | | | | | - | | | | | | - |
| Borrowing | | | | | | - | | | - | | | | | | |
| Internally generated funds | 41 237 | 140 431 | 181 668 | | | 181 668 | -106 388 | | (12 196) | 52% | | | | | 13 466 |
| Total sources of capital funds | 376 909 | (13 240) | 359 139 | - | - | 358 139 | | - | (95 829) | 73% | 0 | - | - | - | 262 310 |
| Cash flows | | | | | | | | | | | | | | | |
| Net cash from (used) operating | 173 643 | 339 329 | 512 972 | | | 512 972 | 1 197 130 | | (396 511) | -13% | | | | | (45 790) |

Chapter 5

| Reconciliation of Table A1 Budget Summary | | | | | | | | | | | | | | | |
|---|-----------------|---|--------------------------|--|---|--------------|----------------|--------------------------|------------|-------------------------------------|--|-----------------------------------|---|-------------------------|--------------------------|
| Description | 2023/24 | | | | | | | | | | | 2022/23 | | | |
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| R thousands | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Net cash from (used) investing | -402 623 | 27 033 | -375 590 | | | -375 590 | 11 806 805 | | | 33% | | | | | (249 394) |
| Net cash from (used) financing | - | | - | | | - | 654 | | | | | | | | |
| Cash/cash equivalents at the year end | 225 345 | 71 343 | 296 688 | - | - | (403 918) | 12 648 019 | - | -396510841 | 73% | 0 | - | - | - | (295 184) |
| | | | | | | | | | | | | | | | T 5.1.1 |

| Financial Performance of Operational Services | | | | | | |
|---|----------------|-----------------|--------------------|--------------------|-----------------------|--------------------|
| R '000 | | | | | | |
| Description | 2022/23 | 2023/24 | | | Year 2023/24 Variance | |
| | Actual | Original Budget | Adjustments Budget | Actual | Original Budget | Adjustments Budget |
| Operating Cost | | | | | | |
| Water | 413 214 | 480 545 | 233 648 | 279 802 | -71,74% | 16,50% |
| Waste Water (Sanitation) | 114 158 | 90 000 | 90 000 | 213 310 | 57,81% | 57,81% |
| Electricity | | | | | | |
| Waste Management | | | | | | |
| Housing | | | | | | |
| Component A: sub-total | 527 371 | 570545 | 323648 | 493112 | -15,70% | 34,37% |
| Waste Water (Stormwater Drainage) | | | | | | |
| Roads | 27 961 | 33 834 | 36 593 | 14 054 | -140,74% | -160,37% |
| Transport | | | | | | |
| Component B: sub-total | 28215 | 8455214 | 8624318,28 | 9554391,82 | 11,50% | 9,73% |
| Planning (Regulatory & Strategic) | 555 332 | 40 179 | 43 404 | 31 040 | -29,44% | -39,83% |
| Local Economic Development | | | | | | |
| Component B: sub-total | 126 | 40 179 | 43 404 | 31 040 | -29,44% | -39,83% |
| Planning | | | | | | |
| Local Economic Development | 596 | 0 | 0 | 0 | 0,00% | 0,00% |
| Component C: sub-total | 596 | 0 | 0 | 0 | 0,00% | 0,00% |
| Community & Social Services | | | | | | |
| Environmental Protection | | | | | | |
| Health | | | | | | |
| Security and Safety | 25 817 | 29 000 | 29 000 | 34618 | 16,23% | 16,23% |
| Sport and Recreation | | | | | | |
| Corporate Policy Offices and Other | 21 340 | 157 991 | 159 022 | 161 356 | 2,09% | 1,45% |
| Component D: sub-total | 47 157 | 186991 | 188022 | 195974 | 4,58% | 4,06% |
| Total Expenditure | 575 250 | 9252929 | 9179392,28 | 10274517,82 | 9,94% | 10,66% |

In this table operational income is offset against operational expenditure leaving a net operational expenditure total for each service as shown in the individual net service expenditure tables in chapter 3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

T 5.1.2

COMMENT ON FINANCIAL PERFORMANCE:

Expenditure Management

The Creditor-payment period for the current year were 93.24 days which was impaired compared to 2022/23 financial year of 50.26 days.

Revenue Management

1. Revenue growth

The total revenue growth for the year were 0%. the increase was due equitable share received from Treasury being more or less equivalent compared to prior year.

2. Revenue growth excluding grants

The operational revenue grants excluding grant decline were 19%. The growth was largely due interest income declining from the savings that municipality made.

Grants Dependency

The municipality is more than 98% dependent on grants and subsidies and is aiming to be less dependent on grants and to generate more own funds. As of 30 June 2024, all conditional grants were fully spent except for the Municipal Infrastructure Grant.

Cash Management

The municipality had positive cash and cash equivalent of R 134,231,993 (2023: 159,306,618). The Net cash flow from operations activities were also positive in the current year.

Asset and liability management

The municipality has amount of net asset position of R 4,731,928,405

Overall Financial viability

Based on the financial performance indicators above, the municipality is financially viable and has good financial health.

T5.1.3

5.2 GRANTS

| Grant Performance | | | | | | |
|--|------------------|------------------|--------------------|------------------------|---------------------|------------------------|
| R' 000 | | | | | | |
| Description | 2022/23 | 2023/24 | | Year 20223/24 Variance | | |
| | Actual | Budget | Adjustments Budget | Actual | Original Budget (%) | Adjustments Budget (%) |
| <u>Operating Transfers and Grants</u> | | | | | | |
| National Government: | 1 297 038 | 1 064 896 | 1 065 289 | 1 295 364 | 122% | 82.2% |
| Equitable share | 873 573 | 974 124 | 974 124 | 974 124 | 100% | 100% |
| Municipal Systems Improvement | | | | | | |
| Department of Water Affairs | | | | | | |
| Levy replacement | | | | | | |
| Financial Management Grant | 2 850 | 3 000 | 3 000 | 3 000 | 57,93% | 100% |
| EPWP | 2 140 | 2 040 | 2 040 | 2 040 | 100,00% | 100% |
| LG SETA | 637 | - | 479 | 686 | 100,00% | 69.8 % |
| Municipal Disaster Recovery Grant | - | | | - | 0,00% | 0% |
| Rural Roads Asset Management | 2 137 | 2 718 | 2 718 | 2 718 | 100,00% | 100% |
| Municipal Infrastructure Grants | 317 573 | 344 835 | 344 835 | 314 471 | 91,19% | 91.1% |
| Water System Infrastructure Grant | - | | | - | 0,00% | 0% |
| Other transfers/grants [insert description] | | | | | | |
| Provincial Government: | - | - | - | - | | |
| Health subsidy | | | | | | |
| Housing | | | | | | |
| Ambulance subsidy | | | | | | |

| | | | | | | |
|---|------------------|------------------|------------------|------------------|--|----------------|
| Sports and Recreation | | | | | | |
| Other transfers/grants [insert description] | | | | | | |
| District Municipality: | | | | | | |
| | | | | | | |
| Other grant providers: | - | - | - | - | | |
| <i>[insert description]</i> | | | | | | |
| | | | | | | |
| Total Operating Transfers and Grants | 1 297 038 | 1 326 717 | 1 327 196 | 1 295 777 | | 64.31 |
| <i>Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Full list of provincial and national grants available from published gazettes.</i> | | | | | | <i>T 5.2.1</i> |

COMMENTING ON OPERATING TRANSFER AND GRANTS:

All operating transfers and grants were fully received and were fully utilized for the intended purpose. All operating transfers and grants were fully received.

T5.2.2

5.3 ASSET MANAGEMENT

INTRODUCTION TO ASSET MANAGEMENT

During the year the municipality developed water infrastructure. Management also continued to manage and safeguard the municipal assets in line with the approved Municipal Assets Management Policy. Fund were also spent on the repairs and maintenance of the existing infrastructure.

This policy is reviewed annually to ensure that it is aligned with the 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.
- 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 regarding the assets; and
- Setting out the standards of management, recording and internal controls to safeguard the assets against inappropriate utilization or loss.

The municipality also continued to invest in infrastructure assets development and upgrades, with the table below highlight the three largest assets procured by the municipality during the year under review.

T 5.3.1

| TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED YEAR 2023/24 | | | | |
|---|------------------------------------|----------------|-------------|-----------|
| Asset 1 | | | | |
| Name | Ditsobotla Rural Sanitation | | | |
| Description | Ditsobotla Rural Sanitation | | | |
| Asset Type | Fixed | | | |
| Key Staff Involved | Project Manager | | | |
| Staff Responsibilities | | | | |
| Asset Value | | 2021/2022 | 2022/2023 | 2023/2024 |
| | | R32 223 247 | R87 168 390 | 4 043 474 |
| Capital Implications | | | | |
| Future Purpose of Asset | Rural Sanitation | | | |
| Describe Key Issues | Rural Sanitation | | | |
| Policies in Place to Manage Asset | Yes | | | |
| Asset 2 | | | | |
| Name | Ramotshere Moiloa Rural Sanitation | | | |
| Description | Rural Sanitation | | | |
| Asset Type | Fixed Asset | | | |
| Key Staff Involved | PMU Project Manager | | | |
| Staff Responsibilities | | | | |
| Asset Value | | 2021/2022 | 2022/2023 | 2023/2024 |
| | | R69 634 704.70 | R77 283 632 | 9 680 750 |
| Capital Implications | | | | |
| Future Purpose of Asset | Rural Sanitation | | | |
| Describe Key Issues | Rural Sanitation | | | |
| Policies in Place to Manage Asset | Yes | | | |
| Asset 3 | | | | |
| Name | Ratlou Rural Sanitation | | | |
| Description | Rural Sanitation | | | |
| Asset Type | Fixed Asset | | | |

| | | | | |
|-----------------------------------|---------------------|-------------|-------------|---------------|
| Key Staff Involved | PMU Project Manager | | | |
| Staff Responsibilities | | | | |
| Asset Value | | 2021/2022 | 2022/2023 | 2023/2024 |
| | | R77 264 336 | R49 569 314 | 11 764 651.19 |
| Capital Implications | Rural Sanitation | | | |
| Future Purpose of Asset | Rural Sanitation | | | |
| Describe Key Issues | | | | |
| Policies in Place to Manage Asset | Yes | | | |
| | T 5.3.2 | | | |

COMMENT ON ASSET MANAGEMENT:

Asset Management refers to all activities and processes carried out during the cycle of acquisition, construction, maintenance, refurbishment, and disposal of all resources consumed during the provision of services by the municipality for the future economic benefit for the municipality.

These resources range from the water and sanitation infrastructure network used to deliver water and sanitation services to householders, vehicles used by personnel to maintain the network, tools utilized in the maintenance of the network, equipment used by the field and office staff during the delivery of services, furniture used by the staff in support of the services to the communities, materials consumed during the construction of service facilities and work in progress in the service infrastructure projects. Capital Assets are classified into the following categories for the financial reporting purposes:

- Property Plant and Equipment
- Land and Buildings
- Infrastructure Assets
- Furniture and Fixtures
- IT Equipment
- WIP Infrastructure
- Emergency Equipment
- Community Assets
- Other property plant and equipment

Challenges

- Ageing of Infrastructure
- Vandalism and theft

T 5.3.3

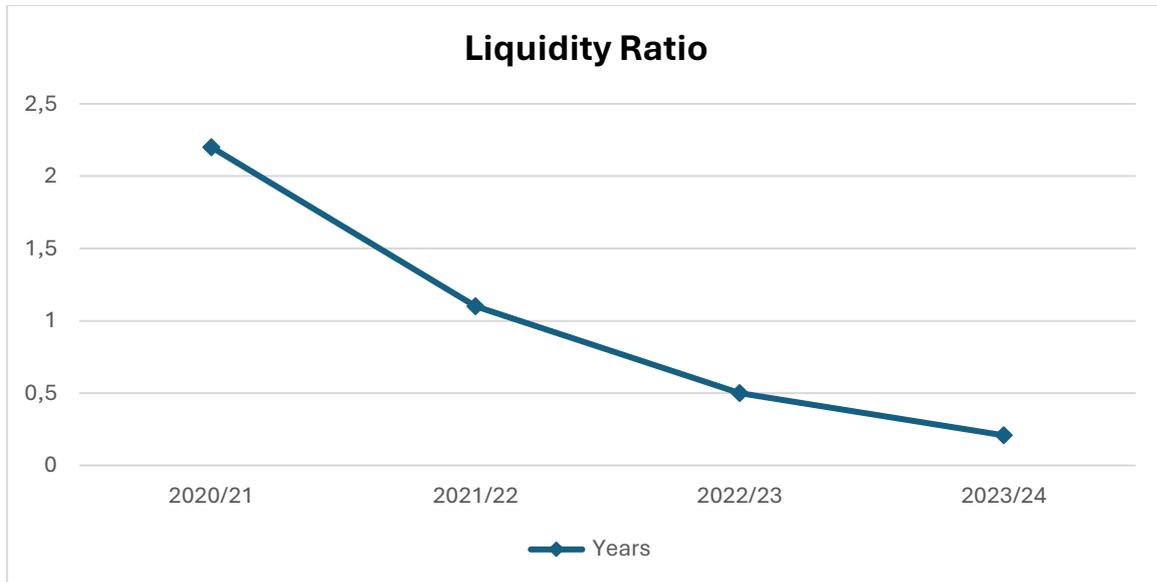
| Repair and Maintenance Expenditure: Year 2023/24 | | | | |
|---|------------------------|--------------------------|---------------|------------------------|
| R' 000 | | | | |
| | Original Budget | Adjustment Budget | Actual | Budget variance |
| Repairs and Maintenance Expenditure | 111 700 | 145 700 | 143 531 | 99% |
| T 5.3.4 | | | | |

COMMENT ON REPAIR AND MAINTENANCE EXPENDITURE:

Ideally, the repair and maintenance budget repair and maintenance budget should stand at 8% at least. In the 2023/24 the municipality underspent by 1.5% of the adjusted budget. The Repair and Maintenance budget is therefore sufficient to cover both planned to reactive maintenance of our infrastructure.

T 5.3.4.1

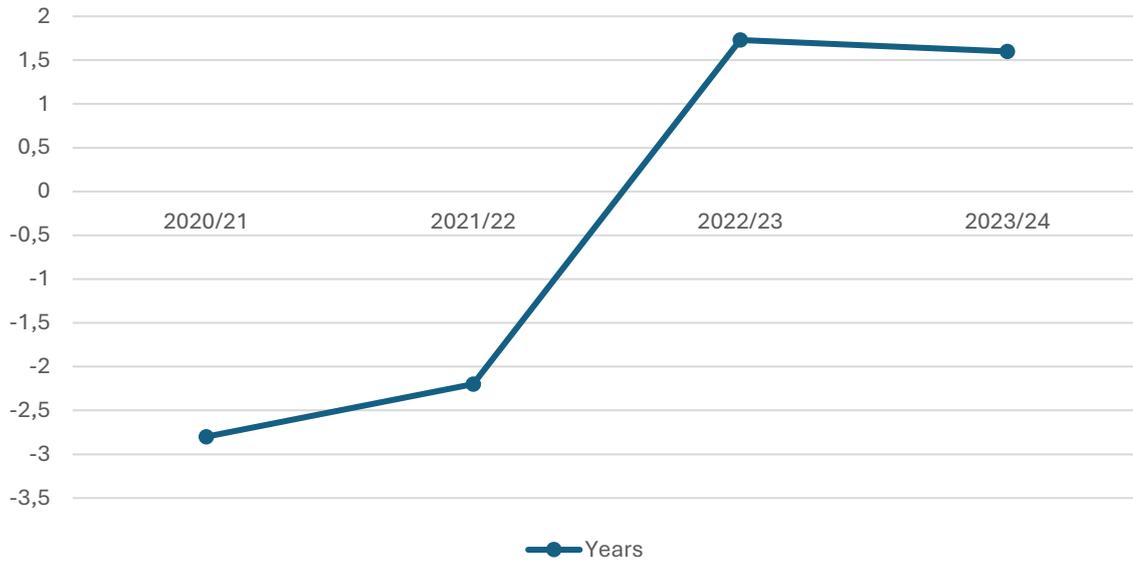
5.4 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS



Liquidity Ratio – Measures the municipality's ability to pay its bills and is calculated by dividing the monetary assets (due within one year) by the municipality's current liabilities. A higher ratio is better. Data used from MBRR SA8

T 5.4.1

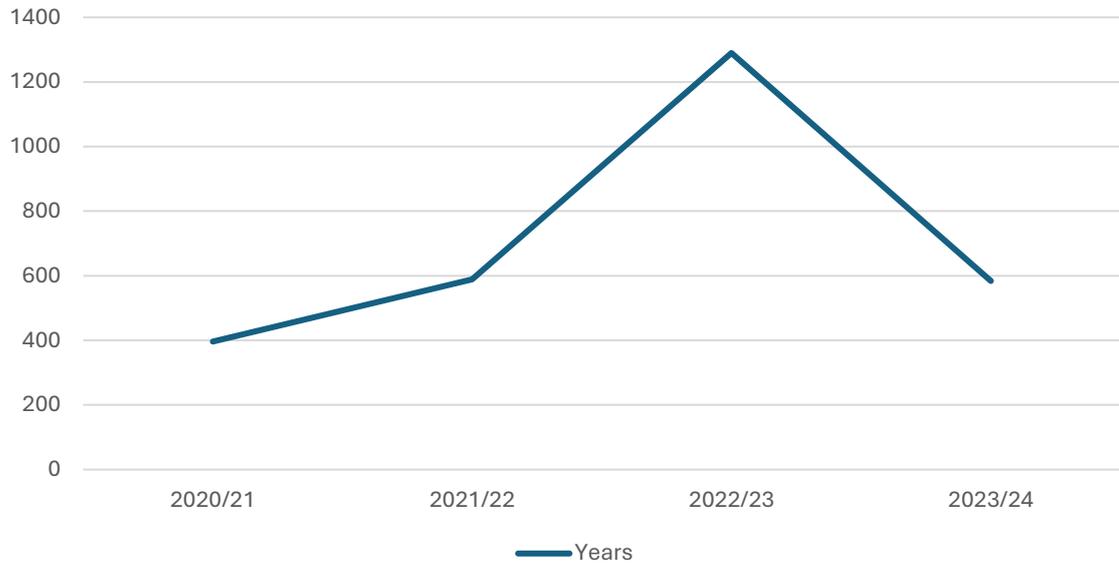
Cost Coverage



Cost Coverage– It explains how many months expenditure can be covered by the cash and other liquid assets available to the Municipality excluding utilisation of grants and is calculated. Data used from MBRR SA8

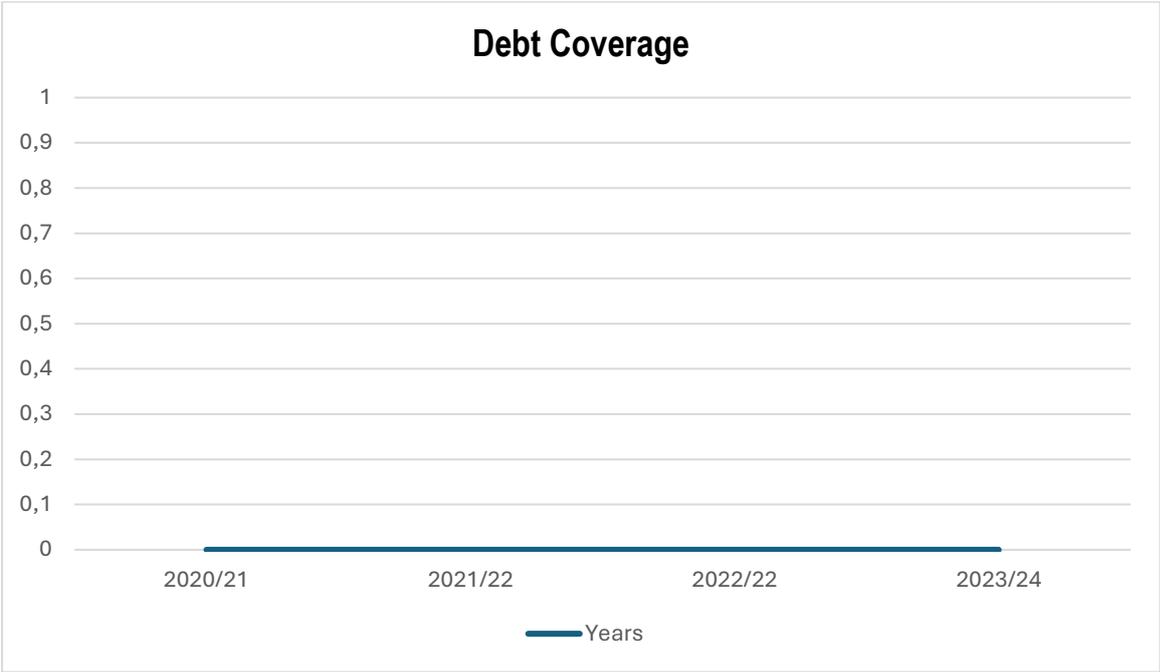
T 5.4.2

Total Outstanding Service Debtors



Total Outstanding Service Debtors – Measures how much money is still owed by the community for water, electricity, waste removal and sanitation compared to how much money has been paid for these services. It is calculated by dividing the total outstanding debtors by the total annual revenue. A lower score is better. Data used from MBRR SA8.

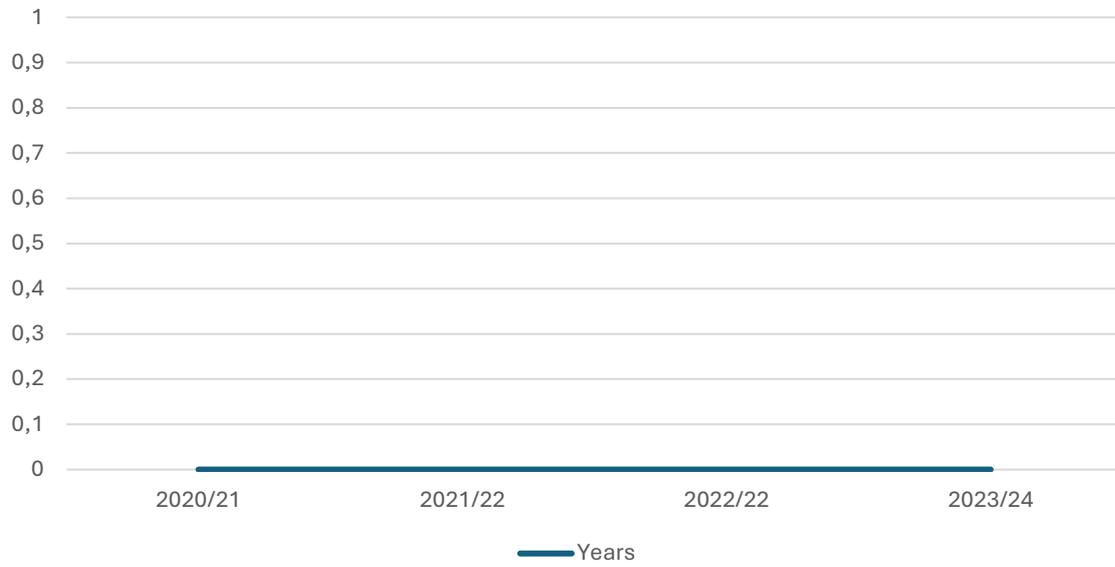
TF 1 2



Debt Coverage– The number of times debt payments can be accommodated within Operating revenue (excluding grants) . This in turn represents the ease with which debt payments can be accommodated by the municipality. Data used from MBRR SA8

T 5.4.4

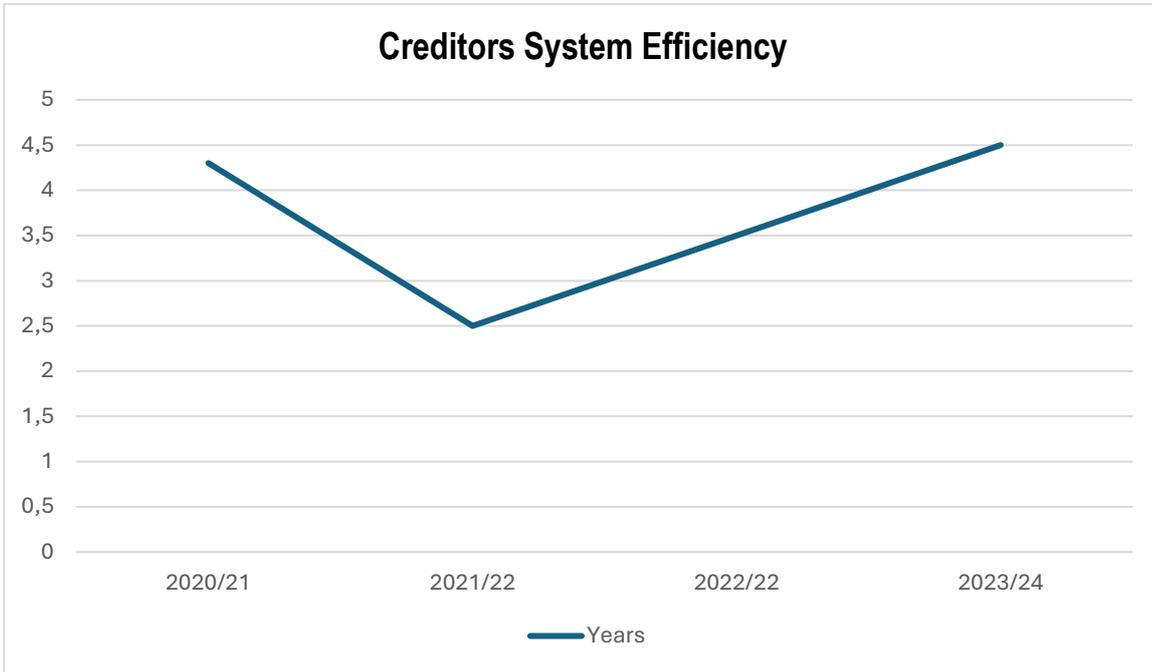
Creditors System Efficiency



Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

Data used from MBRR SA8

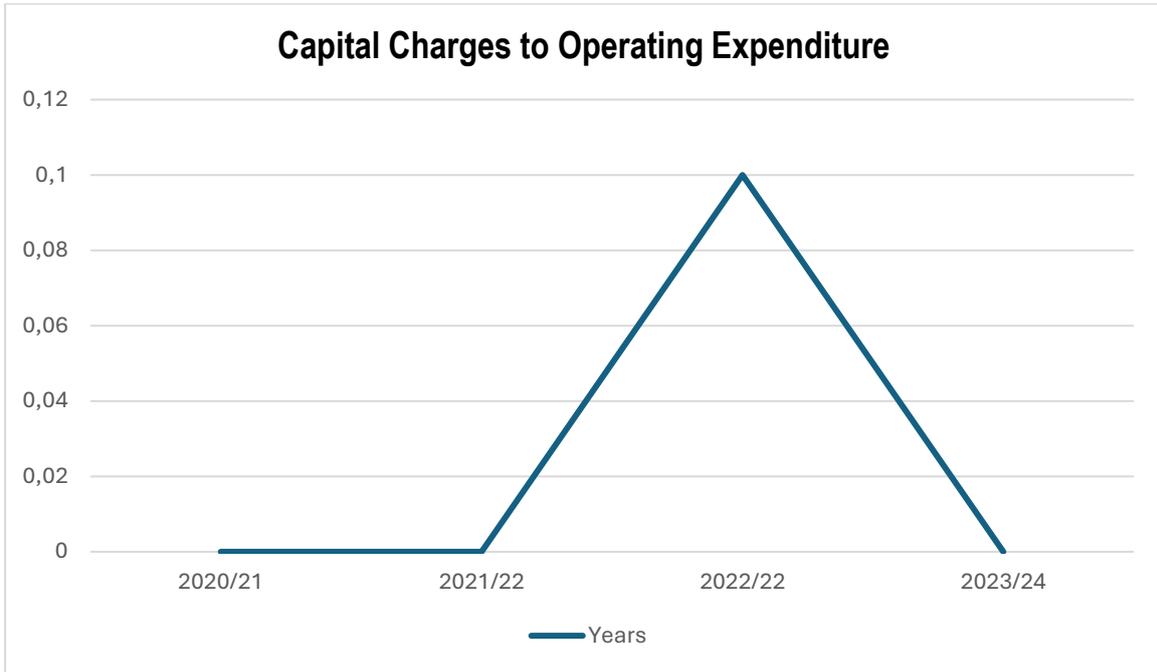
T 5.4.5



Creditor System Efficiency – The proportion of creditors paid within terms (i.e. 30 days). This ratio is calculated by outstanding trade creditors divided by credit purchases

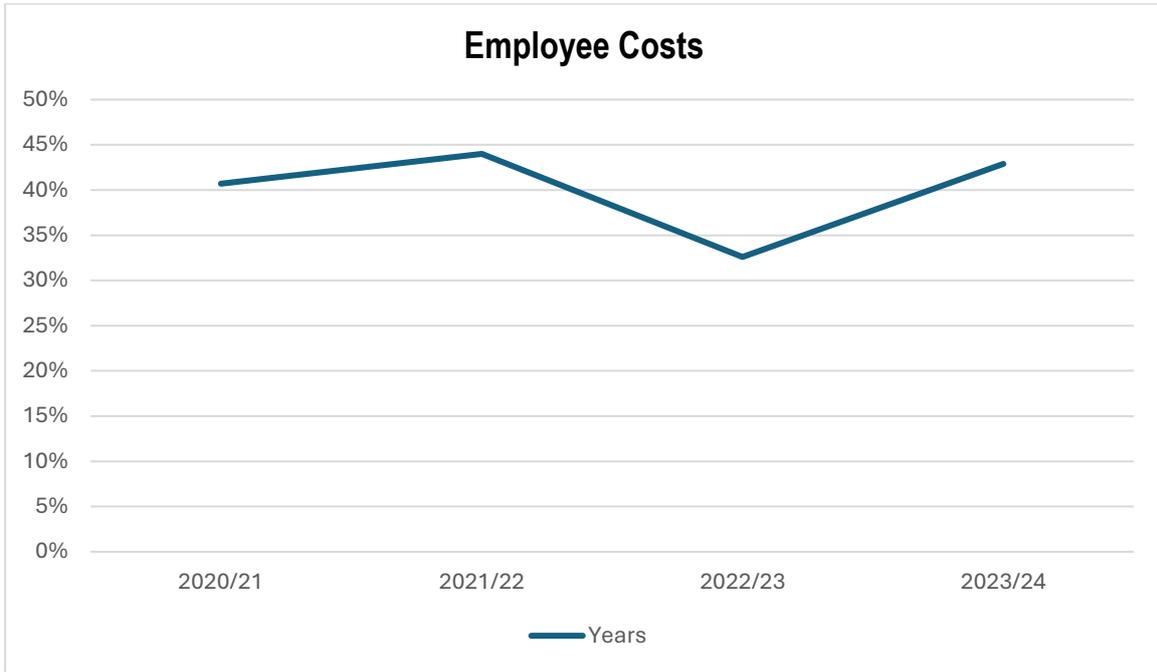
Data used from MBRR SA8

75.4.6

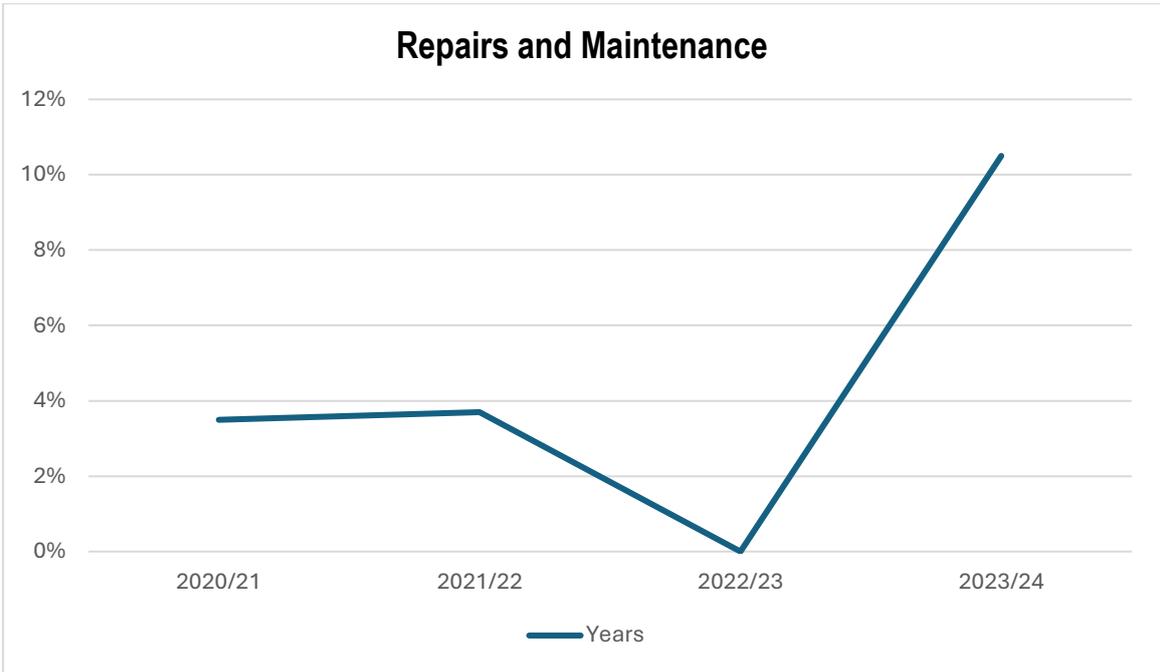


Capital Charges to Operating Expenditure ratio is calculated by dividing the sum of capital interest and principle paid by the total operating expenditure.

T 5.4.7



Employee cost – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue. Data used from MBRR SA8 T 5.4.8



Repairs and Maintenance – Measures what portion of the revenue was spent on paying employee costs. It is calculated by dividing the total employee cost by the difference between total revenue and capital revenue. Data used from MBRR SA8 T 5.4.9

COMMENTS ON FINANCIAL RATIOS

Liquidity ratio

The ratio measures the municipality's ability to pay its debts when due and is calculated by dividing the total monetary assets by the current liabilities. The municipality's ratio has deteriorated from 0,5 as compared to 0,2 in the current year.

Cost coverage

The municipality has a healthy ratio, and it can cover its costs on a month-to-month basis as it is sitting with a 1.6 ratio.

Debt coverage

The municipality debt ratio is sitting at 0.

Employee cost

The municipality has an employee cost ratio of 40,7%. This means the 59,3 of employee cost were funded by the equitable share grant from the National Treasury.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

The primary objective of capital projects is to enhance service delivery, with project size and budget allocation being directly informed by assessed community needs. In the 2023/2024 financial year, five major projects were undertaken, serving as the primary cost drivers for the year's expenditure.

The project composition reflects a strategic focus on addressing water-related challenges within the district, with 20% of the implemented projects dedicated to water infrastructure and 80% to sanitation. This prioritization is driven by the scarce and uneven distribution of water systems across the district, highlighting the ongoing struggle to provide adequate access to this essential resource.

Rather than focusing solely on new infrastructure, many of the implemented projects were augmentation schemes aimed at improving and expanding existing water infrastructure. While numerous areas in the district have some level of water infrastructure in place, many still fall below the required minimum basic service level. Efforts are therefore focused on bridging these service gaps to ensure equitable access to water and sanitation services for all residents.

The high expenditure rate of 97% on the Municipal Infrastructure Grant (MIG) allocation reflects effective financial management and commitment to infrastructure development. However, it remains crucial to continuously assess the impact of budget constraints and project prioritization to ensure the long-term sustainability of service delivery improvements.

T 5.5.0

| Capital Projects | 2023/2024 | | | |
|--|--------------|-------------------|--------------------|---------------------|
| | Budget | Adjustment Budget | Actual Expenditure | Total Project Value |
| Total All | R175 767 776 | R17 000 000 | R 167 617 628 | R 175 410 179 |
| Ramotshere Moiloa Rural Sanitation Programme | R 30 356 691 | R 0 | R 30 356 691 | R 54 575 034 |
| Mafikeng Rural Sanitation Programme | R 7 337 847 | R 0 | R 7 337 847 | R 8 703 030 |
| Ratlou Rural Sanitation Programme | R 74 130 539 | R 0 | R 74 130 539 | R 88 854 439 |
| Ditsobotla Rural Sanitation Programme | R31 000 000 | R 17 000 000 | R 48 000 000 | R36 520 049 |
| Upgrade & Extension of Zeerusst WWTW | R32 942 699 | R0.00 | R 7 792 551 | R 7 792 551 |

5.5 CAPITAL EXPENDITURE

COMMENT ON CAPITAL EXPENDITURE

The total allocation for water and sanitation projects initially stood at R361,060,000 as per the DORA gazette. However, this amount was reduced to R336,191,000 and subsequently further decreased by R49,980,000 during the stopping and reallocation process, resulting in a final revised allocation of R286,911,000.

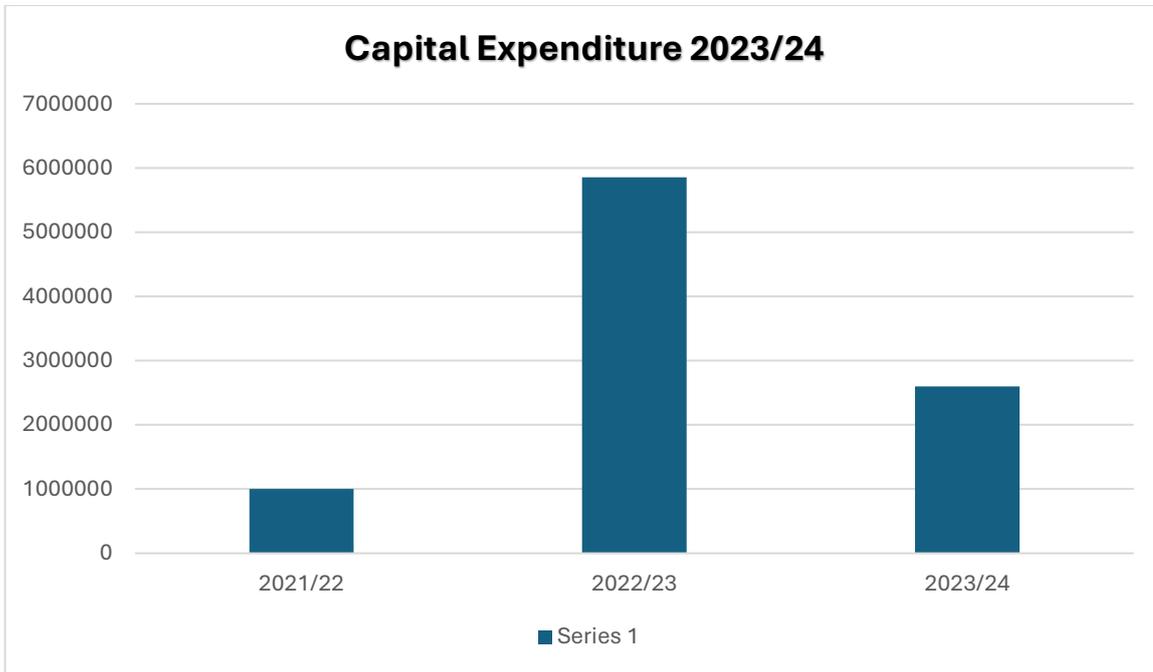
For the 2023/2024 financial year, the total expenditure amounted to R279,486,319. This includes R270,261,716 allocated to capital expenditure, which also covered retention payments made within the financial year. An additional expenditure of R9,204,478 was incurred for the administration of capital projects.

The total expenditure on the Municipal Infrastructure Grant (MIG) allocation, which includes both capital and operational expenditures, sums up to R279,486,219. This translates to an expenditure rate of 97% of the allocated MIG funds, reflecting efficient financial management and near-full utilization of the available resources.

Despite the budget reductions, the high expenditure percentage indicates effective implementation of the water and sanitation projects. However, it is important to assess the impact of the reduced funding on project completion and service delivery to ensure continued progress and sustainability of the infrastructure initiatives.

T5.5.1

5.6 CAPITAL EXPENDITURE



| Capital Expenditure - Funding Sources | | | | | | | |
|---------------------------------------|------------------------------------|------------------|----------------------|-------------------|---------------|-------------------------------|---------------------------|
| R' 000 | | | | | | | |
| Details | | 2022/23 | 2023/24 | | | | |
| | | Actual | Original Budget (OB) | Adjustment Budget | Actual | Adjustment to OB Variance (%) | Actual to OB Variance (%) |
| Source of finance | | | | | | | |
| | External loans | 0 | 0 | 0 | 0 | 0 | 0 |
| | Public contributions and donations | 0 | 0 | 0 | 0 | 0 | 0 |
| | Grants and subsidies | 317189 | 350 107 | 326 600 | 286 911 | -6,71% | -18,05% |
| | Other | | 0 | 0 | 0 | 0,00% | 0,00% |
| Total | | 317189313 | 350107 | 326600 | 286911 | -6,71% | -18,05% |
| <i>Percentage of finance</i> | | | | | | | |
| | External loans | 0 | 0 | 0 | 0 | 0 | 0 |
| | Public contributions and donations | 0 | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| | Grants and subsidies | 1 | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% |
| | Other | 0 | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| Capital expenditure | | | | | | | |
| | Water and sanitation | 317189 | 356607 | 470911 | 346305 | 32,05% | -2,89% |
| | Electricity | 0 | 0 | 0 | 0 | 0 | 0 |
| | Housing | 0 | 0 | 0 | 0 | 0 | 0 |
| | Roads and storm water | 0 | 0 | 0 | 0 | 0 | 0 |
| | Other | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 317189313 | 356607 | 470911 | 346305 | 32,05% | -2,89% |
| <i>Percentage of expenditure</i> | | | | | | | |

| | | | | | | | |
|--|-----------------------|--------|--------|--------|--------|--------|----------------|
| | Water and sanitation | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% | 100,0% |
| | Electricity | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| | Housing | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| | Roads and storm water | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| | Other | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% |
| | | | | | | | <i>T 5.6.1</i> |

COMMENT ON SOURCES OF FUNDING:

Capital infrastructure assets are fully funded through the Municipal Infrastructure Grant (MIG) through the National Department of Corporate of Cooperative Governance, Traditional Affairs (COGTA) and Equitable Share from National Treasury.

T 5.6.1.1

5.7 CAPITAL SPENDING ON 5 LARGEST PROJECTS

| Capital Projects | | | | | |
|--|---|--------------|--------------|--|--------------|
| Budget Total All | Actual Expenditure | | | | R188 652 552 |
| | R142 825 077 | R17 000 000 | R159 825 077 | | |
| Ramotshere Moiloa Rural Sanitation Programme | R 30 356 691 | R 0 | R 30 356 691 | | R 54 575 034 |
| Mafikeng Rural Sanitation Programme | R 7 337 847 | R 0 | R 7 337 847 | | R 8 703 030 |
| Ratlou Rural Sanitation Programme | R 74 130 539 | R 0 | R 74 130 539 | | R 88 854 439 |
| Ditsobotla Rural Sanitation Programme | R31 000 000 | R 17 000 000 | R 48 000 000 | | R36 520 049 |
| * Projects with the highest capital expenditure in 2023/2024 | | | | | |
| Mafikeng Rural Sanitation | | | | | |
| Objective of Project | Provide the local community with the services that are necessary to ensure an acceptable and reasonable quality of life, and if not provided would result in poor health, safety or bad environment generally | | | | |
| Delays | Procurement of a new service provider | | | | |
| Future Challenges | None | | | | |
| Anticipated citizen benefits | 0 | | | | |
| Ramotshere Moiloa Rural Sanitation | | | | | |
| Objective of Project | Provide the local community with the services that are necessary to ensure an acceptable and reasonable quality of life, and if not provided would result in poor health, safety or bad environment generally | | | | |
| Delays | Procurement of a new service provider | | | | |
| Future Challenges | None | | | | |
| Anticipated citizen benefits | 2122 | | | | |
| Ratlou Rural Sanitation | | | | | |
| Objective of Project | Provide the local community with the services that are necessary to ensure an acceptable and reasonable quality of life, and if not provided would result in poor health, safety or bad environment generally | | | | |
| Delays | None | | | | |
| Future Challenges | None | | | | |
| Anticipated citizen benefits | 2417 | | | | |
| Ditsobotla Rural Sanitation | | | | | |
| Objective of Project | Provide the local community with the services that are necessary to ensure an acceptable and reasonable quality of life, and if not provided would result in poor health, safety or bad environment generally | | | | |
| Delays | Beneficiary List | | | | |
| Future Challenges | None | | | | |
| Anticipated citizen benefits | 1422 | | | | |

5.8 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Most of the backlogs identified are informed and extrapolated from the 2022 census. This reality calls on us to acknowledge the reality that circumstances have changed over time. Therefore, the handicap is that the backlogs are certainly ill informed in that villages and human settlements are expanding particularly in rural areas. The growth rates on villages are more than anticipated. The budget will always be adjusted to meet the demands and will be distributed according to the needs of communities as prioritized in the IDP

T 5.8.1

Service Backlogs as at 30 June 2023/2024

Households (HHs)

| | *Service level above minimum standard | | **Service level below minimum standard | |
|------------|---------------------------------------|-------|--|----------|
| | No. HHs | % HHs | No. HHs | % waters |
| Water | 26235 | 36% | 53587 | 50% |
| Sanitation | 2460 | 35% | 4050 | 47% |

% HHs are the service above/below minimum standard as a proportion of total HHs. 'Housing' refers to * formal and ** informal settlements.

T 5.8.2

Municipal Infrastructure Grant (MIG) Expenditure on 2023/24 Service Backlogs

| Details | Budget | Adjustments Budget | Actual | Variance | |
|--|---------------|--------------------|---------------|----------|--------------------|
| | | | | Budget | Adjustments Budget |
| Infrastructure - Water | R 311 000 000 | -R 228 139 494 | R 82 860 506 | 86.13% | -29.59% |
| Infrastructure – Sanitation | R 40 000 000 | R 147 401 210 | R 187 401 210 | 11.07% | 66.92% |
| Other Specify: PMU OPERATIONAL BUDGET | R 9 500 000 | -R 295 479 | R 9 204 521 | 2.6% | 0,00% |
| Total | R 361 060 000 | -R 81 033 763 | R 280 026 237 | 100% | 79.46 |

* MIG is a government grant program designed to fund a reduction in service backlogs, mainly: Water; Sanitation; Roads; Electricity. Expenditure on new, upgraded and renewed infrastructure is set out at Appendix M; note also the calculation of the variation. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual.

T 5.8.3

COMMENT ON BACKLOGS

In this Financial Year most of the grant allocation was spend on sanitation. R 140 000 000 was spent on Sanitation projects and only R336 191 000 was spent on water related projects. In line with the policy regime governing the PMU, a percentage of the municipal allocation is set aside for the operations of the PMU.

T 5.8.4

COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

As trustee of public funds, the Council has an obligation to ensure that all investments made by the Municipality generate the required returns in the most efficient and profitable manner. Money invested must be for the benefit of the whole of the community and must be governed by the principal objective to maximise returns from authorised investments, consistent with the secondary objective of minimising risk.

T 5.9

5.9 CASH FLOW

| Cash Flow Outcomes | | | | |
|---|------------------|------------------|------------------|------------------|
| R'000 | | | | |
| Description | 2022/23 | Current: 2023/24 | | |
| | Audited Outcome | Original Budget | Adjusted Budget | Actual |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | |
| Receipts | | | | |
| Ratepayers and other | – | 1 093 | 805 | – |
| Government – operating and capital | 1 256 481 | 1 422 444 | 1 398 687 | 1 295 365 |
| Interest | 28 876 | 150 | 18 150 | 23 658 |
| Dividends | – | – | – | – |
| Payments | | | | |
| Suppliers and employees | 1 247 268 | (1 219 894) | (865 121) | (724 176) |
| Finance charges | 767 | – | – | 237 |
| Transfers and Grants | – | (30 000) | (21 400) | – |
| Cash Flow Outcomes | | | | |
| NET CASH FROM/(USED) OPERATING ACTIVITIES | 91 018 | 173 643 | 512 972 | 564 246 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Proceeds on disposal of PPE | | | – | – |
| Decrease (Increase) in non-current debtors | | | | |
| Decrease (increase) other non-current receivables | | | | |
| Decrease (increase) in non-current investments | – | | | |
| Payments | | | | |
| Capital assets | (386 202) | (402 623) | (375 590) | (589 289) |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | (386 202) | (402 263) | (375 590) | (589 320) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |

| | | | | |
|--|-----------|-----------|---------|----------|
| Receipts | | | | |
| Short term loans | | | | |
| Borrowing long term/refinancing | | | | |
| Increase (decrease) in consumer deposits | | | | |
| Payments | | | | |
| Repayment of borrowing | | | | |
| NET CASH FROM/(USED) FINANCING ACTIVITIES | - | - | - | - |
| | | | | |
| NET INCREASE/ (DECREASE) IN CASH HELD | (295 184) | (228 980) | 137 381 | (25 075) |
| Cash/cash equivalents at the year begin: | 454 490 | 454 326 | 159 307 | 159 307 |
| Cash/cash equivalents at the year end: | 159 307 | 225 345 | 296 688 | 134 232 |
| Source: MBRR A7 | | | | T 5.9.1 |

COMMENTS ON CASH FLOW OUTCOMES

Cash flow is of vital importance to the financial health of a municipality. The net cash flow from operating activities generated a positive cash flow of R564 245 584 million. The net cash outflow of investing activities resulted in a cash outflow of R0. The net cash inflow from financing activities is R0. Overall, the municipality had a negative cash inflow of R 1 288 658 759 billion and ended the financial year with cash and cash equivalents to the amount of R34 231 993 million.

T5.9.1.1

5.10 BORROWING AND INVESTMENTS

INTRODUCTION TO BORROWING AND INVESTMENTS

The Municipality, as a custodian of public funds, has an obligation to ensure that financial and non-financial resources are managed effectively, and efficiently. The Council has a responsibility to spend public funds optimally for the benefit all citizens. The purpose of our current policy on borrowing ensures that borrowing forms part of the financial management procedure of the Municipality and that prudent borrowing procedures are applied consistently.

Secondly, to ensure that the funds are obtained at the lowest possible interest rate at minimum risk, within the parameters of authorized borrowings. Most importantly, to ensure compliance with all relevant legal and statutory requirements and National Treasury, borrowing regulations; and to maintain financial sustainability. However, it should be noted that the municipality does not have borrowings, and thus fund its expenses from operating and capital transfers from National Government.

T 5.10.1

PUBLIC PRIVATE PARTNERSHIPS

For the year under reviewed the District Municipality did not enter into any public private partnership.

T 5.11.1

COMPONENT D: OTHER FINANCIAL MATTERS

5.12 SUPPLY CHAIN MANAGEMENT

SUPPLY CHAIN MANAGEMENT

The Municipality has a reviewed policy which includes all applicable circulars and regulations. Three officials are currently attending the Course on Supply Chain Management through the Northwest Provincial Treasury. All Officials in the SCM have attained the Minimum Competency requirements prescribed by National Treasury. Auditor General raised the non-compliance matters, which the Municipality has attended to some and strives to ensure that we attain complete compliance with the legislation. Part of the interventions includes capacitating the unit with qualified personnel to ensure optimum performance of all elements of supply chain. Irregular Expenditure will be investigated to ascertain value for money and reduce the recurrence thereof. The Budget and Treasury Office has advertised four positions in the SCM unit, we envisage to appoint them in the next financial year.

T 5.12.1

5.13 GRAP COMPLIANCE

GRAP COMPLIANCE

The municipality for 2023/2024 received qualified audit opinion on the basis that financial statements were not fairly present in all material aspects, and this was highlighted as at 30 June 2024 on financial position of Ngaka Modiri Molema District Municipality and its financial performance.

The municipality has to strengthen the information in the financial statements with regard to internal systems and processes; to such an extent that they facilitate recognition, measurement, disclosure, and presentation in accordance with the statements and this will be done through capacitation of Budget and Treasury Office according to budget availability over MTREF.

T5.13.1



CHAPTER 6

with the Auditor General
Auditor General

with the Auditor General's
Audit Findings
recollections of happy days in the Liege of Mafeking

Sae's Place



Eastern 1916
Annual Report
2023/24

6.1 AUDITOR GENERAL'S OPINION

INTRODUCTION

The Ngaka Modiri Molema Municipality for 2023/2024 received a Qualified Audit Opinion on the Annual Financial Statement.

6.2 AUDITOR GENERAL'S AUDIT FINDINGS

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires the Municipality to return a series of Financial Performance data to the National Treasury at specified interval throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

T 6.2.5



AUDIT REPORT

2023 - 24

Report of the auditor-general to North West Provincial Legislature and the council on Ngaka Modiri Molema District Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Ngaka Modiri Molema District Municipality set out on pages 323 to 426, 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 information with actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Ngaka Modiri Molema District Municipality 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 (MFMA) and the Division of Revenue Act 5 of 2023 (DoRA).

Basis for qualified opinion

Inventories

3. I was unable to obtain sufficient appropriate audit evidence for VIP toilets due to the status of the accounting records. I was unable to confirm these balances by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to VIP toilets stated at R12 626 133 (2023:R38 853 021) in note 7 of the financial statements.

Inventories write downs and reversals of write downs

4. I was unable to obtain sufficient appropriate audit evidence for inventories write downs and reversals of write downs due to status of accounting records. I was unable to confirm these inventories write downs and reversals of write downs by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to inventories write downs and reversals of write downs of R12 013 000 as disclosed in the financial statement.

VIP transfers to local communities

5. I was unable to obtain sufficient appropriate audit evidence for VIP transfers to local communities due to status of accounting records. I was unable to confirm these VIP transfers to local communities by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to VIP transfers to local communities of R176 952 447 (2023: R210 596 136) as disclosed in note 7 of the financial statements.

Property, plant and equipment

6. The municipality did not have adequate systems in place to record assets in accordance with GRAP 17, *Property plant and equipment*. The municipality incorrectly classified buildings as infrastructure assets. Consequently, infrastructure assets were understated by R12 024 236 and buildings was overstated by R12 024 236. In addition, the municipality's assets that were recorded in the current year could not be located during the asset verification process, consequently, the infrastructure assets were overstated by R19 525 861 (2023:R21 457 781). Furthermore, the municipality did not record all additions for replacement assets and work in progress related to infrastructure assets. I was unable to determine the full extent of the understatement as it was impracticable to do so.
7. The municipality did not accurately account for work in progress included in infrastructure assets in the current year and previous year as the VIP toilets were incorrectly classified as infrastructure assets. Consequently, work in progress included in infrastructure assets was overstated by R314 882 807 (2023: R287 652 923) and VIP toilets included in inventory was understated by R314 882 807 (2023: R287 652 923). In addition, differences were also identified between the invoices and the work in progress register. Consequently, work in progress included in infrastructure assets and trade payables were overstated by R15 451 394.
8. I was unable to obtain sufficient appropriate audit evidence for work in progress additions included in infrastructure assets due to the status of the accounting records. Management did not maintain adequate records for additions. I was unable to confirm these additions by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to work in progress relating infrastructure assets of R592 463 441 in note 3 to the financial statements. Additionally, differences were identified in the work in progress reconciliation disclosure and the asset register in the current and previous year. Consequently, work in progress reconciliation disclosure was understated by R32 299 113.

Payables from exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for trade payables due to material differences between the trade payable listing and the financial statements. I was unable to confirm this trade payables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to trade payables of R362 029 077 as disclosed in note 5 to the financial statements.

Loss on disposal of assets

10. I was unable to obtain sufficient appropriate audit evidence for the loss on disposal of infrastructure assets due to the status of accounting records. I was unable to confirm these disposals by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to disposals stated at R51 368 828 (2023:R12 509 928) in note 3 to the financial statement.

Irregular expenditure

11. I was unable to obtain sufficient appropriate audit evidence for irregular expenditure due to material differences between the balance and the irregular expenditure register. I was unable to confirm this irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to irregular expenditure of R4 779 958 708 (2023:R4 660 729 056) as disclosed in note 44 to the financial statements.

Unauthorised expenditure

12. I was unable to obtain sufficient appropriate audit evidence for the restated opening balance of unauthorised expenditure as the municipality did not have adequate control measures in place to maintain records. I was unable to confirm this unauthorised expenditure by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to unauthorised expenditure of R10 624 068 060 (2023:R10 114 211 095) as disclosed in note 42 to the financial statements.

Contingencies

13. The municipality did not disclose all the claims in accordance with GRAP 19, *Provisions, contingent liabilities and contingent assets*, as litigations that met the definition of a contingent liability were not disclosed. Consequently, contingent liabilities were understated by R41 644 855.

Prior year adjustments

14. The prior period error relating to property, plant and equipment was incorrectly disclosed in note 38 to the financial statements, as required by GRAP 3, Accounting policies, estimates and errors. The municipality incorrectly classified VIP toilets as infrastructure assets in the restatement.
15. In addition, I was unable to obtain sufficient appropriate audit evidence for the prior period errors relating to inventories and VIP transfers to local communities disclosed in note 38 to the financial statements, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior period errors disclosed in the financial statements

Net cash flows from operating activities

16. In 2023, net cash flows from operating activities were not correctly prepared and disclosed as required Standards of GRAP 2, *Cash flow statements*. This was due to multiple errors in determining cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the net cash flow from operating activities for the current period.

Contracted services

17. During 2023, the municipality did not account for contracted services in accordance with, GRAP 1, *Presentation of financial statements* as the municipality did not have adequate systems to correctly record and classify expenditure. Consequently, repairs and maintenance of buildings and facilities included in contracted services was overstated by R119 181 298 and property plant and equipment were understated by R119 181 298. Additionally, there was a resultant impact on the surplus for the period and the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the contracted services for the current period.

Depreciation and amortisation

18. During 2023, the municipality did not have adequate systems in place to record the depreciation in accordance with GRAP 17, *Property plant and equipment*. Material differences were identified between the depreciation disclosed in the statement of financial performance and register resulting in the overstatement of depreciation in the statement of financial performance by R13 784 031. Additionally, there was an impact on the surplus for the period and on the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the depreciation and amortisation for the current period.

Context for opinion

19. 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.
20. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

21. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Other matters

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

Unaudited disclosure notes

23. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA 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

24. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the Generally Recognised Accounting Principles and the requirements of the Municipal Finance Management 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.
25. 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

26. 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.
27. 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 242-245, forms part of our auditor's report.

Report on the audit of the annual performance report

28. 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 key performance area presented in the annual performance report. The municipality is responsible for the preparation of the annual performance report.
29. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected key performance areas that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

| Development priority | Page numbers | Purpose |
|---|--------------|---------------------------------------|
| KPA 2: Basic service delivery and infrastructure development | [96-108] | To improve access to basic services |
| KPA 4: Local economic develop | [112-113] | To promote local economic development |

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

32. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
33. The material findings on the reported performance information for the selected key performance areas are as follows:

KPA 2: Basic service delivery and infrastructure development

Missing indicators

34. The Municipal Systems Act (MSA) defines the legislative mandate of the municipality. Section 43 of the MSA read in conjunction with section 10 of the Local Government: Municipal planning and performance management regulations, outlines the prescribed indicators for local government. However, as per the table below, various indicators to measure performance on the mandate were omitted from the approved planning documents. Consequently, achievement against the mandate was not planned or accounted for, which is likely to result in it not being delivered and undermines transparency and accountability for delivery on the mandated responsibilities.

| Mandated responsibility | Reason provided by municipality for non-inclusion |
|--|---|
| Quantity of water delivered through water tinkering. | Municipality is no longer out-sourcing the tankering services. The municipality is delivering the service in-house. |
| The percentage of households with access to basic level of water and sanitation. | Municipality has not considered reporting on such indicator. On the MFMA Circular 88 the indicators, the function falls under the Local Municipality. |

Various indicators

35. I could not determine if the reported achievements were correct, as adequate supporting evidence was not provided for auditing. Consequently, the achievements might be more or less than reported and was not reliable for determining if the target has been achieved.

| Indicator number | Indicator | Planned target | Reported achievement |
|------------------|---|--|---|
| KPI 13 | Kilometres of aging leaking bulk pipelines replaced by 30 June 2024 | 3,75km of aging leaking bulk pipeline replaced | 5,29 km of aging leaking bulk pipeline replaced |
| KPI 17 | Number of waste water treatment plants maintained by 30 June 2024 | 13 Wastewater treatment Works maintained | 13 Wastewater Treatment Works maintained |

Various indicators

36. Measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets.

| Indicator number | Indicator | Target |
|------------------|--|--|
| KPI 11 | Number of fire stations on phase 1 and 2 completed at Ratlou and Tswaing Fire Stations by 30 June 2024 | Two fire stations on Phase 1 and 2 completed by 30 June 2024 (Ratlou and Tswaing Fire Stations) (Phase 1- Compacting; Guard Houses; Water Reticulation; Site Paving and Electrification. Phase 2 - 50% Construction completed) |
| KPI 18 | Kilometres of gravel roads constructed and maintained by 30 June 2024 | 22,3 KMs of Gravel roads constructed and 3,3km maintained by 30 June 2024 |
| KPI 20 | Number of Water Projects to be completed by 30 June 2024 | 2 Water projects completed by 30 June 2024 |

KPI 22 - Number of VIP toilets constructed and completed by 30 June 2024

37. An achievement of 2320 VIP toilets was reported against a target of 3200 VIP toilets. However, some supporting evidence was not provided for auditing; or, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

KPI 14 - Number of monitoring reports of the Water Service Providers submitted to the Municipal Manager by 30 June 2024

38. An achievement of 2 monitoring reports of the water service providers submitted to the municipal manager by 30 June 2024 was reported against a target of 2 monitoring reports of the water service providers submitted to the municipal manager by 30 June 2024. I could not determine whether the reported achievement was correct, as the indicator was not well defined and adequate supporting evidence to clarify the methods and processes for measuring achievement were not provided. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

KPA 4: Local economic development

KPI 35 – Number of extended contracts through EPWP by 30 June 2024

39. An achievement of 218 contracts extended through EPWP was reported against a target of 216 contracts extended through EPWP. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the target was not achieved.

Other matters

40. I draw attention to the matters below.

Achievement of planned targets

41. The annual performance report includes information on reported achievements against planned targets and provides explanations for over or under achievements and measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.
42. The tables that follow provide information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets and measures taken to improve performance are included in the annual performance report.

KPA 2: Basic service delivery and infrastructure development

| <p><i>Targets achieved: 56%</i></p> <p><i>Budget spent: 86%</i></p> | | |
|---|---|--|
| Key service delivery indicator not achieved | Planned target | Reported achievement |
| <p>KPI 11: Number of fire stations on phase 1 and 2 completed at Ratlou and Tswaing Fire Stations by 30 June 2024</p> | <p>Two fire stations on Phase 1 and 2 completed by 30 June 2024</p> <p>(Ratlou and Tswaing Fire Stations) (Phase 1- Compacting; Guard Houses; Water Reticulation; Site Paving and Electrification. Phase 2 - 50% Construction completed</p> | <p>Ratlou (Setlagole)</p> <p>Fire Station: Phase 1 Site hand-over took place on 01-Mar-24. 51%</p> <p>Phase 2 not catered for in this financial year</p> <p>Tswaing (Delareyville) Fire Station: Phase 1 final completion certificate signed dated 28 June 2024.</p> |

| | | |
|---|--|---|
| KPI 12: Number of boreholes drilled, equipped and refurbished by 30 June 2024 | 73 boreholes drilled and equipped and 07 boreholes refurbished by 30 June 2024 | 23 boreholes drilled, equipped and 4 boreholes refurbished by 30 June 2024. |
| KPI 18: Kilometres of gravel roads constructed and maintained by 30 June 2024 | 22,3 KMs of Gravel roads constructed and 3,3km maintained by 30 June 2024 | 7,3KMs of Gravel roads constructed and 3,3km maintained by 30 June 20 |
| KPI 20: Number of Water Projects to be completed by 30 June 2024 | 2 Water projects completed by 30 June 2024 | 1 Water project was completed |
| KPI 21: Number of sanitation projects constructed and completed by 30 June 2024 | 1 sanitation project constructed and completed by 30 June 2024 | The construction of Zeerust WWTW was not completed |
| KPI 22: Number of VIP toilets constructed and completed by 30 June 2024 | 3200 VIP toilets constructed and completed by 30 June 2024 | 2320 VIP toilets constructed and completed by 30 June 2024 |

KPA 4: Local economic development

| <i>Targets achieved: 50%</i> | | |
|--|--|--|
| <i>Budget spent: 101%</i> | | |
| Key indicator not achieved | Planned target | Reported achievement |
| KPI 31: Approval of the draft Environmental Management Framework by Council by June 2024 | Approval of Draft Environmental Management Framework (EMF) by Council 30 June 2024 | The Draft Environmental Management Framework was not approved by Council |
| KPI 32: Number of convertible retail containers installed at Delareville (Tswaing) by 30 June 2024 | 10 convertible retail containers installed at Delareyville (Tswaing) by 30 June 2024 | Convertible retail containers were not installed at Delareville |
| KPI 34: Number of Goats procured and supplied to beneficiaries by 30 June 2024 | 500 Goats procured and supplied to beneficiaries by 30 June 2024 | Goats were not procured and supplied to beneficiaries |

Material misstatements

43. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for key performance area, management did not correct all of the misstatements and I reported material findings in this regard.

Report on compliance with legislation

44. 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.
45. 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.
46. 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.
47. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

48. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Expenditure management

49. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
50. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by non-compliance with quotation and competitive bidding procurement processes.
51. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R477 724, as disclosed in note 43 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties on late payments.

52. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R 506 856 965, as disclosed in note 42 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending on the allocated budget.

Procurement and contract management

53. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
54. Goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM Regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM Regulation 36(1). Similar non-compliance was also reported in the prior year.
55. Some of the contracts were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2022 Preferential Procurement Regulation 4(4) and 5(4).

Strategic planning and performance management

56. No KPIs were set in respect of the provision of basic water and sanitation services, as required by section 43(2) of the MSA and municipal planning and performance management regulation 10(a).
57. The performance management system and related controls were not adequately maintained as they did not describe how the performance measurement, reviewing and reporting processes should be managed, as required by municipal planning and performance management regulation 7(1). This is evident from the findings identified during the assessment of the reported pre-determined objectives.

Consequence management

58. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.
59. Irregular expenditure and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

Asset management

60. An effective system of internal control for assets was not in place, as required by section 63(2)(c) of the MFMA.

Other information in the annual report

61. The accounting officer is responsible for the other information included in the annual report which includes the audit committee's report. The other information referred to does not include the financial statements, the auditor's report and those selected key performance areas presented in the annual performance report that have been specifically reported on in this auditor's report.
62. 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.
63. 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 key performance areas presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
64. 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

65. 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.
66. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
67. The accounting officer did not effectively provide oversight of financial and performance reporting or to ensure compliance with legislation. Furthermore, the municipality did not have sufficient monitoring and review controls to ensure the accuracy and completeness of financial and performance reports submitted for audit, and action plans were neither adequately nor promptly implemented.
68. Slow response by management in monitoring and implementation of action plans to addressing significant control deficiencies to prevent recurring misstatements in the financial statements and performance report and non-compliance with applicable laws and regulations. Inadequate implementation of controls over daily and monthly processing and reconciling of transactions

69. There is a significant lack of implementation of proper record keeping to ensure that information is submitted for audit in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting and performance information. This is due to ineffective human resource management to ensure adequate and sufficiently skilled resources are in place and performance is monitored.
70. The lack of sustainable systems and processes for recording, reconciling, and reporting financial information, combined with an overreliance on consultants to perform these tasks after year-end, contributed to material misstatement, omissions, and instances of non-compliance identified during the audit process.

Material irregularities

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

Material irregularities in progress

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

Status of previously reported material irregularities

A contract for the extension of the municipal office building and the construction of a new gate house was not monitored

73. The municipality appointed a supplier in 2012-13 for the extension of the existing office building and a new gate house for a contract amount of R40 096 937. Variation orders of R8 558 425 were also approved. The municipality failed to monitor the contract on a monthly basis as required by section 116(2)(b) of the MFMA.
74. On 27 March 2019, the municipality signed an addendum for an extension to the original contract with the supplier for an additional R17 977 240. A comparison of the original bill of quantities and the new bill of quantities for the additional contract amount indicated that there were items in the new bill of quantities that had already been signed off and paid for in the original contract, resulting in avoidable costs had the contract been monitored as required. This non-compliance is therefore likely to result in a material financial loss if the municipality pays these avoidable costs.
75. The accounting officer was notified of this material irregularity (MI) on 14 November 2019. The accounting officer responded with planned actions in a written response but failed to

implement the planned actions. I recommended that the accounting officer take the following actions to address the MI by 1 October 2021:

- The financial loss should be quantified.
- Any person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss.
- The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- Disciplinary or, when appropriate, criminal proceeding should begin against any official alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
- If it appears that the municipality suffered the financial loss through fraud, this should be reported to the South African Police Service, as required by section 32(6) (b) of the MFMA.

76. The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 1 October 2021 and 1 November 2021. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.

77. On 10 December 2021, I notified the accounting officer of the outcome of the assessment and issued a directive in terms of section 5A(3) of the PAA to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person by 10 March 2022.

- In addition, I notified the accounting officer of the following remedial actions to address the MI, which had to be implemented by the same date.
- The investigation into the non-compliance must be completed.
- The investigation must identify any person(s) that must be held liable for the losses suffered and any official(s) that might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- Disciplinary or, when appropriate, criminal proceedings must begin against any official alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
- If it appears that the municipality suffered the financial loss through fraud, such must be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

78. The written response on the implementation on the remedial action and execution of the directive was not received. The AO requested an extension for the implementation, which was granted up to 1 August 2022. An incomplete response was received. I then proceeded to issue a notice of intention to issue a certificate of debt and invited the accounting officer to make a written representation on the matter.

79. The due date for the written representation from the accounting officer was 31 October 2022 but was received on 1 November 2022. The representation lacked substance on how the MI was addressed and why I should not proceed with the COD. A letter was issued to the AO on 16 November 2022 about the incomplete response, but the AO left the municipality the same month because his term came to an end. He did not respond before leaving the municipality. The letter was reissued on 30 November 2022 with a due date for a response by 15 December 2022. However, no response was received.
80. In January 2023, the AO was reappointed as the new AO and he committed to address the matter. No response was received.
81. After a follow-up letter on 29 January 2023, a supplementary representation was received in February 2023. After considering this response and the substantiating documentation provided, there were no changes in my assessment, and I concluded that the AO did not take appropriate action to implement the remedial action. The AO was notified of this on 26 June 2023 and was invited to make oral representation in line with the MI regulations to the MI advisory committee. The AO communicated his intention to make oral representation on 4 July 2023.
82. The hearing on oral representation before the MI advisory committee was held on 22 August 2023 and continued 19 October 2023. The hearing was thereafter postponed for further representation before the MI advisory committee to 20 and 21 November 2023. The MI advisory committee has requested further documentation from the AO prior to concluding on the matter in line with the MI regulations. The accounting officer did not submit the additional documentation requested.
83. The oral representation process was completed in March 2024 and the MI advisory committee presented their recommendations to me in April 2024.
84. After due consideration of their recommendations and consultation, I decided not to issue a certificate of debt. This decision was mainly informed by the challenges in recovering the financial loss as raised by the AO during the oral representation.
85. In response to the remedial action on disciplinary proceedings a manager was subjected to disciplinary proceedings. The other officials who were found to be responsible for the implementation of the first phase of the project are no longer in the employ of the municipality. No elements of any criminality which would require a criminal case to be opened with the South African Police Service were identified. I will therefore not pursue this matter any further in terms of the material irregularity process.

Lack of system of internal control to safeguard assets (2018-19)

86. The municipality wrote off assets during the year that could not be located during the 2018-19 asset verification and were presumed to be stolen. The municipality only became aware that these assets were missing at year-end when the asset verification process was done. The municipality therefore did not have a proper system of internal control to safeguard assets as required by section 63(2)(c) of the MFMA. The write-off of R2 421

897 as disclosed in note 3 to the 2018-19 financial statements, therefore, resulted in a likely material financial loss.

87. The accounting officer was notified of this MI on 9 December 2019. The accounting officer responded with planned actions in a written response but failed to implement the planned actions. I recommended that the accounting officer take the following actions to address the MI by 1 October 2021.
- The asset verification and investigation process should be completed, and the financial loss quantified.
 - Any person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss.
 - Reasonable steps should be taken to safeguard these assets of the municipality from any further losses as required by section 63(1)(a) of the MFMA.
 - The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
 - Disciplinary or, when appropriate, criminal proceeding should begin against any official alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
 - If it appears that the municipality suffered the financial loss through theft, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.
88. The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 1 October 2021 and 1 November 2021 respectively. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.
89. On 10 December 2021, I notified the accounting officer of the outcome of the assessment and issued a directive in terms of section 5A (3) of the PAA to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person by 10 March 2022.
90. In addition, I notified the accounting officer of the following remedial actions to address the MI, which should be implemented by the same date.
- The asset verification and investigation into the non-compliance must be completed.
 - The investigation must identify any person(s) that must be held liable for the losses suffered and any official(s) that might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
 - Reasonable steps must be taken to safeguard the assets of the municipality from any further losses as required by section 63(1) (a) of the MFMA and evidence of such provided.

- Disciplinary or, when appropriate, criminal proceedings must begin against any official alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations of Financial misconduct procedures and Criminal Proceedings.
 - If it appears that the municipality suffered the financial loss through theft, such must be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.
91. The written response on the implementation of the remedial action and execution of the directive was not received. The accounting officer requested an extension for the implementation, which was granted up to 1 August 2022. An incomplete response was received. I then proceeded to issue a notice of intention to issue a certificate of debt and invited the AO to make a written representation on matter.
 92. The due date for the written representation from the accounting officer was 31 October 2022 but was received on 1 November 2022. The representation lacked substance on how the MI was addressed and why I should not proceed with the COD. A letter was issued to the accounting officer on 16 November 2022 about the incomplete response, but the accounting officer left the municipality the same month because his term came to an end. He did not respond before leaving the municipality. The letter was reissued on 30 November 2022 with a due date for a response by 15 December 2022. However, no response was received.
 93. In January 2023, the accounting officer was reappointed as the new accounting officer and he committed to address the matter. No response was received.
 94. After a follow-up letter on 29 January 2023, a supplementary representation was received in February 2023. I considered the written representation and substantiating documents provided by the accounting officer in February 2023, and I decided not proceed with the COD at this point in time. I granted the accounting officer an additional six months to complete the actions in progress to address the MI. The accounting officer was notified of this on 20 July 2023 and requested to submit a supplementary written representation with substantiating documentation by 22 January 2024.
 95. The supplementary written representation and substantiating documents was not received on 22 January 2024 and the non-responsiveness of the accounting officer was escalated to the municipal TROIKA. Subsequently, the accounting officer provided a supplementary response with substantiating documentation on 6 March 2024, which was incomplete and I continued to engage the accounting officer on the incomplete response.
 96. After various follow-up and engagements, the accounting officer submitted a revised written representation and substantiating documents on 18 September 2024. The written responses indicated that the accounting officer appointed the Council for Scientific and Industrial Research, to assist with the implementation of a Smart Assets Management Systems (SAMS) for the period of 36 months to prepare a GRAP compliant asset register. The accounting officer took appropriate actions to commence in capacitating the asset management unit.

97. Officials were identified that did not implement the asset management policy and complied with internal controls over the movement of assets, which led to the assets either being lost or not accounted for during the asset verification process. However, the accounting officer did not take disciplinary action against these officials, as the accounting officer is of a view that the issues that led to the breakdown in internal controls over asset management are historical and systematic, and culpability cannot be imputed to the identified officials only. The accounting officer has since subjected all employees in the asset management unit to training on the asset management policy to capacitate the unit and to enhance internal controls over assets and using the SAMS for the recording of assets.
98. After due consideration and consultation, I decided not to peruse the matter any further in terms of the material irregularity process. This decision was mainly informed by the considerations raised by the accounting officer during the written representation process, which included that the financial loss as it relates to assets that were reported as lost in the previous financial years and not accounted for, cannot be quantified due to impracticability.
99. The controls and the processes that the accounting officer have implemented and that are still in process to account for movable assets accurately and to prepare a GRAP compliant asset register was assessed as part of the 2023-24 audit. I determined that these controls and processes are not achieving the desired impact in accounting accurately for infrastructure assets. In response, I have raised a new material irregularity in the 2023-24 financial year, refer to paragraph 73 under the heading material irregularities in progress.

Overpayment on water tankering services to communities

100. The municipality appointed a supplier in June 2018 to provide water tankering services to communities within the district. An effective system of expenditure control was not in place to ensure that the claims paid were based on the actual kilometres travelled and that the services were actually rendered as required by section 65(2)(a) of the MFMA, resulting in overpayments to the supplier. The municipality paid R14 228 533 and R23 992 033 in the comparative year for the water tankering services. This was determined to likely to result in a material financial loss if the overpayments are not recovered.
101. The accounting officer was notified of this MI on 28 November 2019. The accounting officer indicated that an independent person should investigate the claims and quantify the financial loss. It is planned that this process will start in February 2020 and a report will be available by 31 May 2020. The accounting officer planned to take appropriate steps based on the outcome of this investigation.
102. The accounting officer failed to implement the planned actions as committed and consequently, I recommended that the accounting officer take the following actions to address the MI by 18 November 2021:
- The financial loss in the form of overpayments should be quantified and appropriate action should commence to recover the loss from the supplier.

- Implement a system of expenditure control, as required by section 65(2)(a) of the MFMA, for the provision of water tankering services, to prevent over invoicing for kilometres and hours.
- The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- Disciplinary or, when appropriate, criminal proceeding should begin against any official alleged to have committed an act of financial misconduct or an offence as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and criminal proceedings.
- If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

103. The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 1 October 2021 and 1 November 2021 respectively. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.

104. On 10 December 2021, I notified the accounting officer of the outcome of the assessment and issued a directive in terms of section 5A (3) of the PAA to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person by 11 April 2022.

105. In addition, I notified the accounting officer of the following remedial actions to address the MI, which had to be implemented by the same date:

- The investigation into the non-compliance should be completed.
- The investigation must identify any person(s) that must be held liable for the losses suffered and any official(s) that might have committed an act of financial misconduct or an offence in terms of Chapter 15 of the MFMA.
- Evidence must be provided on the reasonable steps taken to implement a system of expenditure control, as required by section 65(2)(a) of the MFMA, to prevent further losses through over invoicing for the provision of water tankering services.
- Disciplinary or, when appropriate, criminal proceedings must begin against any official alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
- If it appears that the municipality suffered the financial loss through fraud, such must be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

106. The accounting officer failed to respond by the stipulated due date (11 April 2022) with a written response and substantiating documentation on the implementation of the remedial action and the execution of the directive. The failure to respond was escalated to the executive mayor to intervene but no response was forthcoming. On 5 May 2022, I

received a request from the accounting officer for an extension of time to 1 August 2022 for the implementation of the remedial action. On 25 May 2022 the request was considered and approved with certain conditions. On 30 May 2022, the accounting officer was notified of the extension up to 1 August 2022.

107. On 1 August 2022, the accounting officer's written response on the implementation of the remedial action with substantiating documentation was received. The response and substantiating documentation were assessed to determine whether the accounting officer adequately implemented or made satisfactory progress with the implementation of the remedial actions and the execution of the directive.

108. It was noted that the accounting officer had made progress with addressing the MI as far as it relates to the following remedial action:

- Completing the investigation into the MI.
- Quantifying the financial loss.
- Steps taken to recover the financial loss from the service provider.

109. The recovery process by the accounting officer was to be monitored through progress reports which the accounting officer was to submit every three months. Follow-up on implementation of the remedial action was done on 1 September 2023 but the municipality did not provide the progress report with substantiating documentation. Follow up on implementation of the remedial action was done on 1 September 2024 but the municipality did not provide the progress report and substantiating documentation.

110. On 06 September 2024, the accounting officer was requested to provide a progress report on the implementation of the remaining remedial action by 16 September 2024. A follow up was sent to the accounting officer on 16 October 2024 requesting the accounting officer to submit the requested information by no later than 17 October 2024, no response was received by the due date. However he submitted the report on 11 November 2024. We are still assessing the response to determine the most suitable action to take.

No system of internal control to safeguard assets (2019-20)

111. The municipality wrote off infrastructure assets during the 2019-20 financial year that could not be located during the asset verification and were presumed to be stolen or vandalised. The municipality only became aware that most of these assets were missing at year-end when the asset verification process was done. The municipality therefore did not have a proper system of internal control to safeguard assets as required by section 63(2)(c) of the MFMA. The write-off of R35 216 308 disclosed in note 9 to the 2019-20 financial statements resulted in a material financial loss.

112. The accounting officer was notified of this MI on 14 December 2020 and invited to make a written submission on the actions taken, or to be taken, to address the matter. The accounting officer indicated that as the MI was not as a result of theft, loss or vandalism by a person within the municipality, thus he is of the view that the possibility of recovering any financial losses are slim or non-existent. The accounting officer further indicated that in reality, these losses will continue due to their nature and the fact that those responsible are within the community the municipality serves. The municipality and management is

limited to what it can do to prevent and recover such losses. The accounting officer also said that he contacted the contractors to enquire about the location of the replaced assets. The municipality was awaiting feedback in this regard. Further, a forensic investigator was to be appointed through internal audit to assist the municipality to identify the perpetrators. This would commence once the terms of reference had been developed to appoint the investigator, which was estimated to be around July 2021.

113. The accounting officer failed to implement the above planned actions, consequently, I recommended that the accounting officer should take the following actions to address the MI, which had to be implemented by 23 March 2022:

- The asset verification and investigation process should be completed and the financial loss quantified.
- Any person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss.
- Reasonable steps should be taken to safeguard these assets of the municipality from any further losses as required by section 63(1)(a) of the MFMA read with section 63(2)(c) of the MFMA.
- The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- Disciplinary or, when appropriate, criminal proceeding should begin against any official alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.

114. If it is determined that the municipality suffered the financial loss through theft, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

115. The accounting officer failed to respond by the stipulated due date of 23 March 2022 with a written response and substantiating documentation on the implementation of the recommendations. On 5 May 2022, the accounting officer requested an extension of time to 1 August 2022 for the implementation of the recommendations. The request was considered and on 30 May 2022, the accounting officer was notified that the extension to 1 August 2022 was granted.

116. The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 1 August 2022 and 28 August 2022 respectively. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.

117. On 4 October 2022, I notified the accounting officer of the outcome of the assessment and issued a directive in terms of section 5A (3) of the PAA to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person by 3 January 2023. On 14 October 2022, I then issued an

addendum indicating that the implementation date had been extended to accommodate the recess period over the festive season. The revised date for the implementation of the remedial action and the execution of the directive is now 3 February 2023.

118. In addition, I notified the accounting officer of the following remedial actions to address the MI, which had to be implemented by the same date:

- The asset verification process for infrastructure assets must be completed and the financial loss quantified.
- All person(s) liable for the losses must be identified and appropriate action must commence to recover the financial loss.
- Reasonable steps should be taken to safeguard these assets of the municipality from any further losses as required by section 63(1)(a) of the MFMA read with section 63(2)(c) of the MFMA.
- Disciplinary proceeding must commence against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this must be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA. The remedial action includes a directive in terms of section 5A (3) of the PAA read with MI regulation 9(2), because a financial loss was suffered as a result of the non-compliance with legislation. The directive must be executed with the implementation of the remedial action.

119. The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 6 June 2023. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.

120. I granted accounting officer six months from 20 July 2023 to implement controls and quantify the financial loss, as the financial loss could not be accurately determined and the controls over assets were in a dire state with progress reports to be provided on the implementation of the recommendation every two months.

121. The accounting officer submitted the first progress report on 22 September 2023, and I was satisfied that actions were being implemented, however the second progress report that was due on 20 November 2023 was not submitted.

122. I determined that these controls and processes are not achieving the desired impact in accounting accurately for infrastructure assets. In response, I have raised a new material irregularity in the 2023-24 financial year, refer to paragraph 73 under the heading material irregularities in progress.

No effective system of expenditure control relating to security services

123. The municipality appointed a security service provider on 1 June 2018 to provide armed and unarmed security services to Ngaka Modiri Molema District Municipality for a period of three years in different areas within the district. An effective system of expenditure control was not in place to ensure that the security services were actually rendered, as required by section 65(2)(a) of the MFMA, resulting in overpayments to the supplier. During 2019-20 financial year, the municipality paid R15 670 660 for the security services. This was determined to likely to result in a material financial loss if the overpayments were not recovered.
124. The accounting officer was notified of this MI on 29 March 2021 and invited to make a written submission on the actions taken, or to be taken, to address the matter. The accounting officer disagreed with the MI. The basis for the disagreement, however, was that the accounting officer viewed the timesheets provided by the security service provider as internal documents only. However, in the absence of these timesheets there were no other documents to indicate whether security services were received or to disprove discrepancies in the timesheets.
125. The accounting officer failed to commit to any actions to address the MI and consequently, I recommend that the accounting officer should take the following actions to address the MI, which had to be implemented by 27 April 2022.
- The financial loss in the form of overpayments should be quantified and appropriate action should commence to recover the loss from the supplier.
 - Implement a system of expenditure control, as required by section 65(2)(a) of the MFMA, for the provision of security services, to prevent payment for security services not received.
 - The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
 - Disciplinary or, when appropriate, criminal proceedings should begin against any official alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA, and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and Criminal Proceedings.
 - If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.
126. The accounting officer failed to respond by the stipulated due date of 27 April 2022 with a written response and substantiating documentation on the implementation of the recommendations. On 5 May 2022, the accounting officer requested an extension of time to 1 August 2022 for the implementation of the recommendations. The request was considered and on 30 May 2022, the accounting officer was notified that the extension to 1 August 2022 was granted.

127. The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 1 August 2022 and 12 August 2022 respectively. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.
128. On 4 October 2022, I notified the accounting officer of the outcome of the assessment and issued a directive in terms of section 5A (3) of the PAA to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person by 3 January 2023. On 14 October 2022, I then issued an addendum informing the accounting officer that the implementation date had been extended to accommodate the recess period over the festive season. The revised date for the implementation of the remedial action and the execution of the directive was 3 February 2023.
129. In addition, I notified the accounting officer of the following remedial actions to address the MI, which were due to be implemented by the same date.
- Reasonable steps must be taken to implement a system of expenditure control, as required by section 65(2)(a) of the MFMA for the provision of security services, to prevent payment for security services not received.
 - Disciplinary proceedings must begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
 - If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
 - Appropriate action must be taken to recover the financial loss suffered from the service provider, without undue delay through the liquidation process. Alternatively, if the financial loss cannot be recovered in part or in full through the liquidation process, all person(s) liable for the losses should be identified and appropriate action should commence to recover the remaining financial loss. The remedial action to include a directive in terms of section 5A (3) of the PAA read with MI regulation 9(2), as a financial loss was suffered because of the non-compliance with legislation.
130. The accounting officer submitted representations and substantiating documents for the implementation of the remedial action on 3 February 2023, 24 March 2023 and 1 September 2023 however the information was not sufficient to demonstrate that disciplinary action was implemented. The accounting officer submitted further representations and substantiating documents on 31 October 2023.
131. The accounting officer conducted an investigation into the matter which was finalised in June 2022. The investigation recommended to the accounting officer the actions to be implemented. The investigation quantified the financial loss as R20 647 946.36 relating

to payments made without evidence of services being rendered and an additional R6 384 816.08 suffered as a result of the overpayments made on inflated invoices submitted by the service provider.

132. The investigation made recommendations on internal controls that had to be implemented to address the control weaknesses and to prevent reoccurrence, which was implemented by the accounting officer.
133. Subsequently, the accounting officer also referred the matter to the North West Department of Cooperative Governance and Traditional Affairs for investigation and a draft report was issued on 17 April 2024. The report identified officials who have committed financial misconduct and a legal firm was appointed to conduct a disciplinary hearing and a verbal warning was issued to one of the officials.
134. The North West Department of Cooperative Governance and Traditional Affairs agreed with the quantification of the financial loss quantified and indicated that R169 177.44 of the financial loss has been recovered prior to the service provider going into liquidation. No evidence was provided that a portion of the financial loss was recovered.
135. The accounting officer provided an update on 16 September 2024 on the matter indicating that the service provider has been liquidated and the municipality will not be able to recoup the remaining portion of the financial loss.
136. The actions taken by the accounting officer to implement the recommendations are deemed appropriate and have addressed the MI and therefore the material irregularity has been resolved.

Overpayment of service provider delivering sanitation services

137. The municipality appointed a supplier in June 2018 to provide sanitation services to communities within the Ngaka Modiri Molema District Municipality on an ad-hoc basis for a period of two years in different areas within the district. An effective system of expenditure control was not in place to ensure that the claims paid were based on the actual kilometres travelled and that the services were actually rendered as required by section 65(2)(a) of the MFMA, resulting in overpayments to the supplier. In the current financial year, the municipality paid R4 045 620 (2020:R4 847 612) for sanitation services. This was determine to likely to result in a material financial loss if the overpayments were not recovered.
138. The accounting officer was notified of this MI on 14 April 2021 and invited to make a written submission on the actions taken, or to be taken, to address the matter. The accounting officer indicated that an investigator would be appointed to investigate all material irregularities raised to date and, based on the results, the municipality would develop a method by which such losses can be recovered. The accounting officer did not commit to any timeline within which such investigation will be done.
139. The accounting officer failed to implement the planned actions as committed and consequently, I recommended that the accounting officer should take the following actions to address the MI, which had to be implemented by 26 April 2022:

- The financial loss in the form of overpayments should be quantified and appropriate action should commence to recover the loss from the supplier.
- Implement a system of expenditure control, as required by section 65(2)(a) of the MFMA, for the provision of sanitation services, to prevent over invoicing for kilometres and/or hours.
- The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- Disciplinary or, when appropriate, criminal proceedings should begin against any official alleged to have committed an act of financial misconduct or an offence as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial misconduct procedures and criminal proceedings.
- If it appears that the municipality suffered the financial loss through criminal acts or possible criminal acts or omission, this should be reported to the South African Police Service, as required by section 32(6)(b) of the MFMA.

140. The accounting officer failed to respond by the stipulated due date of 26 April 2022 with a written response and substantiating documentation on the implementation of the recommendations. On 5 May 2022, the accounting officer requested an extension of time up to 1 August 2022 for the implementation of the recommendations. The request was considered and on 30 May 2022, the accounting officer was notified that the extension up to 1 August 2022 was granted.

141. The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 1 August 2022, 12 August 2022 and 24 August 2022, respectively. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.

142. On 4 October 2022, I notified the accounting officer of the outcome of the assessment and issued a directive in terms of section 5A (3) of the PAA to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person by 3 January 2023. On 14 October 2022, I then issued an addendum informing the accounting officer that the implementation date had been extended to accommodate the recess period over the festive season. The revised date for the implementation of the remedial action and the execution of the directive is now 3 February 2023.

143. In addition, I notified the accounting officer of the following remedial actions to address the MI, which due to be implemented by the same date:

- The financial loss in the form of overpayments must be quantified and appropriate action must commence to recover the loss from the supplier.
- The investigation must identify all person(s) that must be held liable for the losses suffered and all the official(s) that might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.

- Evidence must be provided on the reasonable steps taken to implement a system of expenditure control, as required by section 65(2)(a) of the MFMA, to prevent further losses through payments for goods and services not delivered.
- Disciplinary proceedings must begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If it appears that the municipality suffered the financial loss through fraud, such is expected to be reported to the South African Police Services, as required by section 32(6)(b) of the MFMA.

144. The accounting officer submitted representations and substantiating documents for the implementation of the remedial action on 3 February 2023, 24 March 2023 and 1 September 2023, however, the information was not sufficient to demonstrate that disciplinary action was implemented. The accounting officer submitted further representations and substantiating documents on 31 October 2023.

145. On 06 September 2024, the accounting officer was requested to provide a progress report on the implementation of the remaining remedial action by 16 September 2024. A follow up was sent to the accounting officer on 16 October 2024 requesting the accounting officer to submit the requested information by no later than 17 October 2024, no response was received by the due date however he submitted the report and substantiating documents on 11 November 2024 and at the date of the auditor's report we are still assessing the response to determine the most suitable action to take.

7.

Procurement of generators for Boikhutsong pump stations at excessive prices

146. The municipality appointed a supplier using SCM regulation 36 for repairs in the Boikhutsong pump station project, at a contract amount of R25 884 435. The project comprised five sites: Blydeville Ext 1, Blydeville Ext 3, Boikhutso Pump Station, Biesiesvlei Pump Station and Lichtenburg Wastewater Treatment Plant. The scope of work entailed repairs of the electrical and mechanical equipment and putting the pump stations and the wastewater treatment plant back into operation.

147. As part of the work done at these pump stations, the municipality also procured four generator sets. The payment certificate indicated that the supplier was to deliver and install 100KVA, 80kw diesel generators at a cost of R250 000 each. However, the contractor procured four 137KVA diesel generator sets at a revised amount of R550 000 each. The accounting officer did not determine whether the supplier was charging reasonable market-related prices for these generators. In total, the municipality paid R2 200 000 for four 137 KVA diesel generator sets. Awarding the contract to the supplier is

likely to result in a material financial loss, as the price paid for the generators was significantly higher than the market price.

148. The accounting officer was notified of this MI on 18 August 2021. The accounting officer did not disagree with MI and indicated that this MI would be included in the investigation scope of MIs being investigated by the panel of investigation firms that investigate all the MIs raised. It was, however, noted that this MI was not included in the project plan of MIs to be investigated. I therefore concluded that the accounting officer was not taking appropriate action to address the MI. As a result, I have approved the referral of the MI for investigation to a public body, as provided for in section 5(1A) of the PAA.

149. In addition to the referral of the MI to a public body, I recommended that the accounting officer take the following actions to address the MI, which were due to be implemented by 14 March 2023:

- The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- The financial loss should be quantified.
- All person(s) liable for the loss should be identified and appropriate action should be taken to recover the financial loss. The recovery process should not be unduly delayed.
- Disciplinary proceedings should begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

150. The accounting officer submitted representations and substantiating documents with reasons and circumstances which delayed the implementation of the recommendations within the stipulated due date and requested an extension to implement the recommendations by 31 August 2023.

151. The representation was noted and also taking note of an on-going investigation by the Special Investigating Unit (“SIU”) into the irregular award of the contract to the service provider for the provision of repairs and maintenance of water pump stations and water treatment facilities on the Boikhutsong project. As a result, I referred the material irregularity to the Special Investigating Unit on 7 July 2023 for investigation as provided for in section 5(1A) of the PAA. The SIU acknowledged receipt on 8 July 2023 and the matter was accepted by SIU for investigation on 25 March 2024

152. On 19 March 2024, the accounting officer provided a letter indicating that a meeting was held with the SIU on 18 March 2024 where the SIU confirmed that they are investigating

the material irregularity that was referred by the AGSA and will issue actions for the accounting officer to execute on finalisation of the investigation.

153. On 13 September 2024, the accounting officer provided an update on the implementation of recommendations and indicated that following the meeting with the SIU on 18 March 2024, the documentation relating to the material irregularity was handed-over to the SIU and the matter is no longer within the ambits of the municipality, as the SIU is investigating it further. The municipality will await the final report from the SIU for implementation.
154. The responses were assessed to determine whether the accounting officer adequately implemented or made satisfactory progress with the implementation of the recommendations. I decided not pursue the matter any further under the MI process, as the merits of the MI is under investigation by the SIU, and the SIU will, within their functions, powers and mandate take actions to recover any losses and will identify responsible officials for disciplinary actions.
155. I will continue to monitor the implementation of the actions to address the material irregularity through referral made to the SIU.

Procurement of generators at excessive prices (Boitshepegi)

156. During March 2020, the municipality made an emergency procurement of generators to the value of R5 299 985 from a supplier. The procurement was done using SCM regulation 36(1). The deviation was approved by the municipal manager on 6 March 2020 and payment was made on 8 May 2020. The reason stated for the deviation was the timeous response and monitoring of the covid-19 pandemic. While the municipality had had a contract with a panel of suppliers to supply water material (including generators), it had expired on 3 February 2020. This deviation was therefore due to poor planning, as the municipality was aware of the end date for the contract to supply water material. The municipality should have begun the tender process to appoint new service providers early enough to ensure that they could follow a competitive bidding process. Awarding the contract to the supplier was determined to likely result in a material financial loss, as the price paid for the generators was significantly higher than the market-related price.
157. The accounting officer was notified of this MI on 15 October 2021. The accounting officer disagreed with MI and stated that no financial loss was suffered. Based on this, the accounting officer did not commit to taking any actions to address the MI. I therefore concluded that the accounting officer was not taking appropriate actions to address the MI. As a result, I have approved the referral of the MI for investigation to a public body as provided for in section 5(1A) of the PAA.
158. In addition to the referral of the MI to a public body, I recommended that the accounting officer take the following actions to address the MI, which were due to be implemented by 14 March 2023:
- The non-compliance should be investigated to determine whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
 - The financial loss should be quantified.

- All person(s) liable for the loss should be identified and appropriate action should be taken to recover the financial loss. The recovery process should not be unduly delayed.
- Disciplinary proceedings should begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

159. The accounting officer submitted representations and substantiating documents with reasons and circumstances which delayed the implementation of the recommendations within the stipulated due date and requested an extension to implement the recommendations by 31 August 2023.

160. The representation was noted and also taking note of an on-going investigation by the Special Investigating Unit ("SIU") into the irregular award of the contract to a service provider for the provision of repairs and maintenance of water pump stations and water treatment facilities on the project. As a result, I referred the material irregularity to the Special Investigating Unit on 7 July 2023 for investigation as provided for in section 5(1A) of the PAA. The SIU acknowledged receipt on 8 July 2023 and the matter was accepted by SIU for investigation on 25 March 2024.

161. On 19 March 2024, the accounting officer provided a letter indicating that a meeting was held with the SIU on 18 March 2024 where the SIU confirmed that they are investigating the material irregularity that was referred by the AGSA and will issue actions for the accounting officer to execute on finalisation of the investigation.

162. On 13 September 2024, the accounting officer provided an update on the implementation of recommendations and indicated that following the meeting with the SIU on 18 March 2024, the documentation relating to the material irregularity was handed-over to the SIU and the matter is no longer within the ambits of the municipality, as the SIU is investigating it further. The municipality will await the final report from the SIU for implementation.

163. The responses were assessed to determine whether the accounting officer adequately implemented or made satisfactory progress with the implementation of the recommendations. I decided not pursue the matter any further under the MI process, as the merits of the MI is under investigation by the SIU, and the SIU will, within their functions, powers and mandate take actions to recover any losses and will identify responsible officials for disciplinary actions.

164. I will continue to monitor the implementation of the actions to address the material irregularity through referral made to the SIU.

No system of internal control to safeguard assets (2020-21)

165. In the financial statements for 2020-21, the municipality disclosed assets written off with a carrying value of R12 953 259. The assets written off included infrastructure and movable assets with a carrying value of R9 562 561 and R3 345 567, respectively. The management representation letter, received on 28 September 2021, indicated that these assets were either vandalised or stolen. The municipality therefore did not have and maintain a system of internal control to safeguard assets, as required by section 63(2)(c) of the MFMA. The write-off of R12 953 259, as disclosed in note 4 to the 2020-21 financial statements, resulted in a material financial loss.
166. The accounting officer was notified of this MI on 13 December 2021 and invited to make a written submission on the actions taken or to be taken to address the matter. The accounting officer indicated that the loss of assets was a result of vandalism and the infrastructure assets components being stolen across the district; inadequate security for the infrastructure assets in the outskirts, making it difficult to protect the full complement of boreholes and pump stations; inadequate internal control processes and capacity to investigate loss of assets; and inadequate physical verification processes to ensure full coverage of all municipal assets. The accounting officer also indicated that the municipality was considering capacitating the asset division by reviewing the Budget and Treasury Office (BTO) organogram to assign a manager responsible for their overall assets management and to reduce their overall reliance on consultants.
167. Further, an investigation of the assets written-off from 2018-19 to 2020-21 and an assessment of the internal control effectiveness had been outsourced to an external investigator. The independent investigation would detect other root causes and recommend remedial actions to the accounting officer. The investigation was planned to be finalised by 31 May 2022 and actions implemented by 30 June 2022.
168. The accounting officer failed to implement the above planned actions. Consequently, I recommended that the accounting officer take the following actions to address the MI, which should have been implemented by 29 May 2023:
- The financial loss should be quantified and all person(s) liable for the loss should be identified and appropriate action should be taken to recover the financial loss. The recovery process should not be unduly delayed.
 - Disciplinary proceedings should begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
 - If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

- The accounting officer submitted a written response and supporting evidence on the implementation of the recommendations on 6 June 2023. Based on my assessment of the written response and supporting evidence submitted, I concluded that the recommendations had not been adequately implemented.
169. I granted accounting officer six months from 20 July 2023 to implement controls and quantify the financial loss, as the financial loss could not be accurately determined and the controls over assets were in a dire state. I requested progress reports to be provided on the implementation of the recommendation every two months.
170. The accounting officer submitted the first progress report on 22 September 2023, and I was satisfied that actions are being implemented. However, the second progress report that was due on 20 November 2023 was not submitted.
171. I determined that these controls and processes are not achieving the desired impact in accounting accurately for infrastructure assets. In response, I have raised a new material irregularity in the 2023-24 financial year, refer to paragraph 73 under the heading material irregularities in progress.

Failure to keep full and proper records of the financial affairs of the municipality resulting in ineffective use of financial consultants.

172. The district municipality appointed a panel of three financial consultants to compile GRAP compliant financial statements for a period of three years, effective from 1 April 2019 to 31 March 2022. The consultants' scope of work was to compile annual financial statements, prepare detailed information on unauthorised, irregular, fruitless, and wasteful expenditure, and review the annual financial statements. Payments made to the consultants for the 2019- 20 and 2020-21 financial years that related directly to preparing GRAP compliant financial statements amounted to R15 608 008.
173. The municipality did not ensure that the daily accounting disciplines such as reconciliations, data capturing, payments, compiling registers and document management were done diligently and accurately to produce credible financial information for the purposes of the financial statements. This resulted in the municipality not being able to provide the financial consultants with complete, accurate and reliable information, as required by section 62(1)(b) of the MFMA, to enable them to compile GRAP compliant financial statements.
174. The accounting officer was notified of the MI on 3 August 2022 and invited to make a written presentation on the actions taken, or to be taken, to address the matter. He indicated that the municipality had vacancies in the BTO and officials lacked skills and capabilities. Therefore, a phased in/out approach would be followed to reduce the reliance on consultants and capacitate the BTO. The process would not be implemented immediately due to other matters and approval processes. The organisational structure was also being reviewed. No timelines were provided for these actions.
175. The accounting officer further indicated that he will not be investigating this MI and no official will be held responsible/liable for the financial loss. This is inappropriate because

an equivalent benefit to the money paid to consultants was not received, as the municipality did not provide accurate and complete financial information to enable the consultants to produce the GRAP compliant annual financial statements that they were appointed and paid to prepare. The accounting officer is therefore not taking appropriate actions to address the MI and, consequently, I recommended that the accounting officer take the following actions to address the MI, which were due for implementation by 30 May 2023:

- The non-compliance should be investigated to determine the root causes and whether any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA. This would be for the purposes of recovering the loss.
- Disciplinary proceedings should begin without undue delay against all officials alleged to have committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA, and in the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- The financial loss should be quantified, all person(s) liable for the losses should be identified and appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed.
- Appropriate action should be taken to develop and begin implementing an action plan to address poor record keeping so that full and proper records are kept, as required by section 62(1)(b) of the MFMA. These records should be readily available. The plan should include the material deficiencies that resulted in the materially non-compliant annual financial statements.

176. The accounting officer submitted a written response on 6 June 2023 indicating that the municipality had challenges in implementing the recommendation and requested an extension to implement the recommendations. Based on my assessment of the written response, I concluded that the accounting officer did not adequately implement the recommendations.

177. The accounting officer submitted a written responses on 17 April 2024 and 13 September 2024. We are currently assessing the submission to determine the most suitable action to take.

Procurement of water service material, tools and electrical components without following competitive bidding process

178. The previous water services material contract ended in February 2020 and, due to the procurement process not being initiated in time to appoint a new service provider to

supply water services materials, tools and electrical components, the municipality appointed two service providers through SCM regulation 36(1) on 26 March 2020.

179. SCM regulation 19(a) requires that goods and services above a transaction value of R200 000 (VAT included) be procured by the municipality only through a competitive bidding process. The district municipality's responsibilities as a water service authority includes the restoration/operation and maintenance of boreholes, water tankering and repairing water leakages, which includes replacing leaking items and burst pipes. As a result, it is expected to always have a contract in place for the supply of water materials to deliver in line with its mandate. The deviation from following a competitive bidding process after the previous contract expired was, therefore, not due to an emergency but rather as a result of poor planning by management to ensure that a new tender process was followed in time. Not following a competitive bidding process precluded the municipality from having an opportunity to assess market-related prices from different suppliers who would have submitted bids for this procurement.
180. As a result of the deviation and the municipality not following a competitive bidding process as required by SCM regulation 19(a), the municipality did not ensure that water services materials, tools and electrical components were procured at market-related prices, which resulted in overpayment in procuring these materials. The total payment made to the two service providers for water services materials, tools and electrical components as a result of the deviation was R12 062 991 (excluding VAT).
181. The non-compliance was determined to likely to result in a material financial loss for the municipality if the overpayments was not recovered.
182. The accounting officer was notified of this MI on 29 March 2022 and invited to make written representation on the actions taken, or to be taken, to address the matter. The accounting officer disagreed with the MI. The disagreement was based on the accounting officer indicating that the process of acquiring the service of a panel of service providers was not delayed but was in the process of being advertised when the country was placed under lockdown. This restricted the municipality's ability to advertise and complete the process of appointing a panel to supply of water material. The accounting officer also indicated that the municipality did not suffer any financial loss by using the emergency procurement process as it had used the expired contract which stipulated prices agreed by the municipality and the panel of service providers.
183. The accounting officer failed to implement the above planned actions. Consequently, I concluded that the accounting officer had not taken appropriate action to resolve the material irregularity.
184. I referred the material irregularity to the Special Investigating Unit on 7 July 2023 for investigation as provided for in section 5(1A) of the PAA. The SIU acknowledged receipt on 8 July 2023 and is currently assessing the matter for further investigation. Based on the latest update on 10 September 2024 the investigation is still in progress.
185. I also referred certain aspects of the material irregularity to the Public Protector South Africa (PPSA) for investigation on 7 July 2023 as provided for in section 5(1A) of the PAA read with regulation 5(2) of the MI regulations. The referral was accepted by the PPSA

on 12 July 2023. Based on the latest update on 11 October 2024, a meeting was held with the Municipality on 23 September 2024 and the accounting officer undertook to provide a response on 30 September 2024. However, no response was received. PPSA is in the process of issuing a notice in terms of section 7(4) of the Public Protector Act.

Pollution of water resource not prevented – Coligny Wastewater Treatment Works

186. The municipality did not take reasonable measures at the Coligny Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. Neither the wastewater treatment works nor the new pump station were operational due to the lack of electricity supply for a period of eighteen months during 2020 and 2021. The old pump station equipment was vandalised and also not operational. This resulted in the wastewater not reaching the plant for treatment and continued spilling of raw sewerage / untreated effluent into the adjacent environment, including the groundwater, the Taaibospruit and its extended watercourse. The river flows into the Schoonspruit through Klerksdorp and ultimately, into the Vaal River and is used for consumption, farming and agricultural purposes by the communities and the farmers along the extended water network. The non-compliance is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

187. The accounting officer was notified of the MI on 14 December 2021 and invited to make a written submission on the actions taken, and to be taken, to address the matter. The accounting officer responded by indicating that the electricity was restored, and that the wastewater treatment works and the pump station were operational again. A contractor was appointed on a three-year contract to supply, start-up and operate the wastewater treatment works, including monthly analysis of the wastewater effluent quality disposed into the immediate environment. However, based on follow-up visits in March 2022 and September 2022, it was confirmed that despite the restored electricity, serious blockages and overflows within the sewer reticulation system were still unresolved with very little wastewater reaching the pump station or the plant for treatment and disposal processes. The accounting officer did not take appropriate action to resolve the material irregularity.

188. I referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023 and based on the latest update of 25 September 2024, the investigation is still in progress.

Pollution of water resource not prevented – Itsoseng Wastewater Treatment Works

189. The municipality did not take reasonable measures at the Itsoseng Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. Although some refurbishments were in progress, the wastewater works was not

operational, which resulted in the wastewater received at the inlet going directly into oxidations ponds without the required treatment process taking place. The inadequate effluent is discharged from holes in the ponds into the adjacent environment, polluting the groundwater and farmland where cattle graze and drink from untreated wastewater. The wastewater treatment works is on the southern border of one of South Africa's biggest groundwater reserves: the Grootfontein aquifer. The non-compliance is likely to cause substantial harm to the communities in the surrounding area dependent on the groundwater reserves for domestic, farming and agricultural purposes.

190. The accounting officer was notified of the MI on 14 December 2021 and invited to make a written submission on the actions taken, and to be taken, to address the matter. The accounting officer responded by indicating that the wastewater treatment works is operational again. A contractor was appointed with a three-year contract to supply, start-up and operate the wastewater treatment works, including monthly analysis of the wastewater effluent quality disposed into the immediate environment. However, based on follow up visits in March 2022 and July 2022 it was confirmed that the wastewater treatment works was still not operational, with refurbishment still underway. Wastewater received at the inlet was still directed to the maturation ponds outside of the wastewater works without proper treatment.
191. The accounting officer has not taken sufficient action to minimise and rectify the pollution or degradation of the environment. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.
192. I referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023 and based on the latest update of 25 September 2024, the investigation is still in progress.

Pollution of water resource not prevented – Lichtenburg / Blydeville Wastewater Treatment Works

193. The municipality did not take reasonable measures at the Lichtenburg / Blydeville Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. The wastewater treatment works had totally collapsed and was not operational due to improper management of the operational and mechanical equipment, with serious maintenance and repair needs (including vandalism and theft) over a number of years. The wastewater received at the wastewater treatment works was discharged into the adjacent wetlands without treatment, while the completely clogged reticulation system caused raw sewerage overflows and spilling from manholes in the wetlands before reaching the wastewater treatment works. This resulted in the pollution of the adjacent environment, including the groundwater, the Harts Rivier and its extended watercourse. The river, which originates in Lichtenburg, flows in a south westerly direction through various towns in North West and is used for consumption, farming and agricultural purposes by the communities and the farmers along the extended water network. The

non-compliance is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

194. The accounting officer was notified of the MI on 14 December 2021 and invited to make a written submission on the actions taken, and to be taken, to address the matter. The accounting officer responded by indicating that the wastewater treatment works was operational again. A contractor was appointed with a three-year contract to supply, start-up and operate the wastewater treatment works, including monthly analysis of the wastewater effluent quality disposed into the immediate environment. Based on follow up visits in March 2022 and July 2022 it was confirmed that the newly upgraded section of the wastewater treatment works was now operational. However, the old part of the wastewater treatment works was not completely cleaned and repaired, causing some sewer overflows and flooding in areas. In addition, the inflow of wastewater into the wastewater works was still lower than expected indicating blockages and overflows within the sewer reticulation system preventing wastewater from reaching the wastewater treatment works for treatment and disposal processes.
195. The accounting officer has not taken sufficient action to minimise and rectify the pollution or degradation of the environment. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.
196. referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023 and based on the latest update of 25 September 2024, the investigation is still in progress.

Pollution of water resource not prevented – Lehurutshe Wastewater Treatment Works

197. The municipality did not take reasonable measures at the Lehurutshe Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. The wastewater treatment works had not been properly functional for years due to a lack of maintenance and repair of the inlet works and oxidations ponds. This resulted in raw sewerage filling up the ponds and overflowing into the stream adjacent to the oxidation ponds, contaminating the groundwater and a network of streams and rivers in the surrounding area, including the Mmaphanyana and Notswana rivers. These water sources are used by a number of settlements and communities in the Lehurutshe area, including Ntweletsoku, Dinokana, and Borothamadi. The non-compliance is likely to cause substantial harm to the communities exposed to and dependent on the contaminated water resources.
198. The accounting officer was notified of the MI on 16 May 2022 and invited to make a written submission on the actions taken and that be taken to address the matter. The accounting officer responded by indicating that there was a plan in place for the cleaning, dredging and desludging of the Lehurutshe oxidation ponds. However, based on the follow up visit

in July 2022, no progress was made and the untreated effluent from the ponds continued to be discharged into the environment.

199. The accounting officer did not take sufficient action to minimise and rectify the pollution or degradation of the environment. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.

200. I referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by the DWS on 5 July 2023 and based on the latest update of 25 September 2024, the investigation is still in progress.

Pollution of water resource not prevented – Zeerust Wastewater Treatment Works

201. The municipality did not take reasonable measures at the Zeerust Wastewater Treatment Works to prevent pollution or degradation of the environment and water resources from occurring, continuing or recurring as required by section 28(1) of the National Environmental Management and section 19(1) of the National Water Act. The wastewater treatment works had been dysfunctional for at least three years due to the existing infrastructure, mechanical equipment and operations being dilapidated and blocked with little or no treatment of the wastewater received. This resulted in untreated effluent being discharged into the Karee and Klein Marico rivers in the area surrounding the wastewater treatment works. The Karee and Klein Marico rivers flow into the Klein Maricopoort dam outside Zeerust, which is primarily used for irrigation. The Klein Marico River is also a tributary of the Crocodile sub-basin and the great Limpopo river basin, and is used for consumption, farming and agricultural purposes by the communities and the farmers along the extended water network. The non-compliance is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

202. The accounting officer was notified of the MI on 16 May 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer responded by indicating that the wastewater treatment works is functional again and that steps are being taken to drastically improve the treatment and general operation and maintenance of the wastewater treatment works. However, based on follow up visits in July 2022, it was confirmed that the refurbishment of the wastewater treatment works is still underway with no change and the discharge of untreated effluent into the water resources continued. Construction of the new wastewater treatment works was also still in progress.

203. The accounting officer did not take sufficient action to minimise and rectify the pollution or degradation of the environment. I therefore concluded that the accounting officer was not taking appropriate action to address the MI.

204. I referred the MI to the Department of Water and Sanitation on 30 June 2023 for investigation, as provided for in section 5(1A) of the PAA. The referral was accepted by

the DWS on 5 July 2023 and based on the latest update of 25 September 2024, the investigation is still in progress.

Auditor General

Rustenburg

30 November 2024



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a to cease operating as a going concern

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation | Sections or regulations |
|---|---|
| Municipal Finance Management Act 56 of 2003 (MFMA) | Section 1 (a), (b) & (d) of the definition: irregular expenditure Section 1 Definition of SDBIP Sections 11(1); 13(2); 14(1); 14(2)(a); 14(2)(b); 15 Sections 24(2)(c)(iv); 29(1); 29(2)(b); 32(2) Sections 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) Sections 62(1)(d); 62(1)(f)(i); 62(1)(f)(ii); 62(1)(f)(iii) Sections 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) Sections 72(1)(a)(ii); 95(a); 112(l)(iii); 112(1)(j) Sections 116(2)(b); 116(2)(c)(ii); 117; 122(1); 122(2) Sections 126(1)(a); 126(1)(b); 127(2); 127(5)(a)(i) Sections 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) |
| LG: MFMA: Municipal budget and reporting regulations, 2009 | Regulations 71(1); 71(2); 72 |
| LG: MFMA: Municipal investment regulations, 2005 | Regulations 3(1)(a); 3(3); 6; 7; 12(2); 12(3) |
| LG: MFMA: Municipal regulations on financial misconduct procedures and criminal proceedings, 2014 | Regulations 5(4); 6(8)(a); 6(8)(b); 10(1) |
| LG: MFMA: Municipal supply chain management (SCM) regulations, 2017 | Regulations 5; 12(1)(b); 12(1)(c); 12(3); 13(b); 13(c); 13(c)(i) Regulations 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) Regulations 28(1)(a)(i); 28(1)(a)(ii); 29(1) (a) and (b) Regulations 29(5)(a)(ii); 29(5)(b)(ii); 32; 36(1) Regulations 38(1) (c); 38(1)(d)(ii); 38(1)(e); 38(1)(g)(i) Regulations 38(1)(g)(ii); 38(1)(g)(iii) Regulations 43; 44; 46(2)(e); 46(2)(f) |
| Municipal Systems Act 32 of 2000 (MSA) | Sections 25(1); 26(a); 26(c); 26(i); 26(h); Sections 29(1)(b)(ii); 29(3)(b); 34(a); 34(b); Sections 38(a); 41(1)(a); 41(1)(b); 41(1)(c)(ii); 42; 43(2) Sections 56(a); 57(2)(a); 57(4B); 57(6)(a) Sections 66(1)(a); 66(1)(b); 67(1)(d); 74(1) Sections 93B(a); 93B(b); 93C(a)(iv); 93C(a)(v); 96(b) |
| LG: 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 Regulations 9(1)(a); 10(a); 12(1); 15(1)(a)(i); 15(1)(a)(ii) |
| LG: 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) |

| Legislation | Sections or regulations |
|---|--|
| LG: MSA: Regulations on appointment and conditions of employment of senior managers, 2014 | Regulations 17(2); 36(1)(a) |
| LG: MSA: Disciplinary Regulations for Senior Managers, 2011 | Regulations 5(2); 5(3); 5(6); 8(4) |
| Annual Division of Revenue Act (DoRA) | Sections 11(6)(b); 12(5); 16(1); 16(3) |
| Construction Industry Development Board Act 38 of 2000 (CIDB) | Section 18(1) |
| CIDB regulations | Regulations 17; 25(7A) |
| Municipal Property Rates Act 6 of 2004 (MPRA) | Section 3(1) |
| Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) | Sections 2(1)(a); 2(1)(f) |
| Preferential Procurement regulations (PPR), 2022 | Regulations 3(1) Regulations 4(1); 4(2); 4(3); 4(4) Regulations 5(1); 5(2); 5(3); 5(4) |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA) | Section 34(1) |



POST AUDIT ACTION PLAN

2023 - 24

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--------------------------------------|-----------------------|----------------|--------------------|-------------------|-------------|-------------|------|-----------------|-------------|------------|----------------|-----------|-------------|-------------|----------------|---------------------------|---------------|---------------|------------------|-----------------|-------------------|--------------------|-----------------------|---|---|-------------------------------|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | | | | | | | | | | | |
| 1. INVENTORIES | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CoAF 27 - ISS 02: Inventory - VIP toilets - Prior year misstatement not addressed and other misstatements | During the audit of Inventory – VIP toilets (Note 7) disclosed as follows Note 7 – VIP toilet inventory reconciliation. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>VIP Toilets inventory reconciliation</th> <th></th> <th>Adjusted</th> <th>Final prior year</th> </tr> <tr> <th>Inventory items</th> <th>2024</th> <th>2023</th> <th>2023</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td>39 953 764*</td> <td>41 920 288</td> <td>148 473 453,00</td> </tr> <tr> <td>Additions</td> <td>150 112 497</td> <td>208 629 612</td> <td>208 629 612,00</td> </tr> <tr> <td>Completed and transferred</td> <td>(176 952 447)</td> <td>(210 596 136)</td> <td>(138 215 219,00)</td> </tr> <tr> <td>Closing balance</td> <td>13 113 814</td> <td>39 953 764*</td> <td>218 887 846,00</td> </tr> </tbody> </table> <p>The auditors followed up on prior year qualification of closing balance (which was disclosed as current year opening balance) in RFI 27 – prior year material misstatement. Management was requested to provide the auditor with the work that was performed to address the closing balance of R218 887 846 together with the listings and supporting documentation relating to the amount disclosed. It was noted that management made an adjustment to the 2023 opening balance from R148 473 453 to R41 920 288, the completed and transferred from R138 215 219 to R210 596 136 which resulted in the closing balance being adjusted from R218 887 486 to R39 956 764. Management provided invoices to support the adjustments made, however, as previously communicated, management did not submit the listing of the toilets that relate to the raw material purchased, toilets that were in progress and those that are complete but not yet transferred. We are unable to confirm how management ensures that the expenditure relating to materials or other inventory assets (VIP toilets - raw materials purchased, toilets in progress) have actually occurred, without the listing that can be used as a starting point to go and verify the work/assets on the ground, before payment is made to the supplier.</p> | VIP Toilets inventory reconciliation | | Adjusted | Final prior year | Inventory items | 2024 | 2023 | 2023 | Opening balance | 39 953 764* | 41 920 288 | 148 473 453,00 | Additions | 150 112 497 | 208 629 612 | 208 629 612,00 | Completed and transferred | (176 952 447) | (210 596 136) | (138 215 219,00) | Closing balance | 13 113 814 | 39 953 764* | 218 887 846,00 | <p>Management did not implement proper controls to ensure that the information requested by auditors is received within the agreed-upon date and as per the auditor RFI request that was issued.</p> <p>Further due to management's high reliance on progress reports provided by the service provider, which are not supported by a detailed list of beneficiaries where progress was reported. Payments are made based on reported progress, such as raw material procured, exaction of pits and completion of toilet structures without verifying these details against beneficiary records and the work/raw material items on the ground.</p> | <p>The methodology will be thoroughly reviewed and revised to ensure full compliance with GRAP 12 (Generally Recognized Accounting Practice). Additionally, it will be reassessed to ensure alignment with the municipality's accounting policies.</p> <p>The register, which will be developed based on the updated methodology, will be structured to ensure it is supported by the relevant raw source documents. These documents will be maintained and available for submission upon the auditor's request.</p> <p>Following the adoption of the revised methodology, any prior period errors will be identified and addressed. This will ensure the accuracy of the opening balances and the prior year balances, thereby correcting any discrepancies.</p> | Manager: Assets and Inventory | | |
| VIP Toilets inventory reconciliation | | Adjusted | Final prior year | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Inventory items | 2024 | 2023 | 2023 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Opening balance | 39 953 764* | 41 920 288 | 148 473 453,00 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Additions | 150 112 497 | 208 629 612 | 208 629 612,00 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Completed and transferred | (176 952 447) | (210 596 136) | (138 215 219,00) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Closing balance | 13 113 814 | 39 953 764* | 218 887 846,00 | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | |
|--|---|---|--|----------------|--------------------|-------------------|-------------|-------------|
| | | | | | | Short Term | Medium Term | Long Term |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year |
| CoAF 25 - ISS: 79 Inventory - VIP Toilets additions | <p>During the audit of Inventory – VIP toilets:</p> <p>In testing additions amount of R150 112 497 (as disclosed under Note.7 of the 2023/24 AFS) management was able to provide the invoices and payment certificates supporting the R150 112 497 which includes raw material on site and completed and transferred toilets.</p> | <p>The above variances are due to management's high reliance on progress reports provided by the service provider, which are not supported by a detailed list of beneficiaries where progress was reported. Payments are made based on reported progress, such as raw material procured, exaction of pits and completion of toilet structures without verifying these details against beneficiary records and the work /raw material items on the ground.</p> | <p>The methodology will be thoroughly reviewed and revised to ensure full compliance with GRAP 12 (Generally Recognized Accounting Practice). Additionally, it will be reassessed to ensure alignment with the municipality accounting policies. The register, which will be developed based on the updated methodology, will be structured to ensure it is supported by the relevant raw source documents. These documents will be maintained and available for submission upon the auditor's request.</p> <p>Following the adoption of the revised methodology, any prior period errors will be identified and addressed. This will ensure the accuracy of the opening balances and the prior year balances, thereby correcting any discrepancies.</p> | | Manager: PMU | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|---|-----------------------|----------------|--------------------|-------------------|-------------|-------------|--|--|------------------------------|------------|-----------|------------|-------------|--------------|------------------------------------|--------------|--------------|------------|-------------|------------|------------|------------|------------------------|-------------|-------------|-------------|-------------------|-----------|---|-----------|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | | | | | | | | | | | | | |
| CoAF 01 - ISS 01: AFS High level review findings | During the high-level review of Annual Financial Statements submitted for audit, the following significant issues were identified: | Adjustments were processed in the accounting system, but the prior period note was not updated accordingly as there was not enough time to finalize the note before submission deadline, leading to discrepancies between the 2022/23 AFS figures and the comparative figures in the 2023/24 AFS. The financial statement preparation started late due to the submission of the required information not done in timely manner to allow proper review processes to take place. Additionally, the financial statements were not thoroughly reviewed against the supporting documentation. As a result, discrepancies between the AFS amounts and the irregular expenditure register were not identified and addressed before the submission of the AFS. | Adjustment to the AFS | | Manager: Budget | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <ul style="list-style-type: none"> Upon comparing the prior year amounts to the corresponding amounts in the current year's AFS, the below stated differences were identified: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Annual Financial Statement item</th> <th>Comparative amount as per current year AFS</th> <th>Amount as per prior year AFS</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Inventory</td> <td>64 288 547</td> <td>243 222 628</td> <td>-178 934 081</td> </tr> <tr> <td>VIP Transfers to local communities</td> <td>-210 596 136</td> <td>-138 215 219</td> <td>72 380 917</td> </tr> <tr> <td>Commitments</td> <td>75 098 144</td> <td>57 476 116</td> <td>17 622 028</td> </tr> <tr> <td>Contingent liabilities</td> <td>737 160 035</td> <td>772 729 280</td> <td>-35 569 245</td> </tr> <tr> <td>Contingent Assets</td> <td>5 498 434</td> <td>0</td> <td>5 498 434</td> </tr> </tbody> </table> | | | | | | | | Annual Financial Statement item | Comparative amount as per current year AFS | Amount as per prior year AFS | Difference | Inventory | 64 288 547 | 243 222 628 | -178 934 081 | VIP Transfers to local communities | -210 596 136 | -138 215 219 | 72 380 917 | Commitments | 75 098 144 | 57 476 116 | 17 622 028 | Contingent liabilities | 737 160 035 | 772 729 280 | -35 569 245 | Contingent Assets | 5 498 434 | 0 | 5 498 434 |
| | Annual Financial Statement item | | | | | | | | Comparative amount as per current year AFS | Amount as per prior year AFS | Difference | | | | | | | | | | | | | | | | | | | | | |
| | Inventory | | | | | | | | 64 288 547 | 243 222 628 | -178 934 081 | | | | | | | | | | | | | | | | | | | | | |
| | VIP Transfers to local communities | | | | | | | | -210 596 136 | -138 215 219 | 72 380 917 | | | | | | | | | | | | | | | | | | | | | |
| | Commitments | | | | | | | | 75 098 144 | 57 476 116 | 17 622 028 | | | | | | | | | | | | | | | | | | | | | |
| Contingent liabilities | 737 160 035 | 772 729 280 | -35 569 245 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Contingent Assets | 5 498 434 | 0 | 5 498 434 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

2. INVENTORIES WRITE DOWNS AND REVERSALS OF WRITE DOWNS

CoAF 32 - ISS 73:
Inventories write downs and reversals of write downs (Limitation of Scope RFI 47)

During the execution of inventories: VIP Toilets Additions This is due to lack of thry recognised against the applicable standards. the following is the period note to ensure correct classification.

The VIP toilets transferred from PPE work-in progress retention was accounted incorrectly

1. The municipality did not account the retention amount as part of the total cost of the VIP toilets which lead to understatement of VIP toilets additions:

| Details as per the VIP Toilets register | | | | | Auditors Calculations | | | Differences between the payment certificates and Listings | |
|---|----------|-----------|-----------|---------|-----------------------|--|--|---|----------------|
| No. | Supplier | Date | Reference | Code | Amount (Incl VAT) | Total Certificate amount Including VAT | Retention Amount to be capitalised @ 10% | | Total amount |
| 1 | IZWE001 | 07-Dec-23 | 1647 | IN-SINV | 6 535 243,01 | 6535243,008 | 1 528 119,02 | 8 063 362,03 | (1 528 119,02) |
| 2 | IZWE001 | 07-Dec-23 | 1618 | IN-SINV | 11 389 899,91 | 11389899,91 | 1 100 473,42 | 12 490 373,33 | (1 100 473,42) |
| 3 | IZWE001 | 07-Dec-23 | 1648 | IN-SINV | 5 119 563,68 | 5119563,677 | 1 214 939,48 | 6 334 503,16 | (1 214 939,48) |
| 4 | IZWE001 | 07-Dec-23 | 1673 | IN-SINV | 3 203 569,67 | 3203569,668 | 647 621,60 | 3 851 191,26 | (647 621,60) |
| 5 | IZWE001 | 07-Dec-23 | 1656 | IN-SINV | 7 344 834,50 | 7344834,503 | 1 679 839,98 | 9 024 674,48 | (1 679 839,98) |
| 6 | IZWE001 | 09-Feb-24 | 1672 | IN-SINV | 1 551 931,04 | 1551931,041 | 267 544,32 | 1 819 475,36 | (267 544,32) |
| 7 | IZWE001 | 09-Feb-24 | 1657 | IN-SINV | 5 072 356,43 | 5072356,434 | 1 122 178,93 | 6 194 535,36 | (1 122 178,93) |
| 8 | IZWE001 | 26-Feb-24 | 1716 | IN-SINV | 4 663 641,27 | 4663641,271 | 1 038 589,80 | 5 702 231,08 | (1 038 589,80) |
| 9 | IZWE001 | 27-Feb-24 | 1717 | IN-SINV | 8 118 030,89 | 8118030,894 | 784 350,81 | 8 902 381,70 | (784 350,81) |
| 10 | IZWE001 | 05-Apr-24 | 1732 | IN-SINV | 10 349 114,34 | 10349114,34 | 1 120 453,70 | 11 469 568,04 | (1 120 453,70) |
| 11 | IZWE001 | 05-Apr-24 | 1733 | IN-SINV | 6 461 288,50 | 6461288,499 | 624 279,08 | 7 085 567,58 | (624 279,08) |

Manager:
Assets
and
Inventory

| | | | | | | | | | | |
|----|---------|-----------|------|---------|------------------|-----------------|-----------------|------------------|-----------------------|--------------------|
| 12 | IZWE001 | 07-May-24 | 1734 | IN-SINV | 3 468 827,22 | 346882 7,22 | 673 250,34 | 4 142 077,56 | 73 250,34) | (6 |
| 13 | IZWE001 | 17-May-24 | 1739 | IN-SINV | 16 188 939,15 | 161889 39,15 | 1 564 148,71 | 17 753 087,86 | 564 148,71) | (1 |
| 14 | IZWE001 | 20-May-24 | 1738 | IN-SINV | 6 952 221,06 | 695222 1,053 | 671 712,18 | 7 623 933,23 | 71 712,17) | (6 |
| 15 | IZWE001 | 27-Jun-24 | 1749 | IN-SINV | 7 731 889,73 | 773188 9,73 | 747 042,49 | 8 478 932,22 | 47 042,49) | (7 |
| 16 | IZWE001 | 28-Jun-24 | 1759 | IN-SINV | 10 169 733,38 | 101697 33,38 | 982 582,94 | 11 152 316,31 | 82 582,93) | (9 |
| 17 | IZWE001 | 28-Jun-24 | 1758 | IN-SINV | 10 287 548,42 | 102875 48,42 | 993 966,03 | 11 281 514,45 | 93 966,02) | (9 |
| 18 | IZWE001 | 28-Jun-24 | 1750 | IN-SINV | 11 605 622,32 | 116056 22,32 | 1 121 316,17 | 12 726 938,48 | 121 316,16) | (1 |
| 19 | IZWE001 | 28-Jun-24 | 1760 | IN-SINV | 1 270 803,68 | 127080 3,677 | 122 782,96 | 1 393 586,64 | 22 782,96) | (1 |
| 20 | IZWE001 | 28-Jun-24 | 1761 | IN-SINV | 1 387 799,15 | 138779 9,146 | 134 086,87 | 1 521 886,02 | 34 086,87) | (1 |
| 21 | IZWE001 | 28-Jun-24 | 1751 | IN-SINV | 11 547 707,85 | 115477 07,85 | 1 115 720,57 | 12 663 428,41 | 115 720,56) | (1 |
| | | | | | | | | | | (19 |
| | | | | | | | | | Understatement | 254 999,34) |

4. The municipality have paid back retention and added the pay back amount from the inventory additions in which was already included which resulted in VIP toilets being overstated:

| Details as per the VIP Toilets register | | | | | | Auditors Calculations | | Amount incorrectly disclosed as VIP Inventory |
|---|----------|-----------|-----------|---------|--------------------|-----------------------|---|---|
| No. | Supplier | Date | Reference | Code | Amount (Incl VAT) | Retention Paid Back | Differences between the payment certificates and Listings | |
| 1 | IZWE001 | 15-Sep-23 | 1640 | IN-SINV | 4 470 70817,73 | 470 817,73 | 0 | 470 817,73 |
| 2 | IZWE001 | 28-Sep-23 | 1618 | IN-SINV | 2 389 389672,19 | 2 389 672,19 | 0 | 2 389 672,19 |

| Finding Number | Findings | | | | | | | | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | |
|---|----------|-----------|-----------|---------|--------------------------|----------------------|---|--------------------------|-------|-----------------------|----------------|--------------------|-------------------|-------------|-------------|-----|----------|------|-----------|------|-------------------|---|--------|-----------|------|---------|--------------|
| | | | | | | | | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | |
| | | | | | | | | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | |
| 3 | ZWE001 | 28-Sep-23 | 1639 | IN-SINV | 1 727 727 915,17 | 1 727 915,17 | 0 | 1 727 915,17 | | | | | | | | | | | | | | | | | | | |
| 4 | ZWE001 | 06-Oct-23 | 1641 | IN-SINV | 1 174 74 406,83 | 174 406,83 | 0 | 174 406,83 | | | | | | | | | | | | | | | | | | | |
| 5 | ZWE001 | 01-Nov-23 | 1615 | IN-SINV | 2 2 952 952 629,59 | 2 952 629,59 | 0 | 2 952 629,59 | | | | | | | | | | | | | | | | | | | |
| 6 | ZWE001 | 11-Dec-23 | 1675 | IN-SINV | 1 1 619 619 890,05 | 1 619 890,05 | 0 | 1 619 890,05 | | | | | | | | | | | | | | | | | | | |
| 7 | ZWE001 | 09-Feb-24 | 1674 | IN-SINV | 1 1 387 387 346,81 | 1 387 346,81 | 0 | 1 387 346,81 | | | | | | | | | | | | | | | | | | | |
| 8 | ZWE001 | 01-Mar-24 | 1715 | IN-SINV | 4 4 433 433 917,69 | 4 433 917,69 | 0 | 4 433 917,69 | | | | | | | | | | | | | | | | | | | |
| 9 | ZWE001 | 02-Apr-24 | 1655 | IN-SINV | 1 1 058 058 486,55 | 1 058 486,55 | 0 | 1 058 486,55 | | | | | | | | | | | | | | | | | | | |
| 10 | ZWE001 | 19-Apr-24 | 1714 | IN-SINV | 2 2 995 995 362,13 | 2 995 362,13 | 0 | 2 995 362,13 | | | | | | | | | | | | | | | | | | | |
| | | | | | | Overstatement | | 19 210 444,73 | | | | | | | | | | | | | | | | | | | |
| 5. Furthermore, the following invoice as per the VIP toilets additions was not supported. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th>No.</th> <th>Supplier</th> <th>Date</th> <th>Reference</th> <th>Code</th> <th>Amount (Incl VAT)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>ZWE001</td> <td>05-Apr-24</td> <td>1714</td> <td>IN-SINV</td> <td>2 998 362,13</td> </tr> </tbody> </table> | | | | | | | | | | | | | | | | No. | Supplier | Date | Reference | Code | Amount (Incl VAT) | 1 | ZWE001 | 05-Apr-24 | 1714 | IN-SINV | 2 998 362,13 |
| No. | Supplier | Date | Reference | Code | Amount (Incl VAT) | | | | | | | | | | | | | | | | | | | | | | |
| 1 | ZWE001 | 05-Apr-24 | 1714 | IN-SINV | 2 998 362,13 | | | | | | | | | | | | | | | | | | | | | | |
| 3.VIP TRANSFERS TO LOCAL COMMUNITIES | | | | | | | | | | | | | | | | | | | | | | | | | | | |

**CoAF 19 ISS 68:
VIP transfers to
local communities
– Limitation of
scope**

**METHODOLOGY FOR ACCOUNTING FOR VIP TOILETS AS INVENTORY UNDER GRAP 12
FOR NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY**

6. Transfer of Control and Derecognition of Inventory

Once the VIP toilet is completed and ready for use:

Loss of Control: The Municipality effectively loses control of the asset as it is intended for use by the community member. At this point, the inventory is derecognized from the Municipality's financial statements.

Derecognition: The cost of the VIP toilet is derecognized from inventory and may be recognized as an expense if no economic benefits or service potential are expected to flow to the Municipality from the toilet.

The following information which was requested in RFI 42 on 01 November 2024 and was due on 06 November 2024, was not submitted for audit:

Please include the following in the list for each beneficiary:

- Name and Surname
- ID number
- Stand number
- Coordinates where applicable
- Toilet number

| Village Name | 2023 | 2024 | Movement | Units | Rate | Amount |
|-----------------|------|------|----------|-------|--------------|-----------------|
| Bloubank | | 60 | 60 | 60 | 24 026,13 | 1 441 567,80 |
| Borakalalo 1 | | 200 | 200 | 200 | 24 026,13 | 4 805 226,00 |
| Borakalalo 4 | | 125 | 125 | 125 | 24 026,13 | 3 003 266,25 |
| Dingateng 4A | | 140 | 140 | 140 | 24 026,13 | 3 363 658,20 |
| Gamotlala 1 | | 313 | 313 | 313 | 24 026,13 | 7 520 178,69 |
| Gamotlala 1B | | 131 | 131 | 131 | 24 026,13 | 3 147 423,03 |
| Gamotlala 2 | | 312 | 312 | 312 | 24 026,13 | 7 496 152,56 |
| Gamotlala 2B | | 110 | 110 | 110 | 24 026,13 | 2 642 874,30 |
| Gathulo 2 | | 347 | 347 | 347 | 24 026,13 | 8 337 067,11 |
| Koikoi Ph2 | | 27 | 27 | 27 | 24 026,13 | 648 705,51 |
| Koikoi Crushers | | 123 | 123 | 123 | 24 026,13 | 2 955 213,99 |
| Letsapa 2 | | 347 | 347 | 347 | 24 026,13 | 8 337 067,11 |
| Lobotla | | 200 | 200 | 200 | 24 026,13 | 4 805 226,00 |

The methodology will be thoroughly reviewed and revised to ensure full compliance with GRAP 12 (Generally Recognized Accounting Practice). Additionally, it will be reassessed to ensure alignment with the municipality's accounting policies. The register, which will be developed based on the updated methodology, will be structured to ensure it is supported by the relevant raw source documents. These documents will be maintained and available for submission upon the auditor's request.

Following the adoption of the revised methodology, any prior period errors will be identified and addressed. This will ensure the accuracy of the opening balances and the prior year

Manager: Assets and Inventory

| | | | | | | | | | | | | | |
|---------------------------|----|-----|-----|-----|--------------|-----------------|--|--|--|--|--|--|--|
| Mabule 2 | | 260 | 260 | 260 | 24 026,13 | 6 246 793,80 | | | | | | | |
| Magogoe Tlhabologo | | 232 | 232 | 232 | 24 026,13 | 5 574 062,16 | | | | | | | |
| Magogoe Tlhabologo Ph2 | | 260 | 260 | 260 | 24 026,13 | 6 246 793,80 | | | | | | | |
| Makgori 3B | | 120 | 120 | 120 | 24 026,13 | 2 883 135,60 | | | | | | | |
| Masamane 3A | | 140 | 140 | 140 | 24 026,13 | 3 363 658,20 | | | | | | | |
| Mathateng 4B | | 120 | 120 | 120 | 24 026,13 | 2 883 135,60 | | | | | | | |
| Moshana 3 | | 250 | 250 | 250 | 24 026,13 | 6 006 532,50 | | | | | | | |
| Moshana 1 | | 250 | 250 | 250 | 24 026,13 | 6 006 532,50 | | | | | | | |
| Moshana 1B | | 130 | 130 | 130 | 24 026,13 | 3 123 396,90 | | | | | | | |
| Moshana 2 | | 250 | 250 | 250 | 24 026,13 | 6 006 532,50 | | | | | | | |
| Moshana 2B | | 130 | 130 | 130 | 24 026,13 | 3 123 396,90 | | | | | | | |
| Moshana 3 | | 250 | 250 | 250 | 24 026,13 | 6 006 532,50 | | | | | | | |
| Moshana 3B | | 130 | 130 | 130 | 24 026,13 | 3 123 396,90 | | | | | | | |
| Moshana 4 | | 250 | 250 | 250 | 24 026,13 | 6 006 532,50 | | | | | | | |
| Moshana 4B | | 130 | 130 | 130 | 24 026,13 | 3 123 396,90 | | | | | | | |
| Mostwedi | | 200 | 200 | 200 | 24 026,13 | 4 805 226,00 | | | | | | | |
| Setlagola 1 | 90 | 309 | 219 | 219 | 24 026,13 | 5 261 722,47 | | | | | | | |
| Setlagola 2 | 90 | 308 | 218 | 218 | 24 026,13 | 5 237 696,34 | | | | | | | |
| Setlagola 3 | | 175 | 175 | 175 | 24 026,13 | 4 204 572,75 | | | | | | | |
| Setlagola 4 | | 175 | 175 | 175 | 24 026,13 | 4 204 572,75 | | | | | | | |
| Setlopo East Ph2 | 30 | 123 | 93 | 93 | 24 026,13 | 2 234 430,09 | | | | | | | |
| Tontonyane | | 138 | 138 | 138 | 24 026,13 | 3 315 605,94 | | | | | | | |
| Tshidiamolo 1 | | 260 | 260 | 260 | 24 026,13 | 6 246 793,80 | | | | | | | |
| Verdwaal 1B | | 390 | 390 | 390 | 24 026,13 | 9 370 190,70 | | | | | | | |

| Finding Number | Findings | | | | | | | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | |
|---|--------------------|--------------|--------------|--------------|-------------|--------------|---------------------------------|-------|-----------------------|----------------|--------------------|-------------------|-------------|-------------|
| | | | | | | | | | | | | Short Term | Medium Term | Long Term |
| | | | | | | | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year |
| | Verdwaal 5 | 30 | 190 | 160 | 160 | 24 026,13 | 3 844 180,80 | | | | | | | |
| | Grand Total | 19397 | 15644 | -3753 | 7365 | | 176 952 447,45 | | | | | | | |
| <p>Management provided the following response to the RFI: It is essential for the auditor to thoroughly understand the population under examination. A comprehensive grasp of the methodology employed by management application of the Generally Recognised Accounting Practice (GRAP) principles is crucial. Furthermore, it is imperative that the auditor distinguishes between the findings presented in the audit of performance objectives and those in the annual financial statement.</p> | | | | | | | | | | | | | | |
| 4. PROPERTY, PLANT AND EQUIPMENT | | | | | | | | | | | | | | |

| <p>_CoAF 32 – ISS 66: PPE- Misstatement noted on the prior period error and prior year misstatement</p> | <p>1. Adjustment of R 885 531 in the journal (The misstatement was raised by the auditors in the prior year)</p> <p>We noted that the restatement related to the 2022/23 financial year, however the amount relating to the depreciation was incorrectly credited to accumulated surplus which has resulted in the depreciation amount understated by R885 351. Furthermore, the deprecation in note 3 relating to 2023 financial year for PPE for ins fracture assets was updated to correct the error and incorrectly accounted in the opening balance for 2022/23</p> <ul style="list-style-type: none"> The issue result in Understatement of depreciation by R885 351 Overstatement of opening balance for 2022/2023 relating infrastructure assets by R885 351 <p>During the physical verification of assets the existence of the following assets could not be confirmed</p> <table border="1" data-bbox="257 630 1075 1252"> <thead> <tr> <th>No</th> <th>New_FAR_ID</th> <th>Facility Name</th> <th>Asset Type</th> <th>Component Type</th> <th>Carrying Value - As At 30 June 2024</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>FAR_INFRA_2019_891</td> <td>Mmabatho WTW</td> <td>Electrical Equipment</td> <td>Water Pump Electrical - Motor</td> <td>R 953476 (64 /3) = R 317 825,54</td> </tr> <tr> <td>2</td> <td>FAR_2021_NF_01_123</td> <td>Braklaagte New 4</td> <td>Mechanical Equipment</td> <td>Water Pump - Submersible Pump</td> <td>R 318 203,34</td> </tr> <tr> <td>3</td> <td>FAR_WP_22_142_78</td> <td>Ramabesa SP</td> <td>Pipe Works</td> <td>Water Pipes (Incl. Hydrants & Valves)</td> <td>R 229 700,56</td> </tr> <tr> <td>4</td> <td>FAR_New_Add_2_023_006</td> <td>Masuthe 1 BH</td> <td>Mechanical Equipment</td> <td></td> <td>R 64 337,63</td> </tr> <tr> <td>5</td> <td>FAR_INFRA_2019_3049</td> <td>Driefontein Borehole</td> <td>Civil Structure</td> <td>Water Pump Civil & Pipes</td> <td>R 50 448,37</td> </tr> <tr> <td>6</td> <td>FAR_WP_20_64</td> <td>Mafikeng NU</td> <td>Pipe Works</td> <td>Water Pipes (incl. hydrants & valves)</td> <td>R 859 790,79</td> </tr> <tr> <td>7</td> <td>FAR_22_INFRAN_FPR_000051</td> <td>Ottosdal Borehole 22</td> <td>Mechanical Equipment</td> <td>Water Pump - Submersible Pump</td> <td>R 329 093,98</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>R 2 169 400,21</td> </tr> </tbody> </table> <p>Projected amount R7 070 428.93</p> | No | New_FAR_ID | Facility Name | Asset Type | Component Type | Carrying Value - As At 30 June 2024 | 1 | FAR_INFRA_2019_891 | Mmabatho WTW | Electrical Equipment | Water Pump Electrical - Motor | R 953476 (64 /3) = R 317 825,54 | 2 | FAR_2021_NF_01_123 | Braklaagte New 4 | Mechanical Equipment | Water Pump - Submersible Pump | R 318 203,34 | 3 | FAR_WP_22_142_78 | Ramabesa SP | Pipe Works | Water Pipes (Incl. Hydrants & Valves) | R 229 700,56 | 4 | FAR_New_Add_2_023_006 | Masuthe 1 BH | Mechanical Equipment | | R 64 337,63 | 5 | FAR_INFRA_2019_3049 | Driefontein Borehole | Civil Structure | Water Pump Civil & Pipes | R 50 448,37 | 6 | FAR_WP_20_64 | Mafikeng NU | Pipe Works | Water Pipes (incl. hydrants & valves) | R 859 790,79 | 7 | FAR_22_INFRAN_FPR_000051 | Ottosdal Borehole 22 | Mechanical Equipment | Water Pump - Submersible Pump | R 329 093,98 | | | | | | R 2 169 400,21 | <p>Management did not sufficiently ensure that the latest fixed asset register was used when compiling the AFS</p> | <p>Correcting the AFS disclosure of the R885 531. Not against Acc Surplus, but against depreciation in the prior year (2022/2023 FY)</p> <p>SAGE System and FAR is correct. Only disclosure was incorrect.</p> | <p>30 June 2025</p> | <p>Manager: Asset & Inventory</p> | <p>x</p> | | |
|--|---|----------------------|----------------------|---------------------------------------|-------------------------------------|----------------|-------------------------------------|---|--------------------|--------------|----------------------|-------------------------------|------------------------------------|---|--------------------|------------------|----------------------|-------------------------------|--------------|---|------------------|-------------|------------|---------------------------------------|--------------|---|-----------------------|--------------|----------------------|--|-------------|---|---------------------|----------------------|-----------------|--------------------------|-------------|---|--------------|-------------|------------|---------------------------------------|--------------|---|--------------------------|----------------------|----------------------|-------------------------------|--------------|--|--|--|--|--|-----------------------|--|--|---------------------|---------------------------------------|----------|--|--|
| No | New_FAR_ID | Facility Name | Asset Type | Component Type | Carrying Value - As At 30 June 2024 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | FAR_INFRA_2019_891 | Mmabatho WTW | Electrical Equipment | Water Pump Electrical - Motor | R 953476 (64 /3) = R 317 825,54 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | FAR_2021_NF_01_123 | Braklaagte New 4 | Mechanical Equipment | Water Pump - Submersible Pump | R 318 203,34 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | FAR_WP_22_142_78 | Ramabesa SP | Pipe Works | Water Pipes (Incl. Hydrants & Valves) | R 229 700,56 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | FAR_New_Add_2_023_006 | Masuthe 1 BH | Mechanical Equipment | | R 64 337,63 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | FAR_INFRA_2019_3049 | Driefontein Borehole | Civil Structure | Water Pump Civil & Pipes | R 50 448,37 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | FAR_WP_20_64 | Mafikeng NU | Pipe Works | Water Pipes (incl. hydrants & valves) | R 859 790,79 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | FAR_22_INFRAN_FPR_000051 | Ottosdal Borehole 22 | Mechanical Equipment | Water Pump - Submersible Pump | R 329 093,98 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | R 2 169 400,21 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Finding Number | Findings | | | | | | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | |
|----------------|---|--|----------------------|----------------|-------------------------------------|----------------|-------------------------------------|-----------------------|----------------|--|----------------------|-------------|-----------------|--|--|--|--|--|--|--|--|
| | | | | | | | | | | | Short Term | Medium Term | Long Term | | | | | | | | |
| | | | | | | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>No</th> <th>New_FAR_ID</th> <th>Facility Name</th> <th>Asset Type</th> <th>Component Type</th> <th>Carrying Value - As At 30 June 2024</th> </tr> </thead> <tbody> <tr> <td>8</td> <td>FAR_RM_16</td> <td>Electrical components - Langu Electrical</td> <td>Mechanical Equipment</td> <td></td> <td>R 12 329 140,98</td> </tr> </tbody> </table> <p>We noted that the restatement related to the 2022/23 financial year, however the amount relating to the depreciation was incorrectly credited to accumulated surplus which has resulted in the depreciation amount understated by R885 351. Furthermore, the depreciation in note 3 relating to 2023 financial year for PPE for ins fracture assets was updated to correct the error and incorrectly accounted in the opening balance for 2022/23</p> | No | New_FAR_ID | Facility Name | Asset Type | Component Type | Carrying Value - As At 30 June 2024 | 8 | FAR_RM_16 | Electrical components - Langu Electrical | Mechanical Equipment | | R 12 329 140,98 | | | | | | | | |
| No | New_FAR_ID | Facility Name | Asset Type | Component Type | Carrying Value - As At 30 June 2024 | | | | | | | | | | | | | | | | |
| 8 | FAR_RM_16 | Electrical components - Langu Electrical | Mechanical Equipment | | R 12 329 140,98 | | | | | | | | | | | | | | | | |

| Finding Number | Findings | | | | | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | |
|---|--|--|----------------------|----------------------|---------------------------------------|--|--|----------------|----------------------------|-------------------|-------------|-------------|-------------------------------------|
| | | | | | | | | | | Short Term | Medium Term | Long Term | |
| | | | | | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | |
| CoAF 30 - ISS 84: PPE - Assets whose existence could not be confirmed | During the physical verification of assets the existence of the following assets could not be confirmed: | | | | | This was as a result of the asset register not being frequently. | The assets in question will be verified as part of the 2024/2025 FY Verification Processes. If not, correction of error will be made | 30 June 2025 | Manager: Asset & Inventory | x | | | |
| | No | New_FAR_ID | Facilitme | Asset Type | Component Type | | | | | | | | Carrying Value - As At 30 June 2024 |
| | 1 | FAR_INFRA_2019_891 | Mmabatho WTW | Electrical Equipment | Water Pump Electrical - Motor | | | | | | | | (R 953476,64 /3) = R 317 825,54 |
| | 2 | FAR_2021_NF_01_123 | Braklaagte New 4 | Mechanical Equipment | Water Pump - Submersible Pump | | | | | | | | R 318 203,34 |
| | 3 | FAR_WP_22_142_78 | Ramabesa SP | Pipe Works | Water Pipes (Incl. Hydrants & Valves) | | | | | | | | R 229 700,56 |
| | 4 | FAR_New_Add_2_023_006 | Masutlhe 1 BH | Mechanical Equipment | | | | | | | | | R 64 337,63 |
| | 5 | FAR_INFRA_2019_3049 | Driefontein Borehole | Civil Structure | Water Pump Civil & Pipes | | | | | | | | R 50 448,37 |
| | 6 | FAR_WP_20_64 | Mafikeng NU | Pipe Works | Water Pipes (incl. hydrants & valves) | | | | | | | | R 859 790,79 |
| | x7 | FAR_22_INFRAN_FPR_000051 | Ottosdal Borehole 22 | Mechanical Equipment | Water Pump - Submersible Pump | | | | | | | | R 329 093,98 |
| | | | | | | | | | | | | | R 2 169 400,21 |
| No | New_FAR_ID | Facility Name | Asset Type | Component Type | Carrying Value - As At 30 June 2024 | | | | | | | | |
| 8 | FAR_RM_16 | Electrical components - Langu Electrical | Mechanical Equipment | | R 12 329 140,98 | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---------------------------------------|-------------------------|---------------------------------------|--------------------|-------------------|----------------|----------------|-----------------|-------------|------------------------------------|-------------------|------------|-----------|-----------------|--------------|----------------|----------------|-------------------|----------------|---------------|--|--------------------|-------------------------------|------------|-----------------|------------------|------------------|------------------|--|---------------------------|---------------------------|-------------------------|--|---|--------------|--|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CoAF 30 - ISS 10 & CoAF 32 – ISS 66 The opening balance and closing balance as per the current year register does not agree with the opening balance disclosed in the AFS | <p>WIP adjustments of R10 631 072 The opening balance as per the current year register does not agree with the opening balance disclosed in the AFS</p> <table border="1"> <thead> <tr> <th></th> <th>AFS (2023)</th> <th>WIP register restated opening balance</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>WIP</td> <td>786 278 089,00</td> <td>818 577 202,13</td> <td>(32 299 113,13)</td> </tr> </tbody> </table> <p>The issue result in Understatement of WIP by R32 299 113</p> <p>During the audit of PPE the following differences between the asset register and the AFS were identified:</p> <p>1) Differences between the fixed asset register and the AFS</p> <table border="1"> <thead> <tr> <th>Asset class</th> <th>Amount as per fixed asset register</th> <th>Amount as per AFS</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Buildings</td> <td>R100 765 218.85</td> <td>R106 979 996</td> <td>-R6 214 777.15</td> </tr> <tr> <td>Infrastructure</td> <td>R5 522 132 333.69</td> <td>R5 515 917 556</td> <td>R6 214 777.69</td> </tr> </tbody> </table> <p>2) Reconciliation of Work-In-Progress 2024</p> <table border="1"> <thead> <tr> <th></th> <th>Details as per AFS</th> <th>Details as per asset register</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Opening balance</td> <td>R 786 278 089,00</td> <td>R 818 577 202,13</td> <td>-R 32 299 113,13</td> </tr> <tr> <td></td> <td>R 1 291 795 973,00</td> <td>R 1 324 095 085,25</td> <td>-R 32 299 112,25</td> </tr> </tbody> </table> | | AFS (2023) | WIP register restated opening balance | Difference | WIP | 786 278 089,00 | 818 577 202,13 | (32 299 113,13) | Asset class | Amount as per fixed asset register | Amount as per AFS | Difference | Buildings | R100 765 218.85 | R106 979 996 | -R6 214 777.15 | Infrastructure | R5 522 132 333.69 | R5 515 917 556 | R6 214 777.69 | | Details as per AFS | Details as per asset register | Difference | Opening balance | R 786 278 089,00 | R 818 577 202,13 | -R 32 299 113,13 | | R 1 291 795 973,00 | R 1 324 095 085,25 | -R 32 299 112,25 | | <p>The WIP disclosure in the AFS will be rectified for the 2022/2023 FY.</p> <p>The differences relate to amounts that are still in WIP. There is no WIP Buildings account on the SAGE System. The amounts are however spilt in the FAR.</p> <p>Corrections will be made.</p> | 30 June 2025 | | | |
| | AFS (2023) | WIP register restated opening balance | Difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| WIP | 786 278 089,00 | 818 577 202,13 | (32 299 113,13) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Asset class | Amount as per fixed asset register | Amount as per AFS | Difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Buildings | R100 765 218.85 | R106 979 996 | -R6 214 777.15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Infrastructure | R5 522 132 333.69 | R5 515 917 556 | R6 214 777.69 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Details as per AFS | Details as per asset register | Difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Opening balance | R 786 278 089,00 | R 818 577 202,13 | -R 32 299 113,13 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | R 1 291 795 973,00 | R 1 324 095 085,25 | -R 32 299 112,25 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | |
|---|---|--|---|----------------|----------------------------|-------------------|---------------|-------------|---------------|----------|---------------|--|----------------|--|--|--------------|----------------------------|---|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | |
| CoAF 30 - ISS 10 The project for construction of the Setlagolo fire station (FAR ID No.: DC38_114) was incorrectly capitalised to PPE in prior year even when not completed and in addition the current year expenditure was not capitalised to PPE resulting in understatement of WIP | 3) Furthermore, it was identified that the professional fees for the construction of the Setlagolo fire station (FAR ID No.: DC38_114) amounting to R2 580 996.77 were moved out of WIP in the prior year despite the project being incomplete, to date the asset has been incorrectly depreciated to the amount of R209 518.29. While performing the audit of commitments it was identified that (R7 048 425.32 + R893 076.88 = R7 941 502.2) was spent on this project in the current year, this amount has not been included in the current year asset register. | Management did not sufficiently ensure that the latest fixed asset register was used when compiling the AFS. | The WIP project was erroneously marked as completed and unbundled. It will be written back to WIP and taken out of the FAR. All other corrections will also be made on the WIP Register. | 30 June 2025 | Manager: Asset & Inventory | | | | | | | | | | | | | | | |
| CoAF 32 – ISS 66 The transactions relating to VIP toilets were incorrectly included in opening balance WIP register for the current year resulting in the overstatement of WIP. | <p>The transactions relating to VIP toilets were incorrectly included in WIP register for the current year resulting in the overstatement of WIP.</p> <table border="1"> <thead> <tr> <th>Project number</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>DC38_090</td> <td>81 431 604,58</td> </tr> <tr> <td>DC38_093</td> <td>77 705 499,61</td> </tr> <tr> <td>DC38_118</td> <td>68 135 881,52</td> </tr> <tr> <td>DC38_122</td> <td>71 011 009,10</td> </tr> <tr> <td></td> <td>298 283 994,82</td> </tr> </tbody> </table> <p>The issue results in overstatement of WIP by R298 283 994.82</p> | Project number | Amount | DC38_090 | 81 431 604,58 | DC38_093 | 77 705 499,61 | DC38_118 | 68 135 881,52 | DC38_122 | 71 011 009,10 | | 298 283 994,82 | | The incorrect VIP Toilets payments will be written back and the journals reversed. WIP Register will be corrected. | 30 June 2025 | Manager: Asset & Inventory | X | | |
| Project number | Amount | | | | | | | | | | | | | | | | | | | |
| DC38_090 | 81 431 604,58 | | | | | | | | | | | | | | | | | | | |
| DC38_093 | 77 705 499,61 | | | | | | | | | | | | | | | | | | | |
| DC38_118 | 68 135 881,52 | | | | | | | | | | | | | | | | | | | |
| DC38_122 | 71 011 009,10 | | | | | | | | | | | | | | | | | | | |
| | 298 283 994,82 | | | | | | | | | | | | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|---------------------|----------------------------|-------------------|-------------|---------------------------------------|------------------|---|----------|-------------------------------------|------------------|---|----------|---------------------------------|------------------|---|----------|--|------------------|--|---|--------------|----------------------------|--|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | | | | | | | | | |
| CoAF 23 - ISS 57- The transactions relating to VIP toilets were incorrectly included in open balance WIP register for the current year resulting in the overstatement of WIP. | <p>During the audit of Property, Plant and Equipment it was noted that the following Inventories - VIP toilet have been incorrectly classified as part PPE – Working in progress:</p> <table border="1"> <thead> <tr> <th>No.</th> <th>Project Reference</th> <th>Project Description</th> <th>Total 2024</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>DC38_090</td> <td>Ditsobotla Rural Sanitation Programme</td> <td>74 844 006,77</td> </tr> <tr> <td>2</td> <td>DC38_093</td> <td>Mafikeng Rural Sanitation Programme</td> <td>79 446 508,12</td> </tr> <tr> <td>3</td> <td>DC38_118</td> <td>RATLOU RURAL SANITATION PROGRAM</td> <td>79 900 532,71</td> </tr> <tr> <td>4</td> <td>DC38_122</td> <td>RAMOTSHERE MOILOA RURAL SANITATION PROGRAMME</td> <td>80 691 759,70</td> </tr> </tbody> </table> | No. | Project Reference | Project Description | Total 2024 | 1 | DC38_090 | Ditsobotla Rural Sanitation Programme | 74 844 006,77 | 2 | DC38_093 | Mafikeng Rural Sanitation Programme | 79 446 508,12 | 3 | DC38_118 | RATLOU RURAL SANITATION PROGRAM | 79 900 532,71 | 4 | DC38_122 | RAMOTSHERE MOILOA RURAL SANITATION PROGRAMME | 80 691 759,70 | This is as a result of management not adequately reviewing the classification of assets. | <p>A reclassification Journal will be processed Current year corrections: The proposed journal: Inventory: 27 229 884,48 WIP- PPE: 27 229 884,48 Re-classification of the WIP- VIP Toilets for current year additions Prior year corrections: The proposed journal: Inventory: 287 652 922,82 WIP- PPE: 287 652 922,82 Re-classification of the WIP- VIP Toilets. A journal of R 10631072 had already processed during the year hence we request the adjustment for the R287 652 922,82</p> | 30 June 2025 | Manager: Asset & Inventory | | | |
| No. | Project Reference | Project Description | Total 2024 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | DC38_090 | Ditsobotla Rural Sanitation Programme | 74 844 006,77 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | DC38_093 | Mafikeng Rural Sanitation Programme | 79 446 508,12 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | DC38_118 | RATLOU RURAL SANITATION PROGRAM | 79 900 532,71 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | DC38_122 | RAMOTSHERE MOILOA RURAL SANITATION PROGRAMME | 80 691 759,70 | | | | | | | | | | | | | | | | | | | | | | | | | |
| CoAF 23 - ISS 56 - Differences between WIP additions in the asset register and the supporting invoices. | During the audit of WIP additions the following differences were identified between the asset register and the supporting purchase orders provided: | This was a result of management not adequately reconciling expenditure on projects to the payment voucher. | All invoices relating to WIP payments in the 2023/2024 FY will be scrutinised and posted to the correct project. Payment Voucher evidence will be held to expedite AGSA audit processes in the 2024/2025 FY. | 30 June 2025 | Manager: Asset & Inventory | | | | | | | | | | | | | | | | | | | | | | | |
| 5.EXPENDITURE | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | |
|--|--|-------------------|--|-----------------------|---------------------------------|-------------------|-------------|-------------|-----------|--|----------------|----------------|------------------|---------------|--|--|--|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | |
| CoAF 28 - ISS 81: Difference between the AFS and trade payables listing a | During the audit of payables from exchange transactions (Trade payables), we have noted a difference between the AFS and trade payables listing as follows: Management did not develop, DVDV | | Management did not develop, implement and monitor adequate controls to ensure complete and accurate financial reporting is performed. | | Manager: Income and expenditure | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th></th> <th>Amount as per AFS</th> <th>Amount as per Listing</th> <th>Difference</th> </tr> <tr> <th></th> <th>30-Jun-24</th> <th>30-Jun-24</th> <th></th> </tr> </thead> <tbody> <tr> <td>Trade payables</td> <td>970 480 936,00</td> <td>1 016 480 381,01</td> <td>45 999 445,01</td> </tr> </tbody> </table> | | Amount as per AFS | Amount as per Listing | | Difference | | 30-Jun-24 | 30-Jun-24 | | Trade payables | 970 480 936,00 | 1 016 480 381,01 | 45 999 445,01 | | | | | |
| | | Amount as per AFS | Amount as per Listing | Difference | | | | | | | | | | | | | | | |
| | 30-Jun-24 | 30-Jun-24 | | | | | | | | | | | | | | | | | |
| Trade payables | 970 480 936,00 | 1 016 480 381,01 | 45 999 445,01 | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| CoAF 28 - ISS 82 - Differences between the trade payables listing and the invoice | During the audit of trade payables we have noted the following differences between the trade payables listing and the invoice. | | Management did not develop, implement and monitor adequate controls to ensure complete and accurate financial reporting is performed. | | Manager: Income and expenditure | | | | | | | | | | | | | | |
| 6. LOSS ON DISPOSAL OF ASSETS | | | | | | | | | | | | | | | | | | | |
| CoAF 32 – ISS 66 - Prior year misstatement not resolved – Disposals of PPE not supported by evidence. | The prior year limitation on disposal have not been resolved as management has not submitted any information that support the prior year disposals amounting to R12 509 928. The reasons for the disposal and the information supporting the reasons for the disposal were not submitted for audit purposes. This result in a limitation on the disposal disclosed in the AFS. | | The disposals were approved by Council. Clear and concise reasons for the derecognition of the said assets will be drafted and presented to the AGSA for Audit purposes. | 30 June 2025 | Manager: Asset & Inventory | X | | | | | | | | | | | | | |

| | | | | | | | | |
|--|---|--|---|---------------------|---------------------------------------|----------|--|--|
| <p>COAF 21 - Disposals of PPE not supported by evidence.</p> | <p>During the audit it was noted through inspection of the annual financial statements and the 2023-24 asset register, that the municipality had disposed infrastructure assets amounting to R49 687 020, Movable assets amounting to R1 578 474 and Building amounting to R103 334. The following table indicates different categories of assets disposed assets and managements comments:</p> | <p>No proper inventory list for newly acquired assets. Newly acquired assets are distributed to borehole sites to replace assets and the replaced assets are not returned to the Store. The infrastructure assets are not properly safeguarded. The municipality failed to maintain and implement the system of internal controls in respect of the following: Ensuring that all damaged / replaced assets at the borehole sites are returned to the stores for safeguarding. Ensuring that all damaged / replaced assets are returned regularly to stores before the annual asset verification. Ensuring that all Team Leaders and Foremen are held accountable for failure to ensure that damaged and replaced assets are handed back to stores instantly. Ensuring that there was a standard register of all returned damaged / replaced assets for regular updating of the assets register. The maintenance official replaces assets damaged without ensuring proper recording and safeguarding at the stores. Job cards are completed when assets are replaced, however the assets are not updated in the assets register after replacement and the assets recorded in the register cannot be traced with the assets in the stores as there are no unique identifiers/ barcodes. The newly acquired assets are removed from the store in Molopo to be installed without being barcoded and properly recorded in the register.</p> | <p>A comprehensive document will be drafted together with evidence and reasons as to why the said assets were derecognised.</p> <p>The assets in question were duly approved by council for derecognition/disposal.</p> | <p>30 June 2025</p> | <p>Manager: Asset & Inventory</p> | <p>X</p> | | |
|--|---|--|---|---------------------|---------------------------------------|----------|--|--|

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | |
|---|--|------------------------------------|---|---|--------------------|-------------------|-------------|-------------|-------------------------|-------------------|
| | | | | | | Short Term | Medium Term | Long Term | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | |
| 7. IRREGULAR EXPENDITURE | | | | | | | | | | |
| COAF 07 ISS 36 - Prior year misstatement not resolved Difference between the amounts per register and financial statement disclosure note. | The following issues raised in the prior year relating to CoAF 1 ISS.01 have not been corrected for 2022-23 comparatives disclosed in the financial statements. The registers do not agree with the amount disclosed in the financial statements. | | This was due to the actions as per the post audit action plan not implemented which required to conduct a thorough review of all registers and ensure that all amounts on the registers agree to amounts disclosed in the AFS. and reviews were not adequately performed to ensure that all the required corrections were posted and adjusted in the financial statements | Prior period error note will be prepared to ensure that the AFS 2024-25 comparative figure agree to the prior year register submitted for audit purposes. | Manager: SCM | | | | | |
| | Financial statement item | Amount disclosed in the AFS | | | | | | | 2022/23 register | Difference |
| | Irregular expenditure - current | R485 898 277 | | | | | | | R469 303 7363 | R16 594 541 |
| | Irregular expenditure - prior period | 0 | R83 840 483 | -R83 840 483 | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | | | | | |
|--|---|--|--|--|--------------------|------------------------------------|--------------|-------------|--------------|--|---|--|------------|---------------------------------|-------------|----------------|-------------|--|---|--|--------------|--|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | | | | | |
| COAF 15 ISS 59 - Irregular expenditure: Current - Difference between the amounts per register and financial statement disclosure note. | <p>During the assessment of the municipality's irregular expenditure, the following was observed: Upon the initial submission of the irregular expenditure register on August 31, 2024, significant discrepancies were identified between the annual financial statements and the recorded irregular expenditure as follows:</p> <table border="1"> <thead> <tr> <th>Disclosure item</th> <th>Amount per note</th> <th>Amount per register/ supporting schedule</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Irregular expenditure - current</td> <td>570 721 678</td> <td>772 414 226</td> <td>-201 692 548</td> </tr> </tbody> </table> <p>Audit finding 01 (Ex 01) was communicated on October 3, 2024, reporting this discrepancy. Management responded by agreeing with the finding and submitted an adjusted irregular expenditure register. Upon the team's review of the revised register, the following significant differences were noted:</p> <table border="1"> <thead> <tr> <th>Disclosure item</th> <th>Amount per note</th> <th>Amount per register/ supporting schedule</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Irregular expenditure - current</td> <td>570 721 678</td> <td>634 275 376.12</td> <td>-63 553 698</td> </tr> </tbody> </table> | Disclosure item | Amount per note | Amount per register/ supporting schedule | Difference | Irregular expenditure - current | 570 721 678 | 772 414 226 | -201 692 548 | Disclosure item | Amount per note | Amount per register/ supporting schedule | Difference | Irregular expenditure - current | 570 721 678 | 634 275 376.12 | -63 553 698 | | Prior period error note will be prepared to ensure that the AFS 2024-25 comparative figure agree to the prior year register submitted for audit purposes. | | Manager: SCM | | | |
| | Disclosure item | Amount per note | Amount per register/ supporting schedule | Difference | | | | | | | | | | | | | | | | | | | | |
| Irregular expenditure - current | 570 721 678 | 772 414 226 | -201 692 548 | | | | | | | | | | | | | | | | | | | | | |
| Disclosure item | Amount per note | Amount per register/ supporting schedule | Difference | | | | | | | | | | | | | | | | | | | | | |
| Irregular expenditure - current | 570 721 678 | 634 275 376.12 | -63 553 698 | | | | | | | | | | | | | | | | | | | | | |
| COAF 15 ISS 59 - Irregular expenditure: Written Off- Difference between the amounts per register and financial statement disclosure note. The amount does not agree with amount approved by council. | <p>Upon further assessment of the irregular amounts written off, the following material differences were noted:</p> <table border="1"> <thead> <tr> <th>Disclosure item</th> <th>Amount per note</th> <th>Amount per register/ supporting schedule</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Irregular expenditure: Written Off</td> <td>-462 437 966</td> <td>101 644 200</td> <td>-360 793 766</td> </tr> </tbody> </table> | Disclosure item | Amount per note | Amount per register/ supporting schedule | Difference | Irregular expenditure: Written Off | -462 437 966 | 101 644 200 | -360 793 766 | Management did not prepare a comprehensive and accurate irregular expenditure register that aligns with the figures reported in the submitted annual financial statements. | Prior period error note will be prepared to ensure that the AFS 2024-25 comparative figure agree to the prior year register submitted for audit purposes. | Manager: SCM | | | | | | | | | | | | |
| Disclosure item | Amount per note | Amount per register/ supporting schedule | Difference | | | | | | | | | | | | | | | | | | | | | |
| Irregular expenditure: Written Off | -462 437 966 | 101 644 200 | -360 793 766 | | | | | | | | | | | | | | | | | | | | | |
| 8. UNAUTHORISED EXPENDITURE | | | | | | | | | | | | | | | | | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | |
|---|---|--|---|----------------|--------------------|-------------------|-------------|-------------|
| | | | | | | Short Term | Medium Term | Long Term |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year |
| CoAF 05 - ISS 29 - The prior year opening balances was not supported by complete and accurate general ledger used for the calculation of the unauthorised expenditure. | CoAF 12 - Ex 9 : Unauthorised expenditure – Prior year misstatements was not resolved. (CoAF14 Ex.44) CoAF 12 Ex 9 – The prior year opening balances was not supported by complete and accurate general ledger used for the calculation of the unauthorised expenditure. In the prior year we were unable to confirm the actual expenditure incurred in the calculation of the unauthorised for the 2012-13, 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18 financial years due to unreconciled differences between the new extracted general ledger and the audited financial statements which have an impact on the opening balance for the 2023/24 financial year | Management did not develop and monitor the implementation of action plans to address internal control deficiencies. The issue resulted in a limitation of scope resulting a material limitation for opening balance of unauthorised expenditure by R10 114 211 095 | Provincial Treasury will be consulted to receive a way forward relating to the unauthorised expenditure emanating from 2012-13 Financial year. Consultations with SALGA and Auditor General will have to be organised to evaluate the adequacy of the guidance received from Provincial Treasury. | | Manager: Budget | | | |
| 9. CONTINGENCIES | | | | | | | | |
| CoAF 33 - ISS 104: The cases not included in the prior years were still not included as contingencies | During the audit of contingencies, the auditors followed up on the following contingencies which were not disclosed in the current year's financial statements but where identified in the litigation register and from prior year testing of contingent liabilities. The cases were also confirmed through with the municipality's list of attorneys in the prior years and management has not addressed the completeness issue: | This is due lack of communication between the legal department and the different attorneys that deals with to ensure that accounts for all the possible contingencies matters that might face during the year. | No further action will be made as this finding was resolved. | | Manager: Legal | | | |

| | | | | | | | | |
|---|--|--|---|--|-----------------------|--|--|--|
| <p>CoAF 33 - ISS 94 The municipality removed the following cases from the prior year on the basis that they have prescribed, however, there is no evidence of prescription that was provided to the auditors to assess whether the cases where prescribed:</p> | <p>While auditing contingencies, we have identified the following differences between the summons and the AFS: Time periods for prescription</p> <p>1. Section 11 of the Prescription Act stipulates that: The periods of prescription of debts shall be the following:</p> <p>(a) thirty years in respect of— (i) any debt secured by mortgage bond; (ii) any judgment debt; (iii) any debt in respect of any taxation imposed or levied by or under any law; (iv) any debt owed to the State in respect of any share of the profits, royalties or any similar consideration payable in respect of the right to mine minerals or other substances; (b) fifteen years in respect of any debt owed to the State and arising out of an advance or loan of money or a sale or lease of land by the State to the debtor, unless a longer period applies in respect of the debt in question in terms of paragraph (a); (c) six years in respect of a debt arising from a bill of exchange or other negotiable instrument or from a notarial contract, unless a longer period applies in respect of the debt in question in terms of paragraph (a) or (b); (d) save where an Act of Parliament provides otherwise, three years in respect of any other debt.</p> <p style="text-align: center;">Interruption of Prescription</p> <p>2. Section 14 of the Prescription Act states: (1) The running of prescription shall be interrupted by an express or tacit acknowledgement of liability by the debtor. (2) If the running of prescription is interrupted as contemplated in subsection (1), prescription shall commence to run afresh from the day on which the interruption takes date of the debt, from the date upon which the debt again becomes due.”</p> <p>The municipality removed the following cases from the prior year on the basis that they have prescribed, however, there is no evidence of prescription that was provided to the auditors in order to assess whether the cases where prescribed:</p> <p>Amounts per register 2023 T.GWABENI // NMMDM 2 021 184,10 BATLHALEFI PROJECTS(SELLO MOGODIRI) // NMMDM 17 722 190,92 DR MADUO // NMMDM Case no:108/2012 986 385,87 Total 20 729 760,89</p> <p>Furthermore, it was noted that the municipality has cases that have not actioned for over 3 years, but have not been prescribed by the municipality, therefore, there is potential inconsistencies in the treatment of court cases and application of the Prescription Act. The above is due to sufficient record keeping of legal matters for purposes of reporting and supporting information in the AFS.</p> | | <p>No further action will be made as this finding was resolved.</p> | | <p>Manager: Legal</p> | | | |
|---|--|--|---|--|-----------------------|--|--|--|

10. PRIOR YEAR ADJUSTMENTS

COAF 1 ISS 1 - The municipality restated prior year amount of the following financial statement item however the restatements were not accurately and completely disclosed in the prior period adjustment note

During the high-level review of Annual Financial Statements submitted for audit, the following significant issues were identified:

- Upon comparing the prior year amounts to the corresponding amounts in the current year's AFS, the below stated differences were identified:

| Annual Financial Statement item | Comparative amount as per current year AFS | Amount as per prior year AFS |
|---|--|------------------------------|
| Inventory | 64 288 547 | 243 222 628 |
| VIP Transfers to local communities | -210 596 136 | -138 215 219 |
| Commitments | 75 098 144 | 57 476 116 |
| Contingent liabilities | 737 160 035 | 772 729 280 |
| Contingent Assets | 5 498 434 | 0 |
| Non-current employee benefit obligation | 95 355 884 | 97 385 344 |

- Upon further inspection of note 38, we confirmed the above adjustments were not disclosed in the note. The comparative figures in the financial statements were restated, however, the restated amounts do not agree with the prior-year adjustments disclosed in Note 38.

| Annual Financial Statement item | Comparative amount as per current year AFS | Amount as per prior year AFS | Difference |
|---------------------------------|--|------------------------------|-------------|
| VAT receivables | 85 723 141 | 92 198 225 | -6 475 084 |
| Property Plant and Equipment | 5 411 884 925 | 5 279 546 666 | 132 338 259 |
| Trade payables | 151 537 123 | 206 599 732 | 557 945 625 |

- The amount of irregular expenditure disclosed in the AFS differed from the amount recorded in the register submitted for audit:

| Disclosure item | Amount per note | Amount per register/ schedule |
|-----------------------|-----------------|-------------------------------|
| Irregular expenditure | 570 721 678 | 772 414 226 |

- The unspent conditional grants relating to MIG disclosed in the statement of financial position and note 12 differed from the reconciliation as per note 22:

| Line item | Amount per note 12 and statement of financial position | Note 22 reconciliation |
|---------------------------|--|------------------------|
| Unspent conditional grant | 0 | 2 534 477 |

- There was no schedule submitted for audit to support the closing balance for VIP toilets of R13 113 814

Finding was resolved in the prior year. N/A

Manager: Budget

11. NET CASH FLOWS FROM OPERATING ACTIVITIES

**COAF 27 - ISS.86 -
Cash flow
statement -
Misstatements**

We performed recalculations of the cash flow statement and noted the differences between the amounts in the cashflow statement and the recalculated amounts as follows relating to the current year and prior year

| | 2023-24 | | | 2022-23 | | | |
|--|--|---|-------------|--|---|-------------|---|
| | Recalculated amount: (inflows = +; outflows = -) ** | R amount as per the cash flow statement: (inflows = +; outflows = -) | Differences | Recalculated amount: (inflows = +; outflows = -) ** | R amount as per the cash flow statement: (inflows = +; outflows = -) | Differences | Auditors' comments |
| Cash Flow from operating activities | | | | | | | |
| Receipts (including VAT) | | | | | | | |
| Customers | 624 716 | | 624 716 0 | 537 239 | | 537 239 | Cash from revenue generated from service charge, commission, rental and licenses not taken into account |
| Grants and subsidies received | 1 265 000 3520 | 1 265 000 352, | | 1 326 943 622 | 1 310 177 265 | 16 766 357 | The movement from prior to current year unspent conditional grant was incorrect included at R29 904 760 and the grants incorrectly included as R1 280 272 505 |
| Payments (including VAT) | | | | | | | |

Adjustment will be made to the Face of the Financial Statement to ensure the Cash Flows statement agrees to the 2023-24 Workings.

Manager: Budget

| | | | | | | | | | | | | | | | |
|--|---------------|---------------|----------------|---------------|----------------|----------------|--|--|--|--|--|--|--|--|--|
| Compensation of employees | (442 430 354) | (444 305 479) | 1 875 125 | (416 617 732) | (417 391 055) | 773 323 | The movement provision and bonus accrual included in payables was not accounted for in the calculation | | | | | | | | |
| Suppliers (for trading goods/services) | (281 210 101) | (279 870 747) | (1 339 354,00) | (832 695 626) | (829 876 816,) | (2 818 810,00) | The movement in provision and bonus accrual incorrectly included and the change in receivables not included | | | | | | | | |
| Purchase of Property Plant and Equipment | (591 374 529) | (589 288 691) | (2 085 838) | (386 179 005) | (386 179 005,) | | Unexplained difference from the accumulated surplus was added to PPE was added by management to the calculations | | | | | | | | |
| | (25 451 044) | (25 074 625) | (375 766) | (278 844 356) | (295 184 102) | 16 339 746 | | | | | | | | | |
| Net increase/decrease in cash and cash equivalents (+) | 159 306 618 | 159 306 618 | | 454 490 720 | 454 490 720 | | | | | | | | | | |

| Finding Number | Findings | | | | | | | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | |
|--------------------------------|--|--------------------|---------------------|-------------------|--------------------|--------------------|--------------------|---|-----------------------|----------------|--------------------|-------------------|-------------|-------------|
| | | | | | | | | | | | | Short Term | Medium Term | Long Term |
| | | | | | | | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year |
| | increase/-decrease) | | | | | | | | | | | | | |
| | Cash and cash equivalents at the beginning of the year | 133 855 574 | 134 231 993 | (375 766,00) | 175 646 364 | 159 306 618 | 16 339 746 | | | | | | | |
| | Reconciliation of net cash flows from operating activities to surplus/(deficit) | | | | | | | | | | | | | |
| | Movements in provisions | 1 384 186 | (1 420 694) | 2 804 880 | 435 552 | (4 974 586) | 5 410 138 | Incorrect calculation on the movement in provisions | | | | | | |
| | Movement in trade and other payables (including vat and income tax payable): | 212 448 637 | 213 543 444 | (1 094 807) | 131 420 956 | 120 491 348 | 10 929 608 | Incorrect calculation on the trade and other payables | | | | | | |
| | | 565 955 657 | 564 245 584, | 1 710 073, | 107 357 624 | 91 017 878, | 16 339 746, | | | | | | | |
| 12. CONTRACTED SERVICES | | | | | | | | | | | | | | |

COAF 7 ISS 13 & COAF 32 ISS 66 - Prior year misstatement not resolved Assets that should have been capitalised were incorrectly classified as repairs and maintenance and expensed.

The following issues raised in the prior year relating to CoAF 28 ISS 107 has not been corrected for 2022-23 comparatives disclosed in the financial statements. We noted the following misclassification items incorrectly recorded in the line item repairs and maintenance:

Specific selection

| NO | DATE | TRANSACTION DESCRIPTION | GL/AP/AR ACC DESCRIPTION |
|----|------------|--|---|
| 1 | 2022/08/23 | ELECTRICAL REPAIRS AND INSTALLATION OF B | ZAMMANE BUSINESS ENTERPRISE CC |
| 11 | 2022/12/15 | ELECTRICAL COMPONENTS OF BOREHOLES & WAT | ZAMMANE BUSINESS ENTERPRISE CC |
| 14 | 2022/12/21 | GROUNDWATER SOURCE DEVELOPMENT AT MAGOEG | NEMORANGO CONSULTING ENGINEERS JV BDGTR CONSULTING AND SUPPLY |
| 15 | 2022/09/08 | DRILLING & EQUIPPING OF BOREHOLES AT SHU | Masheleni Trading & Projects |
| 17 | 2022/12/21 | GROUND WATER SOURCE DEVELOPMENT | MAFOKO BROTHERS LOGISTICS |
| 19 | 2022/09/21 | EQUIPING OF BOREHOLES WITH PUMP HOUSES A | LANGU ELECTRICAL AND REFRIGERATION |
| 20 | 2022/12/21 | GROUND WATER SOURCE DEVELOPMENT AT MAGOE | LANGU ELECTRICAL AND REFRIGERATION |
| 21 | 2022/11/30 | ELECTRICAL COMPONENTS OF BOREHOLES & WAT | LANGU ELECTRICAL AND REFRIGERATION |
| 26 | 2022/10/03 | DRILLING & EQUIPPING OF BOREHOLES AT LOM | ZIGGY INVESTMENTS |
| 20 | 2022/12/21 | GROUND WATER SOURCE DEVELOPMENT AT MAGOE | LANGU ELECTRICAL AND REFRIGERATION |
| 21 | 2022/11/30 | ELECTRICAL COMPONENTS OF BOREHOLES & WAT | LANGU ELECTRICAL AND REFRIGERATION |
| 26 | 2022/10/03 | DRILLING & EQUIPPING OF BOREHOLES AT LOM | ZIGGY INVESTMENTS |

This was due to the actions as per the post audit action plan not implemented which required the review of the general ledger to ensure that transactions are appropriately classified for repairs and maintenance and for PPE and reviews were not adequately performed to ensure that all the required corrections were posted and adjusted in the financial statements

Journal proposed.



Worksheet in paap 23-24.xlsx

A comprehensive list was drafted indicating which transactions were capital of nature and were capitalised and which were deemed maintenance and duly expensed.

30 June 2025

Manager: Assets & Inventory

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--------|-----------------------|----------------|--------------------|-------------------|----------------|-------------|-----------------|-----------------|--------------------|---------|-----------|-----------------|-----------|--------|-----------|-----------|-----------|--------|-----------|------------|-----------|-------------|-----------|----------|-----------|-----------|-----------|--|--|--|--|--|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th colspan="2">Sample</th> </tr> <tr> <th>Location</th> <th>Item</th> </tr> </thead> <tbody> <tr> <td>Lohlakane</td> <td>Palisade panel</td> </tr> <tr> <td>Morwasethla</td> <td>4*9 tank stands</td> </tr> <tr> <td>Regional office</td> <td>5*15kva generators</td> </tr> <tr> <td>Lobatla</td> <td>Pumphouse</td> </tr> <tr> <td>Gopane-Radikudu</td> <td>Pumphouse</td> </tr> <tr> <td>Lekubu</td> <td>Pumphouse</td> </tr> <tr> <td>Motshwedi</td> <td>Pumphouse</td> </tr> <tr> <td>Mosweu</td> <td>Pumphouse</td> </tr> <tr> <td>Willowpark</td> <td>Pumphouse</td> </tr> <tr> <td>Knunotswano</td> <td>Pumphouse</td> </tr> <tr> <td>Rietplan</td> <td>Pumphouse</td> </tr> <tr> <td>Colosonia</td> <td>Pumphouse</td> </tr> </tbody> </table> | Sample | | Location | Item | Lohlakane | Palisade panel | Morwasethla | 4*9 tank stands | Regional office | 5*15kva generators | Lobatla | Pumphouse | Gopane-Radikudu | Pumphouse | Lekubu | Pumphouse | Motshwedi | Pumphouse | Mosweu | Pumphouse | Willowpark | Pumphouse | Knunotswano | Pumphouse | Rietplan | Pumphouse | Colosonia | Pumphouse | | | | | | | |
| Sample | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Location | Item | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lohlakane | Palisade panel | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Morwasethla | 4*9 tank stands | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Regional office | 5*15kva generators | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lobatla | Pumphouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gopane-Radikudu | Pumphouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lekubu | Pumphouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Motshwedi | Pumphouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Mosweu | Pumphouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Willowpark | Pumphouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Knunotswano | Pumphouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rietplan | Pumphouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Colosonia | Pumphouse | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 13. DEPRECIATION AND AMORTISATION | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | | | | | |
|---|---|----------------------------------|--------------------------------------|----------------------------------|--------------------|--------------------------------|----------------|----------------|------------|---------------------------|--|----------------------------------|------------|---------------|----------------|----------------|---------------|--|--|--------------|----------------------------|--|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | | | | | |
| CoAF 07 ISS.11 - Prior year misstatement not resolved – Difference between the depreciation in the statement of financial position and register. | <p>The following issues raised in the prior year relating to CoAF 2 ISS.02 has not been corrected for 2022-23 comparatives disclosed in the financial statements. We have noted the following misstatements.</p> <ul style="list-style-type: none"> The difference between the depreciation amount as per the asset register and amount disclosed in note 3 to the financial statements. <table border="1"> <thead> <tr> <th>Financial statement items</th> <th>Depreciation as per the PPE Register</th> <th>Depreciation disclosed in note 3</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>PPE – Infrastructure (2022-23)</td> <td>208 407 958,15</td> <td>207 522 427,00</td> <td>885 531,15</td> </tr> </tbody> </table> <ul style="list-style-type: none"> The difference between the depreciation and amortization amount as disclosed in the statement of financial performance and the amount as disclosed in note 3 to the financial statements. <table border="1"> <thead> <tr> <th>Financial statement items</th> <th>Depreciation and amortization in the statement financial performance and Note 25</th> <th>Depreciation disclosed in note 3</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>PPE (2022-23)</td> <td>231 501 625,00</td> <td>216 832 062,00</td> <td>14 669 563,00</td> </tr> </tbody> </table> | Financial statement items | Depreciation as per the PPE Register | Depreciation disclosed in note 3 | Difference | PPE – Infrastructure (2022-23) | 208 407 958,15 | 207 522 427,00 | 885 531,15 | Financial statement items | Depreciation and amortization in the statement financial performance and Note 25 | Depreciation disclosed in note 3 | Difference | PPE (2022-23) | 231 501 625,00 | 216 832 062,00 | 14 669 563,00 | <p>This was due to the actions as per the post audit action plan not implemented which required correcting journal to be passed to correct the error and reviews were not adequately performed to ensure that all the required corrections were posted and adjusted in the financial statements.</p> | <p>This was corrected, but the disclosure in the 2023/2024 AFS was incorrect.</p> <p>Corrections in the AFS will be made.</p> <p>The SAGE System and FAR is however correct.</p>  <p>Worksheet in paap 23-24.xlsx</p> | 30 June 2025 | Manager: Asset & Inventory | | | |
| Financial statement items | Depreciation as per the PPE Register | Depreciation disclosed in note 3 | Difference | | | | | | | | | | | | | | | | | | | | | |
| PPE – Infrastructure (2022-23) | 208 407 958,15 | 207 522 427,00 | 885 531,15 | | | | | | | | | | | | | | | | | | | | | |
| Financial statement items | Depreciation and amortization in the statement financial performance and Note 25 | Depreciation disclosed in note 3 | Difference | | | | | | | | | | | | | | | | | | | | | |
| PPE (2022-23) | 231 501 625,00 | 216 832 062,00 | 14 669 563,00 | | | | | | | | | | | | | | | | | | | | | |
| KPA 2: Basic service delivery and infrastructure development – Various indicator | | | | | | | | | | | | | | | | | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|--|----------------------|-------------------------|-------------------|-------------|--|-----------------------------------|-----------------------------------|-------------------|--|--|--------------------------|--------------------------|-------------------|---|--|---|---|----------------------|---|---|--|--|-------------------|---|---|-------------------------------|-------------------------|--|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | | | | | | | | | | | | | | |
| KPI 13 - Kilometres of aging leaking bulk pipelines replaced by 30 June 2024 | <p>During the testing of the reliability of the listings provided, the following issues were noted.</p> <p>1. There were differences noted between the APR and the listing provided, as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Indicator</th> <th>Achievement per APR</th> <th>Achievement per listing</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>KPI 12 - Number of boreholes drilled, equipped and refurbished by 30 June 2024</td> <td>27 boreholes drilled and equipped</td> <td>23 boreholes drilled and equipped</td> <td>4 – Overstatement</td> </tr> <tr> <td></td> <td></td> <td>07 Refurbished boreholes</td> <td>04 Refurbished boreholes</td> <td>3 - Overstatement</td> </tr> <tr> <td>2</td> <td>KPI 13 - Kilometres of aging leaking bulk pipelines replaced by 30 June 2024</td> <td>5,29 km of aging leaking bulk pipeline replaced</td> <td>1,99 Km of the 4,7 Km leaking bulk pipeline with uPVC from Wagkraal to Ottosdaal Town</td> <td>3,31 – Overstatement</td> </tr> <tr> <td>3</td> <td>KPI 15 - Number of mechanical and electrical water related queries repaired within 48 hours by 30 June 2024</td> <td>2 565 Mechanically and electrically water related queries repaired within 48 hours by 30 June 2024</td> <td>2 564 Mechanically and electrically water related queries repaired within 48 hours by 30 June 2024</td> <td>1 - Overstatement</td> </tr> </tbody> </table> <p>This results in material overstatement of the reported achievement of the following indicators:</p> <ul style="list-style-type: none"> KPI 12 - Number of boreholes drilled, equipped and refurbished by 30 June 2024 KPI 13 - Kilometres of aging leaking bulk pipelines replaced by 30 June 2024 <p>The above further results in a limitation in the further testing of the reported achievement.</p> | | Indicator | Achievement per APR | Achievement per listing | Difference | 1 | KPI 12 - Number of boreholes drilled, equipped and refurbished by 30 June 2024 | 27 boreholes drilled and equipped | 23 boreholes drilled and equipped | 4 – Overstatement | | | 07 Refurbished boreholes | 04 Refurbished boreholes | 3 - Overstatement | 2 | KPI 13 - Kilometres of aging leaking bulk pipelines replaced by 30 June 2024 | 5,29 km of aging leaking bulk pipeline replaced | 1,99 Km of the 4,7 Km leaking bulk pipeline with uPVC from Wagkraal to Ottosdaal Town | 3,31 – Overstatement | 3 | KPI 15 - Number of mechanical and electrical water related queries repaired within 48 hours by 30 June 2024 | 2 565 Mechanically and electrically water related queries repaired within 48 hours by 30 June 2024 | 2 564 Mechanically and electrically water related queries repaired within 48 hours by 30 June 2024 | 1 - Overstatement | <p>KPI 12 – The other boreholes were inclusive of other community service delivery directorates which is not inclusive of the allocated budget per directorates.</p> <p>KPI 13 -The achievement reported is based on the quantity Mid Term reviewed for completion and not entire projected pipeline completed by June 2024</p> <p>KPI 15 - There was a miscalculation on the submitted listing however the correct listing was submitted and the finding was resolved and closed</p> | <p>KPI 12 Management will ensure that the correct listing per allocated budget and technical reports is verified before submitted to AGSA</p> <p>Management will ensure that the correct listing and technical reports is verified before submitted to AGSA on work done according to length planned</p> <p>KPI 15 – management will ensure that the correct listing is verified before submitted to AGSA</p> | 2023/24 SDBIP mid term review | Manager: Water Services | | | |
| | Indicator | Achievement per APR | Achievement per listing | Difference | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | KPI 12 - Number of boreholes drilled, equipped and refurbished by 30 June 2024 | 27 boreholes drilled and equipped | 23 boreholes drilled and equipped | 4 – Overstatement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | 07 Refurbished boreholes | 04 Refurbished boreholes | 3 - Overstatement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | KPI 13 - Kilometres of aging leaking bulk pipelines replaced by 30 June 2024 | 5,29 km of aging leaking bulk pipeline replaced | 1,99 Km of the 4,7 Km leaking bulk pipeline with uPVC from Wagkraal to Ottosdaal Town | 3,31 – Overstatement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | KPI 15 - Number of mechanical and electrical water related queries repaired within 48 hours by 30 June 2024 | 2 565 Mechanically and electrically water related queries repaired within 48 hours by 30 June 2024 | 2 564 Mechanically and electrically water related queries repaired within 48 hours by 30 June 2024 | 1 - Overstatement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | |
|--|---|--|--|----------------|--------------------|-------------------|-------------|-------------|
| | | | | | | Short Term | Medium Term | Long Term |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year |
| KPI 14 - Number of monitoring reports of the Water Service Providers submitted to the Municipal Manager by 30 June 2024 | <p>During the audit of AoPO, it was noted that targets KPI 14 – Number of monitoring reports of the waste service providers submitted to the municipal manager is not specific as it does not outline the type of monitoring that will per be performed and measured.</p> <p>It was further noted that the municipality reported an achievement of 2 against a target of 2, however, under reasons for non/over achievement, it was indicated that Water Service Providers are not responsive in submitting quarterly reports, this suggests that the municipality reported an under-achievement, whereas this is not the case. Management further disclosed the following under measures taken to improve performance: "Local municipalities were requested to submit quarterly reports with schedule of how reports must be submitted", this is a further indication of contradictory reporting where management reported that an achievement of 2 reports against a target of 2 reports, however, there are still measures taken to improve performance disclosed.</p> <p>Management did not set an indicator that that specific, measurable and achievable according to the relevant framework for performance information.</p> | Management to provide with the root cause. | The KPI will be revised during the mid-year review and ensure that it addresses the SMART principle. | | Manager: WS | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | |
|---|---|--|--|----------------|--------------------|-------------------|-------------|-------------|
| | | | | | | Short Term | Medium Term | Long Term |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year |
| KPI 17 - Number of Water Treatment Plants maintained by 30 June 2024 | <p>During the audit of KPI 17 - Number of waste water treatment plants maintained by 30 June 2024, the auditor requested for planned maintenance to take place in the WWTW during the 2023/24, however, management submitted the general maintenance plans which outlines the issues that WWTWs have and general maintenance such as Oil, grease, V-belts, gasgtes, bolts, nuts, etc. Furthermore, it was noted that management signed off the maintenance performed by the contractors, however, there is no evidence that the maintenance was assessed against the planned tasks. Furthermore, the municipality does not have a budget for each of the WWTW to be maintained, there is only a lump sum figure for all plants. The following details were noted from the maintenance reports submitted for audit, however, the auditor could not verify the validity of the maintenance performed against the planned maintenance for the current financial year as the municipality did not outline the specific planned maintenance for the year</p> | Management to provide with the root cause. | <p>(1) All planned maintenance activities (preventative, refurbishment and repairs) for each quarter will be listed by the service provider and issued to the client for approval. The approved list of maintenance activities will be used for tracking progress made during the quarter. Unplanned maintenance activities resulting from unexpected plant failures will be highlighted at the end of the quarter as part of the POE. The developed list of maintenance activities will highlight the type of activity undertaken(Preventative, planned, unplanned, refurbishment, etc)</p> <p>(2)Budget has been allocated per WWTW</p> | | Manager: WS | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | |
|---|--|---|---|---|---|--|--|--------------|--|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | |
| KPI 11 - Number of fire stations on phase 1 and 2 completed at Ratlou and Tswaing Fire Stations by 30 June 2024 | <p>We noted inconsistencies in between the planned target and reported target, During the audit of KPI 11 - Number of fire stations on phase 1 and 2 completed at Ratlou and Tswaing Fire Stations by 30 June 2024</p> <table border="1"> <tr> <td>Two fire stations on phase 1 and 2 completed by 30 June 2024 (Ratlou and Tswaing Fire Stations) (Phase 1 - Compacting; Guard Houses; Water Rectification; Site Paving and Electrification. Phase 2 - 50% Construction completed</td> <td>There is no revised target final APR</td> <td> Ratlou (Setlagole) Fire Station: Phase 1 Site hand-over took place on 01-Mar-2024. 51% Progress on site. Setting out and site clearance; Site clearance for paving, roads and building platform; Refurbishment of Existing Borehole; Sighting and Drilling of New Borehole; Pipe fitting installations (Sewer junctions) Setlagole Fire Station: Phase 2 not catered for in this financial year Tswaing (Delareyville) Fire Station: Final completion certificate signed dated 28 June 2024. </td> <td> Quarter 3 Target Revised Phase 1 for Setlagole will be completed in 2024/2025 financial year. Quarter 4 Target Revised Phase 2 in Tswaing will be completed in the 2024/2025 financial year. However, the above revision has not been included in the Final APR </td> </tr> </table> <p>This finding was raised by internal audit, however, it was not addressed by management. This is due to lack of sufficient review of the APR against the relevant revisions that are made by council and revised SDBIP prior to submission the Auditor General.</p> | Two fire stations on phase 1 and 2 completed by 30 June 2024 (Ratlou and Tswaing Fire Stations) (Phase 1 - Compacting; Guard Houses; Water Rectification; Site Paving and Electrification. Phase 2 - 50% Construction completed | There is no revised target final APR | Ratlou (Setlagole) Fire Station: Phase 1 Site hand-over took place on 01-Mar-2024. 51% Progress on site. Setting out and site clearance; Site clearance for paving, roads and building platform; Refurbishment of Existing Borehole; Sighting and Drilling of New Borehole; Pipe fitting installations (Sewer junctions) Setlagole Fire Station: Phase 2 not catered for in this financial year Tswaing (Delareyville) Fire Station: Final completion certificate signed dated 28 June 2024. | Quarter 3 Target Revised Phase 1 for Setlagole will be completed in 2024/2025 financial year. Quarter 4 Target Revised Phase 2 in Tswaing will be completed in the 2024/2025 financial year. However, the above revision has not been included in the Final APR | Management to provide with the root cause. | The management will ensure that the APR is verified and aligned with the SDBIP and revised SDBIP before the submission | Manager: PMU | | | |
| Two fire stations on phase 1 and 2 completed by 30 June 2024 (Ratlou and Tswaing Fire Stations) (Phase 1 - Compacting; Guard Houses; Water Rectification; Site Paving and Electrification. Phase 2 - 50% Construction completed | There is no revised target final APR | Ratlou (Setlagole) Fire Station: Phase 1 Site hand-over took place on 01-Mar-2024. 51% Progress on site. Setting out and site clearance; Site clearance for paving, roads and building platform; Refurbishment of Existing Borehole; Sighting and Drilling of New Borehole; Pipe fitting installations (Sewer junctions) Setlagole Fire Station: Phase 2 not catered for in this financial year Tswaing (Delareyville) Fire Station: Final completion certificate signed dated 28 June 2024. | Quarter 3 Target Revised Phase 1 for Setlagole will be completed in 2024/2025 financial year. Quarter 4 Target Revised Phase 2 in Tswaing will be completed in the 2024/2025 financial year. However, the above revision has not been included in the Final APR | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | |
|---|---|--|---|--|--------------------|--|-------------|-------------|--|
| | | | | | | Short Term | Medium Term | Long Term | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | |
| KPI 18 - Kilometres of gravel roads constructed and maintained by 30 June 2024 | During the planning phase of AoPO, it was noted that management set targets for the following indicators and subsequently revised the targets significantly, this is an indication that there was lack of adequate planning by management prior to setting the targets: | | | | | Manager Transportation Engineering and Roads | | | |
| | Indicator | Baseline (Prior year reported achievement – 2022/23) | Initial target | Revised target | | | | | |
| | KPI 12: Number of boreholes drilled, equipped and refurbished by 30 June 2024 | 26 boreholes were drilled and equipped | 19 boreholes drilled and equipped by 30 June 2024: | 73 boreholes drilled and equipped and 07 boreholes refurbished by 30 June 2024: | | | | | |
| | KPI 15: Number of mechanical and electrical water related queries repaired within 48 hours by 30 June 2024 | 2203 water related queries addressed within 48 hour | 1800 mechanically and electrically water related queries repaired within 48 hours by 30 June 2024. | 2204 mechanically and electrically water related queries repaired within 48 hours by 30 June 2024. | | | | | |
| | KPI 16: Number of water and sanitation samples collected, tested and uploading of information onto the DWS Performance Management System by 30 June 2024 | 718 Water and Wastewater Samples collected and tested and information uploaded onto the DWS Performance Management System (IRIS) by 30 June 2023 | 1176 Water and waste water Samples collected, tested and uploaded onto the DWS Performance Management System (IRIS) by 30 June 2024 | 816 Water and Wastewater Samples, collected, tested and uploaded onto the DWS Performance Management System (IRIS) By 30 June 2024 | | | | | |
| KPI 18: Kilometres of gravel roads constructed and maintained by 30 June 2024 | 60,5 KM of gravel roads maintained by 30 June 2023 | 30 KMs of Gravel roads maintained | 22,3 KMs of Gravel roads constructed and 3,3km maintained by 30 June 2024 | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | |
|--|---|-----------------------------------|--|----------------|--------------------|-------------------|-------------|-------------|
| | | | | | | Short Term | Medium Term | Long Term |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year |
| KPI -22 Number of VIP toilets constructed and completed by 30 June 2024 | During the audit of KPI 22 – VIP toilets, the following differences were noted between the supplier statements of toilets completed and the management listing provided of toilets completed. Management indicated that the service provider did not perform any work relating to VIP toilets at Ratlou in the current financial year, however, upon inspection of the supplier statement, it was noted that the supplier constructed 2417 VIP toilets in the current financial year which was not reported in the APR. | Management to provide root cause. | Management to provide corrective action. | | Manager: PMU | | | |
| KPA 4 Local Economic Development | | | | | | | | |

| Finding Number | Findings | Cause | Management Corrective | Implementation | Responsible Person | Planning Timeline | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|--|--|----------------------------|-------------------|-------------|---------------|--|-------------------|---|--------|----------|---------------|--|---|--------|-------------|---------------|--|---|----------|---------------|---------------|--|---|---------|-------------------|---------------|---|--|--|--|
| | | | | | | Short Term | Medium Term | Long Term | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | Feb-Jun 2025 | Jul-Dec 25 | Over 1 year | | | | | | | | | | | | | | | | | | | | | | | | | |
| KPI 35 - Number of extended contracts through EPWP by 30 June 2024 | During the audit of KPI 35: Number of extended contracts through EPWP, the following issues were noted: | Management provided reports for appoints for the year under review | Management to report on contracts extended/ appointments for the year under review | Dec 2024 | Manager: Rural Development | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>No</th> <th>Surname</th> <th>Name</th> <th>ID number</th> <th>Auditor's comment</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Seheri</td> <td>Kgomotso</td> <td>7902155533086</td> <td>These are new appointments as they were replacing EPWP employees who previously resigned, therefore, not valid to be reported as EPWP contract extended.</td> </tr> <tr> <td>2</td> <td>Dintoe</td> <td>Kgosietsile</td> <td>8603015524088</td> <td></td> </tr> <tr> <td>3</td> <td>Monamodi</td> <td>Karabo Trevor</td> <td>9207205087085</td> <td>Contract relate to the 2022/23 financial year as it was signed on 01/02/2023 and was valid between 04 Jan 2023 - 31 Dec 2023 . Therefore, the contract is not valid and has incorrectly been reported in the current financial year.</td> </tr> <tr> <td>4</td> <td>Mothupi</td> <td>Keabetswe Daphney</td> <td>9601270300086</td> <td>Furthermore, no extension was made after contract expiry.</td> </tr> </tbody> </table> | | | | | No | Surname | Name | ID number | Auditor's comment | 1 | Seheri | Kgomotso | 7902155533086 | These are new appointments as they were replacing EPWP employees who previously resigned, therefore, not valid to be reported as EPWP contract extended. | 2 | Dintoe | Kgosietsile | 8603015524088 | | 3 | Monamodi | Karabo Trevor | 9207205087085 | Contract relate to the 2022/23 financial year as it was signed on 01/02/2023 and was valid between 04 Jan 2023 - 31 Dec 2023 . Therefore, the contract is not valid and has incorrectly been reported in the current financial year. | 4 | Mothupi | Keabetswe Daphney | 9601270300086 | Furthermore, no extension was made after contract expiry. | | | |
| | No | | | | | Surname | Name | ID number | Auditor's comment | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1 | | | | | Seheri | Kgomotso | 7902155533086 | These are new appointments as they were replacing EPWP employees who previously resigned, therefore, not valid to be reported as EPWP contract extended. | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2 | | | | | Dintoe | Kgosietsile | 8603015524088 | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Monamodi | Karabo Trevor | 9207205087085 | Contract relate to the 2022/23 financial year as it was signed on 01/02/2023 and was valid between 04 Jan 2023 - 31 Dec 2023 . Therefore, the contract is not valid and has incorrectly been reported in the current financial year. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | Mothupi | Keabetswe Daphney | 9601270300086 | Furthermore, no extension was made after contract expiry. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| This is due to lack of adherence to the indicator description during the reporting period where management did not consider that the indicator specifically indicates that it will be reporting on | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

**CoAF 24 - ISS: 74
Expenditure not
paid within 30
days of receipt of
invoice**

During the audit of Expenditures, we observed that the following invoices were not paid within the required 30-day period:

| Account Number | Date | Reference | Description | Amount | Invoice Date Or Receipt of Invoice as per the stamp on the invoice | Payment Date | Difference in days |
|--|-----------|------------|-----------------------------|------------|--|--------------|--------------------|
| O0001/IE00698/F0041/X046/R0434/001/CSS | 27-Jun-24 | 033NMMDM | FUSION TACTICAL TEAM | 2740019,42 | 2024/05/30 | 2024/07/05 | 36 |
| O1257-1/IE011955/F0041/X146/R0343/001/ROAD | 17-Aug-23 | 9021178173 | KOMATSU SOUTH AFRICA | 75000,00 | 2023/07/13 | 2023/08/18 | 36 |
| O1257-1/IE011955/F0041/X146/R0343/001/ROAD | 17-Aug-23 | 9021178173 | KOMATSU SOUTH AFRICA | 1894,12 | 2023/07/13 | 2023/08/18 | 36 |
| O1257-1/IE011955/F0041/X146/R0343/001/ROAD | 17-Aug-23 | 9021178173 | KOMATSU SOUTH AFRICA | 830,56 | 2023/07/13 | 2023/08/18 | 36 |
| O1257-1/IE011955/F0041/X146/R0345/001/ROAD | 17-Aug-23 | 9021178173 | KOMATSU SOUTH AFRICA | 2144040,75 | 2023/07/13 | 2023/08/18 | 36 |
| O1257-1/IE011955/F0041/X146/R0341/001/ROAD | 13-Sep-23 | 9329 | MAHIKENG LOCAL MUNICIPALITY | 5458410,97 | 2023/07/19 | 2023/09/14 | 57 |

Management will manage cash flows better to ensure that payments are made within 30 days. Business process will be updated to enhance cash flow management.

Manager: Expenditure

| | | | | | | | | | | | | | | | | | | |
|--|---|------------|--|--------------------------------|------------|------------|------------|----|--|--|--|--|--|--|--|--|--|--|
| | O1257-1/E011955/F0041/X146/R0341/001/ROAD | 20-Oct-23 | 9331 | MAHIK ENG LOCAL MUNIC IPALIT Y | 2331000,00 | 2023/09/14 | 2023/10/20 | 36 | | | | | | | | | | |
| | O0001/I E00584 /F0041/ X046/R 0433/00 1/CSS | 28-Jun-24 | INVOICE NO:18344 | SALGA | 4745810,00 | 2024/04/12 | 2024/07/09 | 88 | | | | | | | | | | |
| | O0001/I E00584 /F0041/ X049/R 0433/00 1/BTO | 15-May-24 | INV23240 | CAMELSA CONS ULTING GROUP | 73043,48 | 2024/05/10 | 2024/07/04 | 55 | | | | | | | | | | |
| | O0001/I E00584 /F0041/ X049/R 0433/00 1/BTO | 2023/12/13 | 9797/3372/6018/6328/3665/6214/3557/ | CIGFA RO | 24150,43 | 2023/11/03 | 2023/12/14 | 41 | | | | | | | | | | |
| | O0001/I E00609 /F0041/ X046/R 0433/00 1/CSS | 13-Jun-24 | 990000501497 | DEPARTMENT OF LABOR | 1449869,17 | 2024/04/30 | 2024/06/13 | 44 | | | | | | | | | | |
| | O0001/I E00609 /F0041/ X046/R 0433/00 1/CSS | 10-Nov-23 | 140021694966/142221694975/140021694986 | DEPARTMENT OF LABOR | 693020,27 | 2023/11/02 | 2023/12/11 | 39 | | | | | | | | | | |
| | O0001/I E00609 /F0041/ X046/R 0433/00 1/CSS | 10-Nov-23 | 140021694966/142221694975/140021694986 | DEPARTMENT OF LABOR | 941765,34 | 2023/11/02 | 2023/12/11 | 39 | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | |
|--|---|--------------------|--|--|-------------------|------------|------------|-----|--|--|--|--|--|--|--|--|--|
| | O0001/I E00609 /F0041/ X046/R 0433/00 1/CSS | 10- Nov- 23 | 14002 16949 66/142 22169 4975/1 40021 69498 6 | DEPA RTME NT OF LABO UR | 8522 12,2 2 | 2023/11/02 | 2023/12/11 | 39 | | | | | | | | | |
| | O0001/I E00584 /F0041/ X081/R 0433/00 1/IASS | 22- May- 24 | 30-04- 2024 | Exila Travel Centre | 2369 7,00 | 2024/04/06 | 2024/06/12 | 67 | | | | | | | | | |
| | O0001/I E00584 /F0041/ X046/R 0433/00 1/CSS | 13- Oct- 23 | NMMD M/Org/ 02/23 | IGKM MANA GEME NT SERVI CES | 1095 40,0 0 | 2023/07/14 | 2023/10/13 | 91 | | | | | | | | | |
| | O0001/I E00579 /F0041/ X146/R 0434/00 1/WS | 04- Jul- 23 | 40700 02 | Eskom | 1962 7,26 | 2024/06/14 | 2024/07/15 | 31 | | | | | | | | | |
| | O1544- 5/IE006 51/F00 41/X12 0/R043 4/001/R OAD | 2023 /11/1 0 | TAS20 20.34 | TASMI CA CONS TRUC TION & | 2826 59,3 9 | 02/10/2023 | 16/11/2023 | 45 | | | | | | | | | |
| | O1544- 5/IE006 51/F00 41/X12 0/R043 4/001/R OAD | 2023 /11/1 2 | ATP 22984 0 | AQUA TRAN SPOR T & PLANT HIRE | 8036 50,9 6 | 01/10/2023 | 11/12/2023 | 71 | | | | | | | | | |
| | O1544- 5/IE006 51/F00 41/X12 0/R043 4/001/R OAD | 2023 /08/0 1 | ATP 22833 9 | AQUA TRAN SPOR T & PLANT HIRE | 2652 30,6 3 | 01/08/2023 | 11/12/2023 | 132 | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | | |
|---|------------|--------------|---------------------------------|-----------|------------|------------|-----|--|--|--|--|--|--|--|--|--|--|--|--|
| O1544-5/IE00651/F0041/X120/R0434/001/ROAD | 2023/12/13 | ATP228521 | AQUATRANSPORT & PLANT HIRE | 794831,45 | 31/08/2023 | 14/12/2023 | 105 | | | | | | | | | | | | |
| O1544-5/IE00651/F0041/X120/R0434/001/ROAD | 2023/06/30 | INVNO:394770 | Auditor General of South Africa | 32146 | 30/06/2023 | 26/09/2023 | 88 | | | | | | | | | | | | |
| O1544-5/IE00651/F0041/X120/R0434/001/ROAD | 2023/12/07 | CPH-0907/02 | Captive Plum Heels | 167250 | 19/03/2023 | 10/05/2024 | 428 | | | | | | | | | | | | |
| O1544-5/IE00651/F0041/X120/R0434/001/ROAD | 2023/12/11 | PINV04442 | ESRI SOUTH AFRICA | 869147,58 | 26/09/2023 | 21/11/2023 | 56 | | | | | | | | | | | | |
| O0001/IE00604/F0041/X109/ | 2024/03/04 | 18 | THE CAPRICORN CONSORTIUM | | | | | | | | | | | | | | | | |
| O0001/IE00778/F0041/X046/R0434/001/CSS | 2023/09/15 | INV:215610 | Telkom | | | | | | | | | | | | | | | | |
| O0001/IE00778/F0041/X046/R0434/001/CSS | 2023/10/10 | INV:216980 | Telkom | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|--|--|--------------------|------------------------|-----------------------------|--|--|--|--|--|--|--|--|--|
| | O0001/ IE0060 4/F004 1/X146 /R0434 /001/W S | 2024 /06/2 8 | 352 | Tumak ele Tradin g | | | | | | | | | |
| | O0001/ IE0077 8/F004 1/X046 /R0434 /001/C SS | 2023 /09/0 5 | 3G PAYM ENT | Vodac om | | | | | | | | | |
| | O0001/ IE0077 8/F004 1/X046 /R0434 /001/C SS | 2023 /09/0 6 | INV:B8 79903 721 | Vodac om | | | | | | | | | |

**CoAF 28 - ISS 83:
Payables from
exchange
transactions –
Trade payables –
Invoices not paid
within 30 days**

Contrary to the above, during the audit of trade payables transactions, we noted that the following invoices were paid after 30 days.

| No | Supplier Name | Invoice number | Invoice date received | Date of payment | Total invoice amount (inclusive of VAT) | Days took to make payment |
|----|--|----------------|-----------------------|-----------------|---|---------------------------|
| 1 | FUSI001 (FUSION TACTICAL TEAM) | 035NMMD M | 2024/06/28 | 2024/08/30 | 3 164 922,31 | 63 |
| | | 032NMMD M | 2024/04/25 | 2024/07/05 | 3 157 577,33 | 71 |
| 2 | IZWE001 (IZWELETHU CEMFORCE CC) | 1750 | 2024/05/22 | 2024/07/04 | 11 605 622,32 | 43 |
| | | 1751 | 2024/06/14 | 2024/07/19 | 11 547 707,85 | 35 |
| | | 1749 | 2024/05/22 | 2024/07/05 | 7 731 889,73 | 44 |
| 3 | LANGU001 (LANGU ELECTRIC AL AND REFRIGERATION) | 200424/1 | 2024/04/22 | 2024/07/08 | 10 384 500,00 | 77 |
| | | LED200924 | 2024/05/23 | 2024/07/25 | 1 146 928,18 | 63 |
| 4 | MOED001 (MOEDI CONSULTING) | 240033 | 2024/04/24 | 2024/07/04 | 4 270 804,78 | 71 |
| | | 240128 | 2024/06/10 | 2024/07/19 | 8 135 206,04 | 39 |
| 5 | ZIGG003 (ZIGGY/ISIPHETHU JV) | INV03024 | 2024/04/24 | 2024/07/04 | 2 381 920,25 | 71 |
| | | INV02924 | 2024/04/24 | 2024/07/04 | 1 244 127,50 | 71 |
| | | INV03024 | 2024/04/24 | 2024/07/05 | 1 221 127,50 | 72 |
| | | INV02924 | 2024/04/24 | 2024/07/04 | 2 053 175,02 | 71 |
| 6 | THEM002 (THEMAK CONSULTING CC) | 4 | 2024/03/26 | 2024/07/04 | 1 457 785,85 | 100 |
| | | 16MR | 2024/03/11 | 2024/07/04 | 6 780 241,78 | 115 |
| | | 1 | 2024/05/28 | 2024/08/29 | 1 144 993,84 | 93 |
| | | 1 | 2024/06/25 | 2024/08/05 | 8 745 548,81 | 41 |

Management did not monitor the compliance with laws and regulations to pay the suppliers within the 30 days.

Manager: Expenditure

| | PROJECT S | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|----------|---|------------------|--------------|-------------------|--------------|---------------------|------------|------------------------|------------|--------------------------|------------|------------------|------------|---------------------|---------|-------------------|---------|--------------------------|---------|---|--|--|----------------|--|--|--|--|
| CoAF 18 – Iss 48: Procurement and Contract management - No competitive bidding process followed for procurement above R 200 k | <p>During testing of competitive bids, we noted that the following transactions above the transaction value of R 200 000 did not follow competitive bidding process:</p> <table border="1"> <thead> <tr> <th>Supplier</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Molefe Attorneys</td> <td>1 145 799,89</td> </tr> <tr> <td>ME Tlou Attorneys</td> <td>1 741 973,26</td> </tr> <tr> <td>KGOMO ATTORNERY INC</td> <td>299 640,70</td> </tr> <tr> <td>DE SWARDT VOGEL MYAMBO</td> <td>786 628,00</td> </tr> <tr> <td>TIRO ATTORNEYS (PTY) LTD</td> <td>379 738,35</td> </tr> <tr> <td>Molefe Attorneys</td> <td>506 654,17</td> </tr> <tr> <td>KGOMO ATTORNERY INC</td> <td>397 548</td> </tr> <tr> <td>ME Tlou Attorneys</td> <td>964 456</td> </tr> <tr> <td>TIRO ATTORNEYS (PTY) LTD</td> <td>288 765</td> </tr> </tbody> </table> | Supplier | Amount | Molefe Attorneys | 1 145 799,89 | ME Tlou Attorneys | 1 741 973,26 | KGOMO ATTORNERY INC | 299 640,70 | DE SWARDT VOGEL MYAMBO | 786 628,00 | TIRO ATTORNEYS (PTY) LTD | 379 738,35 | Molefe Attorneys | 506 654,17 | KGOMO ATTORNERY INC | 397 548 | ME Tlou Attorneys | 964 456 | TIRO ATTORNEYS (PTY) LTD | 288 765 | Cases of attorneys emanates from court order which indicate timeline to be implemented, failure to implement within the date issued by the court will results result in fines / penalties, therefore it becomes impractical to source through competitive bidding | | | Manager: Legal | | | | |
| Supplier | Amount | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Molefe Attorneys | 1 145 799,89 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ME Tlou Attorneys | 1 741 973,26 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| KGOMO ATTORNERY INC | 299 640,70 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| DE SWARDT VOGEL MYAMBO | 786 628,00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TIRO ATTORNEYS (PTY) LTD | 379 738,35 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Molefe Attorneys | 506 654,17 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| KGOMO ATTORNERY INC | 397 548 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ME Tlou Attorneys | 964 456 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TIRO ATTORNEYS (PTY) LTD | 288 765 | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3.PROCUREMENT AND CONTRACT MANAGEMENT | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CoAF 10 - ISS 38: Procurement and Contract management – non-responsive bidder awarded the contract – Travel Agency | <p>During the audit of Bid Number NMMDM 23-24-03 BTO (APPOINTMENT OF A PANEL OF FIVE SERVICE PROVIDERS FOR TRAVEL AGENCY SERVICES IN NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY FOR A PERIOD OF THREE YEARS ON AS AND WHEN REQUIRED BASIS), the following was noted:</p> <p>1. The bid requirements specified that the bidder must hold a valid Association of Southern African Travel Agents (ASATA) membership and provide proof of such membership. Successful compliance with this criterion is worth 20 points.</p> <p>Non-compliance with the above-mentioned requirements was identified during the assessment of Exila Travel Centre as follows:</p> <p>Upon reviewing the bidding documents of Exila Travel Centre, the audit team observed that although the bidder submitted a membership certificate, their details could not be verified on the ASATA membership verification site.</p> <p>The threshold for awarding the contract was set at 35 points. According to the auditor's assessment, the bidder scored 30 points, making them non-responsive and ineligible for the contract. Therefore, they should not have been awarded the contract.</p> <p>The issue resulted from a lack of adequate oversight by the Evaluation and Adjudication Committees in properly assessing and verifying the tender requirements prior to awarding the contract.</p> | | Management did not review and monitor compliance with applicable laws and regulations. The Bid Evaluation and Adjudication Committee did not conduct a thorough review or adequately verify the validity of the bidder's ASATA membership status. | | | Manager: SCM | | | | | | | | | | | | | | | | | | | | | | | |
| 4.CONSEQUENCE MANAGEMENT | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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|--|---|---|--|--|----------------------|--|--|--|
| <p>CoAF 30 - ISS 92: UIF&W - No investigations to recover UIF&W expenditure</p> | <p>As per the Terms of Reference of Section 32 Committee, the objectives of the section 32 committee are to: –</p> <ul style="list-style-type: none"> Investigate the circumstances of unauthorized, irregular, fruitless and wasteful expenditure. based on the facts revealed by the investigation, consider whether the Municipality received value or suffered any loss. <p>i. conclude that, where the Municipality: received value and suffered no loss, that a claim against the official/ councillor</p> <p>ii. concerned would not succeed and that no further steps be taken, or received no value and suffered loss, that a claim against the official/ councillor for the recovery of such loss be instituted: and</p> <ul style="list-style-type: none"> Report to council with recommendations. <p>The Municipality has appointed the Section 32 Committee, MPAC to investigate matters of Unauthorised, Irregular, Fruitless and wasteful expenditure, however the committee has conducted investigation on irregular expenditure for 2018/2019 Financial year only, therefore no investigation conducted on 2020-2023 Financial year on irregular expenditure.</p> <p>No process has been undertaken to ensure that investigations were conducted as per the Unauthorised, Fruitless and Wasteful expenditure (UIF&W) register, as a result no recovery of losses have been instituted and recommendations to the council have not been made.</p> <ul style="list-style-type: none"> Furthermore management was requested to submit evidence of disciplinary steps taken to the officials who were liable for the irregular and fruitless and wasteful expenditure as per sample attached with RFI 49 , however management failed to submit any information relating to sample <p>s per the Terms of Reference of Section 32 Committee, the objectives of the section 32 committee are to: –</p> <ul style="list-style-type: none"> Investigate the circumstances of unauthorized, irregular, fruitless and wasteful expenditure. based on the facts revealed by the investigation, consider whether the Municipality received value or suffered any loss. conclude that, where the Municipality: received value and suffered no loss, that a claim against the official/ councillor concerned would not succeed and that no further steps be taken, or received no value and suffered loss, that a claim against the official/ councillor for the recovery of such loss be instituted: and Report to council with recommendations. The Municipality has appointed the Section 32 Committee, MPAC to investigate matters of Unauthorised, Irregular, Fruitless and wasteful expenditure, however the committee has conducted investigation on irregular | <p>Management did not ensure compliance with Section 32(2)(b) of the MFMA and the Terms of Reference of Section 32 Committee.</p> | | | <p>Manager: MPAC</p> | | | |
|--|---|---|--|--|----------------------|--|--|--|

| | | | | | | | | |
|--|---|--|--|--|--|--|--|--|
| | <p>expenditure for 2018/2019 Financial year only, therefore no investigation conducted on 2020-2023 Financial year on irregular expenditure.</p> <ul style="list-style-type: none"> • • No process has been undertaken to ensure that investigations were conducted as per the Unauthorised, Fruitless and Wasteful expenditure (UIF&W) register, as a result no recovery of losses have been instituted and recommendations to the council have not been made. • • Furthermore management was requested to submit evidence of disciplinary steps taken to the officials who were liable for the irregular and fruitless and wasteful expenditure as per sample attached with RFI 49 , however management failed to submit any information relating to sample | | | | | | | |
|--|---|--|--|--|--|--|--|--|

ASSET MANAGEMENT

| CoAF 21 - ISS 72: PPE - Disposals – PPE: Non-compliance with MFMA 63(1) (a) and MFMA 63(2)(c) | <p>During the audit it was noted through inspection of the annual financial statements and the 2023-24 asset register, that the municipality had disposed infrastructure assets amounting to R49 687 020, Movable assets amounting to R1 578 474 and Building amounting to R103 334. The following table indicates different categories of assets disposed assets and managements comments:</p> | | | | <p>No proper inventory list for newly acquired assets. Newly acquired assets are distributed to borehole sites to replace assets and the replaced assets are not returned to the Store. The infrastructure assets are not properly safeguarded. The municipality failed to maintain and implement the system of internal controls in respect of the following: Ensuring that all damaged / replaced assets at the borehole sites are returned to the stores for safeguarding. Ensuring that all damaged / replaced assets are returned regularly to stores before the annual asset verification. Ensuring that all Team Leaders and Foremen are held accountable for failure to ensure that damaged and replaced assets are handed back to stores instantly. Ensuring that there was a standard register of all returned damaged / replaced assets for regular updating of the assets register. The maintenance official replaces assets damaged without ensuring proper recording and safeguarding at the stores. Job cards are completed when assets are replaced, however the assets are not updated in the assets register after replacement and the assets recorded in the register cannot be traced with the assets in the stores as there are no unique identifiers/ barcodes. The newly acquired assets are removed from the store in Molopo to be installed without</p> | <p>The complete business process regarding the appointment of contractors for repairs and maintenance at boreholes will be documented. The system of linking job cards to asset component replacements will be improved and the a process will be implemented to indicate what happens with redundant/broken asset components.</p> | <p>30 June 2025</p> | <p>Manager: Asset & Inventory</p> | | | | | | | | | | | | | | | | | | | | |
|--|--|--|---|--------------|---|--|---------------------|---------------------------------------|---|--------------------|---------------------|-------------------------------|--------------|---|---|--------------------|---|---|---|--------------------|----------------------------------|--|------------|---|----------------------------------|--|-------------------------------|--------------|
| | <table border="1"> <thead> <tr> <th>Description</th> <th>Category</th> <th colspan="2">Management comment</th> </tr> </thead> <tbody> <tr> <td>Write Off 2024</td> <td>Proposed derecognition - removed/replaced</td> <td colspan="2">Management indicated that the assets were replaced during the repairs and maintenance of infrastructure assets conducted throughout the year. However, management was unable to provide sufficient documentation or locate the replaced assets that were handled by the contractors. When requested to provide supporting documentation for a sample of these assets, job cards were submitted. However, the auditors were unable to trace the individual job cards to the specific assets selected, as the job cards did not contain unique references that could be easily linked to the disposed assets in the Fixed Asset Register (FAR). The auditors communicated this limitation to management and held multiple discussions in an attempt to trace the job cards to the FAR but were unable to resolve the issue.</td> </tr> <tr> <td>Write Off 2024</td> <td>Proposed derecognition - removed</td> <td colspan="2">Management reported that the assets were either removed, vandalized, or stolen. However, the Fixed Asset Register (FAR) does not provide specific details or clear explanations regarding the status of each asset, leaving the reasons for their removal or loss unclear.</td> </tr> <tr> <td>Write Off 2024 - Transferred</td> <td>Jojo tanks to be transferred out</td> <td colspan="2">The JoJo tanks were initially installed within individual yards, but they were formally transferred to the respective individuals in 2023/24, with signed acknowledgements of receipt. The GC is to ensure that all supporting documentation is properly maintained.</td> </tr> </tbody> </table> | | | | | | | | | | | Description | Category | Management comment | | Write Off 2024 | Proposed derecognition - removed/replaced | Management indicated that the assets were replaced during the repairs and maintenance of infrastructure assets conducted throughout the year. However, management was unable to provide sufficient documentation or locate the replaced assets that were handled by the contractors. When requested to provide supporting documentation for a sample of these assets, job cards were submitted. However, the auditors were unable to trace the individual job cards to the specific assets selected, as the job cards did not contain unique references that could be easily linked to the disposed assets in the Fixed Asset Register (FAR). The auditors communicated this limitation to management and held multiple discussions in an attempt to trace the job cards to the FAR but were unable to resolve the issue. | | Write Off 2024 | Proposed derecognition - removed | Management reported that the assets were either removed, vandalized, or stolen. However, the Fixed Asset Register (FAR) does not provide specific details or clear explanations regarding the status of each asset, leaving the reasons for their removal or loss unclear. | | Write Off 2024 - Transferred | Jojo tanks to be transferred out | The JoJo tanks were initially installed within individual yards, but they were formally transferred to the respective individuals in 2023/24, with signed acknowledgements of receipt. The GC is to ensure that all supporting documentation is properly maintained. | | |
| | Description | Category | Management comment | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Write Off 2024 | Proposed derecognition - removed/replaced | Management indicated that the assets were replaced during the repairs and maintenance of infrastructure assets conducted throughout the year. However, management was unable to provide sufficient documentation or locate the replaced assets that were handled by the contractors. When requested to provide supporting documentation for a sample of these assets, job cards were submitted. However, the auditors were unable to trace the individual job cards to the specific assets selected, as the job cards did not contain unique references that could be easily linked to the disposed assets in the Fixed Asset Register (FAR). The auditors communicated this limitation to management and held multiple discussions in an attempt to trace the job cards to the FAR but were unable to resolve the issue. | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Write Off 2024 | Proposed derecognition - removed | Management reported that the assets were either removed, vandalized, or stolen. However, the Fixed Asset Register (FAR) does not provide specific details or clear explanations regarding the status of each asset, leaving the reasons for their removal or loss unclear. | | | | | | | | | | | | | | | | | | | | | | | | | |
| Write Off 2024 - Transferred | Jojo tanks to be transferred out | The JoJo tanks were initially installed within individual yards, but they were formally transferred to the respective individuals in 2023/24, with signed acknowledgements of receipt. The GC is to ensure that all supporting documentation is properly maintained. | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>1. The table below indicates the selected sample of replaced infrastructure assets; however, management was unable to provide supporting documentation or locate these assets, which were replaced by the contractors</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1"> <thead> <tr> <th>Category</th> <th>Location</th> <th>New_FAR_ID</th> <th>Component Type</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Proposed derecognition - removed/replaced</td> <td>Setlagole BH Kriel</td> <td>FAR/INFRA/2019/1920</td> <td>Water Pump - Submersible Pump</td> <td>3 795 679.99</td> </tr> <tr> <td>Proposed derecognition - removed/replaced</td> <td>Mafikeng Water Treatment Plant (Game Reserve)</td> <td>FAR/INFRA/2019/214</td> <td>Water Pump Electrical - Motor</td> <td>2 036 691.67</td> </tr> <tr> <td>Proposed derecognition - removed/replaced</td> <td>Setlagole BH Kriel</td> <td>FAR/INFRA/2019/5433</td> <td>Bulk Water Meter</td> <td>546 509.60</td> </tr> <tr> <td>Proposed derecognition - removed/replaced</td> <td>Lichtenburg Boreholes</td> <td>FAR/22/INFRANFPR/000003</td> <td>Water Pump - Submersible Pump</td> <td>1 184 236.91</td> </tr> </tbody> </table> | | | | Category | Location | New_FAR_ID | Component Type | Amount | Proposed derecognition - removed/replaced | Setlagole BH Kriel | FAR/INFRA/2019/1920 | Water Pump - Submersible Pump | 3 795 679.99 | Proposed derecognition - removed/replaced | Mafikeng Water Treatment Plant (Game Reserve) | FAR/INFRA/2019/214 | Water Pump Electrical - Motor | 2 036 691.67 | Proposed derecognition - removed/replaced | Setlagole BH Kriel | FAR/INFRA/2019/5433 | Bulk Water Meter | 546 509.60 | Proposed derecognition - removed/replaced | Lichtenburg Boreholes | FAR/22/INFRANFPR/000003 | Water Pump - Submersible Pump | 1 184 236.91 |
| Category | Location | New_FAR_ID | Component Type | Amount | | | | | | | | | | | | | | | | | | | | | | | | |
| Proposed derecognition - removed/replaced | Setlagole BH Kriel | FAR/INFRA/2019/1920 | Water Pump - Submersible Pump | 3 795 679.99 | | | | | | | | | | | | | | | | | | | | | | | | |
| Proposed derecognition - removed/replaced | Mafikeng Water Treatment Plant (Game Reserve) | FAR/INFRA/2019/214 | Water Pump Electrical - Motor | 2 036 691.67 | | | | | | | | | | | | | | | | | | | | | | | | |
| Proposed derecognition - removed/replaced | Setlagole BH Kriel | FAR/INFRA/2019/5433 | Bulk Water Meter | 546 509.60 | | | | | | | | | | | | | | | | | | | | | | | | |
| Proposed derecognition - removed/replaced | Lichtenburg Boreholes | FAR/22/INFRANFPR/000003 | Water Pump - Submersible Pump | 1 184 236.91 | | | | | | | | | | | | | | | | | | | | | | | | |

| | | | | |
|---|---|--------------------------|------------------------------|--------------|
| Proposed derecognition - removed/replaced | Mafikeng Water Treatment Plant (Game Reserve) | FAR/22/INFRAN FPR/000060 | Water Pump Mechanical - Pump | 1 294 186.38 |
|---|---|--------------------------|------------------------------|--------------|

2. The table below indicates the selected sample of removed infrastructure assets; however, the municipality was unable to provide sufficient evidence or a clear explanation detailing the circumstances of each asset's removal.

| Category | Location | New_FAR_ID | Component Type | Amount |
|----------------------------------|--------------------------|--------------------------|--|------------|
| Proposed derecognition - removed | Madibogo Pan | FAR_2020_4 | Water Pump Civil & Pipes | 408 953.58 |
| Proposed derecognition - removed | Ntswelotsoku ditlhakwane | FAR_2021_NF_01125 | Water Pump - Submersible Pump | 314 526.98 |
| Proposed derecognition - removed | BH: Kereke Supingstad | FAR_2021_NF_01136 | Water Pump - Submersible Pump | 318 281.01 |
| Proposed derecognition - removed | Supingstaad New 2 | FAR_2021_NF_01137 | Water Pump - Submersible Pump | 318 281.01 |
| Proposed derecognition - removed | Setlopo West BH 2 | FAR_2021_NF_01420 | Water Pump - Submersible Pump | 446 956.55 |
| Proposed derecognition - removed | Bodibe New BH | FAR_2021_NF_01592 | Water Pump - Submersible Pump | 338 414.73 |
| Proposed derecognition - removed | Lichtenburg Boreholes | FAR_2021_NF_01614 | Water Pump Civil & Pipes | 256 840.16 |
| Proposed derecognition - removed | Witpoort BH | FAR_22_INFRA NFPR_000050 | Water Pump - Submersible Pump | 329 163.30 |
| Proposed derecognition - removed | Klipfield Reservoir 3 | FAR_INFRA_2019_1406 | Water Pump Civil & Pipes | 273 235.09 |
| Proposed derecognition - removed | Khunotswana borehole 6 | FAR_INFRA_2019_4266 | Telemetry - Pump Station | 202 153.64 |
| Proposed derecognition - removed | Siberia Borehole 3 | FAR_INFRA_2019_1713 | Generator (incl diesel tank, electrical) | 118 478.67 |
| Proposed derecognition - removed | Lichtenburg Boreholes | FAR_INFRA_2019_4968 | Bulk Water Meter | 61 879.98 |
| Proposed derecognition - removed | Supingstaad New 1 | FAR_2021_NF_01142 | Water Pump - Submersible Pump | 318 281.01 |

3. The following table indicates proposed derecognition in 2021.

being barcoded and properly recorded in the register.

| | Category | New_FAR_ID | Component Type | Amount | | | | | | |
|---|---|--------------|---|--------------|--|--------------|-------------------------|--|--|--|
| | Proposed derecognition in 2021-replaced | FAR_WP_EA_57 | Water Pipes (incl. hydrants & valves) | 5 886 007.15 | | | | | | |
| DELIVERY OF MUNICIPAL SERVICE – MAHIKENG WASTEWATER TREATMENT WORKS | | | | | | | | | | |
| Coaf 8 - Operations at the Mafikeng Wastewater Treatment Works causing pollution to water resources and likely harm to the community | Raw wastewater was flowing into the environment, causing pollution to water resources and likely harm to the community. | | The WWTWs was not operating at an optimal level resulting in wastewater not being treated before it is discharged into the adjacent environment contributing to pollution to the water resources and possibly being harmful to the community This was because measures such as regular maintenance, repairs and upgrades to the WWTWs were not in place to prevent such pollution from occurring, continuing or recurring. It was also noted that various mechanical and operational equipment were non-functional, depleted | | The municipality through the building maintenance unit to appoint the competent service provider to do assessment of damaged building and determine the repair costs | 30 June 2025 | Manager: Water Services | | | |
| Coaf 8 - Operations at the Mafikeng Wastewater Treatment Works causing pollution to water resources and likely harm to the community | Lack of safeguarding of the infrastructure assets at the WWTW and lack of proper access control. | | On the day of the visit, there was evidence of electrical cable theft. The electric fence was not functional, resulting in a risk of unauthorised access to the WWTWs, possibly contributing to the incidences of cable theft and vandalism at the WWTWs. | | To review the current security company management. (2) To install proper fencing of the entire yard | Jan 2026 | Manager: Security | | | |

| | | | | | | | | |
|--|---|---|--|--------------|--------------|--|--|--|
| Coaf 8 - Operations at the Mafikeng Wastewater Treatment Works causing pollution to water resources and likely harm to the community | Dilapidated ablation facilities and staff buildings at the WWTW. | This was because measures such as regular maintenance, repairs and upgrades to the WWTWs were not in place to prevent such pollution from occurring, continuing or recurring. It was also noted that various mechanical and operational equipment were non-functional, depleted | The municipality through the building maintenance unit to appoint competent service provider to do assessment of damaged building and determine the repair costs. | 30 June 2025 | Manager: WS | | | |
| Coaf 8 - Operations at the Mafikeng Wastewater Treatment Works causing pollution to water resources and likely harm to the community | The WWTW did not have a water use license as required by section 22(1)(b) of the National Water Act (NWA). | | Secure funds and appoint a service provider who will perform the application process of a water use license | 30 June 2025 | Manager: WS | | | |
| CoAF 09 – ISS 19: AoPO - KPI 14 – Monitoring Reports - Target not specific and Limitation of scope | During the audit of AoPO, it was noted that targets KPI 14 – Number of monitoring reports of the waste service providers submitted to the municipal manager is not specific as it does not outline the type of monitoring that will per performed and measured. | - | The KPI will be revised during the mid-year review and ensure that it addresses the SMART principle. | | Manager: PMS | | | |
| CoAF 11 ISS 32: AoPO – Inconsistencies between council resolution, APR and SDBIP Audit finding | We noted inconsistencies in between the planned target and reported target. This is due to lack of sufficient review of the APR against the relevant revisions that are made by council and revised SDBIP prior to submission the Auditor General. | - | The management will ensure that the APR is verified and aligned with the SDBIP and revised SDBIP before the submission. | | Manager: PMS | | | |
| CoAF 11 - ISS 40: AoPO - Internal control deficiency - There is no adequate planning in place relating to the set target | During the planning phase of AoPO, it was noted that management set targets for the following indicators and subsequently revised the targets significantly, this is an indication that there was lack of adequate planning by management prior to setting the targets: | - | 1. KPA(7A): Management agree that when they divert from the initial SDBIB target a request will be submitted to council for approval. 2. Municipality decided to procure new fleet to eliminate breakdowns of internal old plant and reliance on plant hire. Attached see the request to purchase new plant. This process is ongoing. | | Manager: PMS | | | |

| | | | | | | | | |
|---|--|---|--|--|--------------|--|--|--|
| CoAF 11 - ISS 34: AoPO - Reasons for variance and measures to improve performance not disclosed/ supported/ relevant | During the audit of Annual Performance report, it was noted that the municipality disclosed reasons for non-achievements and measures taken to improve performance and based on the auditor's assessment, discrepancies were identified as follows: | - | 1. Municipality decided to procure a new plant to avoid breakdowns of internal old plants which cause insufficient equipment to implement this KPI and reliance of plant hire. This was due to the fact that municipality has insufficient budget to always repair plant. Attached see the request to purchase new plant and payment made to repair plant during the FY under review. The process of procuring a new plant is ongoing. | | Manager: PMS | | | |
| CoAF 12 - ISS 50: VIP toilets completed and transfer – difference between AFS and AoPO listings | During the audit of Inventory completed and transfers in AFS against the list of toilets completed in AoPO for the 2023/24 financial year, the following differences were noted: | - | - | | Manager: PMS | | | |
| CoAF 22 - ISS 52: AoPO - KPA 4 – KPI 35 - Number of extended contracts through EPWP – Invalid achievements reported | During the audit of KPI 35: Number of extended contracts through EPWP, the following issues were noted: | - | Management to report on extended contracts as per the description of the KPI | | Manager: PMS | | | |
| CoAF 22 - ISS 57: AoPO - KPI 22 - Number of VIP toilets - Initial beneficiary listing Audit finding | During the audit of KPI 22 - Number of VIP toilets, it was noted that the municipality does not have an initial listing of beneficiaries compiled by the ward councillors for Ramotshere Local Municipality. Management provided a listing for Ditsobotla LM, however, the auditors could not trace the following beneficiaries to the initial listing provided by councillors: | - | - | | Manager: PMS | | | |
| CoAF 34 ISS 109: AoPO - KPI 14 – Boreholes - Completeness and internal control deficiencies | During the completeness testing of KPI 12 - Number of boreholes drilled and equipped and refurbished, it was noted that the following boreholes that were included in the asset register were not included as part of the achievement and progress for the financial year in the annual performance report. The progress on the project was reported as 69% as at 23 December 2023 in the progress report, and at that stage, 2 boreholes were reported to be drilled and equipped, while 8 boreholes were in progress. Since management did not report on the progress as at 30 June 2024, the auditor was unable to assess if the rest of the boreholes were completed as at year end: | - | Technical service team will reconcile with Asset management team and report progress as such and will be included and reported in the next financial year 2024/25. | | Manager: PMS | | | |

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

| NAME | Full Time/ | COMMITTEES | Ward and/or Party Represented | Percentage Council Meeting Attendance | Percentage Council Meeting Non-Attendance |
|--------------------------------------|------------|---------------------------------------|-------------------------------|---------------------------------------|---|
| | Part Time | ALLOCATED | | | |
| Cllr KHUMALO MOLEFE | FT | Budget Steering | ANC | 100% | 0% |
| Cllr NTHABISENG SHUPING | FT | Rules and Ethics | ANC | 90% | 10% |
| Cllr CROSBY MAEMA | FT | Budget Steering | ANC | 100% | 0% |
| Cllr MARIA MONNANA | FT | Infrastructure and Technical Services | ANC | 100% | 0% |
| Cllr ABRAM THEMBINKOSI MABOVU | FT | Finance and BTO | ANC | 90% | 10% |
| Cllr NOMBULELO REGINA NGQOBE | FT | Sports, Arts and Culture | ANC | 90% | 10% |
| Cllr FREDDY ENOCK GANTANA | PT | MPAC | ANC | 80% | 20% |
| Cllr DIMAKATSO LYDIA MALWANE | PT | MPAC | ANC | 80% | 20% |
| Cllr BOITSHOKO ARCHIBOLD SELEKANYANE | FT | Special Projects | ANC | 80% | 20% |
| Cllr MONNAPULA SIMON MOTHIBI | FT | Planning & | ANC | 90% | 10% |
| Cllr COLLIN MOHELEKETE | PT | Corporate Support Services | ANC | 90% | 10% |
| Cllr GOPOLANG MARUPING | PT | | ANC | 60% | 40% |
| Cllr KEALEBOGA SEGA | PT | Corporate Support Services | ANC | 80% | 20% |
| Cllr MOTHUSI MSIMANGA | PT | Community Services | ANC | 20% | 80% |
| Cllr ITUMELENG MOARABI | FT | Local Economic Development | ANC | 50% | 50% |
| Cllr ERNEST PITSO | PT | Corporate Support Services | ANC | 40% | 60% |

| | | | | | |
|--------------------------------|----|--|------|-----|-----|
| Cllr MARGARET DALA | PT | Finance and BTO | ANC | 50% | 50% |
| Cllr GOMOTSEGANG MOGAPI | PT | Finance and BTO | ANC | 50% | 50% |
| Cllr LEVY TLHAGALE | PT | IGR, District Development & Spatial Planning | ANC | 60% | 40% |
| Cllr EMMAH MOLETE | PT | Corporate Support Services | ANC | 50% | 50% |
| Cllr DREYER CORNEL | PT | Finance and BTO | DA | 30% | 10% |
| Cllr MARCUS MOLEFE | FT | Corporate Support Services | EFF | 10% | 90% |
| Cllr PETRUS MOTSEOKAE TSAGAE | PT | Special Projects | EFF | 50% | 50% |
| Cllr TUMELO JACOB BAMPHITILE | PT | Infrastructure and Technical Services | EFF | 80% | 20% |
| Cllr MBAHARE JOHANNES KEKANA | FT | MPAC | F4SD | 60% | 40% |
| Cllr JURIE HENDRIK BOTHA | PT | Agriculture, Rural Development & Tourism | FF+ | 50% | 50% |
| Cllr KGOSIEMANG MOTLHATHEDI | PT | Special Projects | DA | 80% | 20% |
| Cllr MOSIMANEGAPE PHOKOMPE | PT | Community Services | ANC | 50% | 50% |
| Cllr GOBUSAMANG MOSIEDI | PT | Agriculture, Rural Development & Tourism | EFF | 10% | 90% |
| Cllr MASELABE AGNES MAKGOKGOWA | FT | Community Services | ANC | 70% | 30% |
| Cllr KEATLARETSE NKO | PT | Agriculture, Rural Development & Tourism | EFF | 70% | 30% |
| Cllr ARISTA-LOUISE ANNANDALE | PT | Corporate Support Services | DA | 60% | 40% |
| Cllr MMAMMEREKI PLAATJI | PT | Finance and BTO | ANC | 80% | 20% |
| Cllr WELHELM PRETORIUS | PT | Sports, Arts and Culture | DA | 60% | 40% |
| Cllr BRENDA MOKHUANE | PT | Finance and BTO | DA | 40% | 60% |
| Cllr SEMPHELE MATSHEKA | PT | IGR, District Development & Spatial Planning | EFF | 30% | 70% |

| | | | | | |
|---------------------------------|----|--|------|-----|-----|
| Cllr KEDIBOGETSE MOLEFE | PT | IGR, District Development & Spatial Planning | EFF | 10% | 90% |
| Cllr IRENE TLADI | PT | Community Services | F4SD | 30% | 70% |
| Cllr MASEGO KHATHAZO | PT | Finance and BTO | ANC | 70% | 30% |
| Cllr MARIA MERRIAM MORUAPHEKO | PT | IGR, District Development & Spatial Planning | EFF | 60% | 40% |
| Cllr JAIROS MODISAKENG | PT | Agriculture, Rural Development & Tourism | ANC | 30% | 70% |
| PATRICK KEEBINE | PT | Agriculture, Rural Development & Tourism | ANC | 10% | 90% |
| Cllr SEBOLAO TSHOLOFELO BRUNNET | PT | Agriculture, Rural Development & Tourism | ANC | 10% | 90% |

APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

| Committees (other than Mayoral / Executive Committee) and Purposes of Committees | |
|--|---|
| Municipal Committees | Purpose of Committee |
| COMMUNITY SERVICES, HEALTH, LAND USE, ENVIRONMENT, DISASTER MANAGEMENT & SOCIAL DEVELOPMENT | Fire and Rescue Services of the NMMDM is a service unit that is equipped to manage fire brigade and rescue and municipal health services |
| CORPORATE SUPPORT, ICT & SHARED SERVICES | the Support Services provides legal support, advise, opinions, contracts drafting and general advice to the council and administration |
| INFRASTRUCTURE DEVELOPMENT, TECHNICAL SERVICES & MAINTENANCE | Responsible for the operations and maintenance of the water and roads infrastructure |
| LED, AGRICULTURE, RURAL DEVELOPMENT & TOURISM | Promoting local economies by assisting SMMEs to register and open businesses and assist in the implementation of poverty alleviation projects |
| FINANCE (BUDGET & TREASURY) | Responsible for the preparation of the MTREF Budget and sound financial management |
| RULES AND ETHICS | Responsible for the development of rules and standing orders for council and make sure that they are adhered to |
| REMUNERATION COMMITTEE | Responsible for upper limits and all benefits related matters |
| SPECIAL PROJECTS, STAKEHOLDER RELATIONS, YOUTH, WOMAN EMPOWERMENT, SENIOR CITIZENS, PEOPLE WITH DISABILITY COMMITTEE | Advocating for the vulnerable groups i.e. youth, gender, children, senior citizens and people with disabilities |
| INTER-GOVERNMENTAL RELATIONS, INTEGRATED DISTRICT DEVELOPMENT & SPATIAL PLANNING | Responsible for the preparations, implementation and review of the IDP, Town planning and public participation |
| SPORTS, ARTS, CULTURE & TRADITIONAL AFFAIRS | Providing leadership to the sport, arts, culture and traditional affairs to accelerate transformation; oversee the development and management of sport, arts and culture in the District; promote sports participation; improve, preserve, develop, protect and promote the cultural and diversity; Consult and engage traditional leaders on issues of development |

T B

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

| Third Tier Structure | |
|---|--|
| Directorate | Director/Manager (State title and name) |
| Municipal Manager | Olehile Allan Losaba |
| Office of the Municipal Manager | |
| Manager in the Municipal Managers Office | Vacant |
| Manager Performance Management System | G Thaganyane |
| Manager Communications | L Matsose |
| Manager Intergovernmental Relations | S Makhoba |
| Manager Risk | M Modise |
| Office of the Chief Financial Officer | |
| Chief Financial Officer | GP Moroane |
| Manager Assets | O Seope |
| Manager Income and Expenditure | SF Ndaba |
| Manager Budget and Reporting | MA Ntaopane |
| Manager Supply-chain | S K Phutieagae |
| Corporate Resource Support Services | |
| Senior Manager | Vacant |
| Manager Advisory Services | K Pulenyane |
| Manager Labour Relations | G Meko |
| Manager Fleet | M Stemmer |
| Manager Human Resource | B Mahape |
| Manager Administration | D Ramotsoela |
| Manager Information Communication Technology | M.R Mogotsi |
| Manager Occupational Health and Wellness | N Molale |
| Infrastructure Development and Maintenance | |
| Senior Manager | M Rassool |
| Manager Roads | K Pulenyane |
| Manager Water Services | A Senwedi |
| Manager Water and Sanitation | V Maboka |
| Manager Project Management Unit | G Nthompe |
| Municipal Health Safety and Services | |
| Senior Manager | MM Molawa |
| Manager Fire and Rescue | G.G Kwena |
| Manager Disaster Management | S Lesenyego |
| Manager Municipal Health and Safety | J Moleofane |
| Manager MISS | D Mashi |

| Third Tier Structure | |
|---|--|
| Directorate | Director/Manager (State title and name) |
| Planning and Development | |
| Senior Manager | T T Ramorei |
| Manager Social Services | Vacant |
| Manager Town and Regional Planning | C Mbengo |
| Manager Integrated Development Plan (IDP) | T Mpa |
| Manager Rural Development | M Boikanyo |
| Manager Local Economic Development | Vacant |
| Manager Research and Monitoring | Vacant |
| Internal Audit | |
| Chief Audit Executive | L Mosiane |
| Audit Executive | P Mahole |
| Audit Executive | S Oostruis |
| Audit Executive | Vacant |
| Office of the Executive Mayor | |
| Manager Office of the Speaker | P Maitshotlo |
| Manager Office of the Chief Whip | F Malope |
| Manager Office of the Mayor | R Mothupi |
| Manager MPAC | T Matseke |
| <i>TC</i> | |

APPENDIX D – FUNCTIONS OF MUNICIPALITY / ENTITY

| Municipal / Entity Functions | |
|---|---|
| MUNICIPAL FUNCTIONS | Function Applicable to Municipality (Yes / No) * |
| Constitution Schedule 4, Part B functions: | |
| Firefighting services | Yes |
| Local tourism | Yes |
| Municipal airports | Yes |
| Municipal planning | Yes |
| Municipal health services | Yes |
| Municipal public works only in respect of the needs of municipalities in the discharge of their responsibilities to administer functions specifically assigned to them under this Constitution or any other law | Yes |
| Licensing and control of undertakings that sell food to the public | Yes |
| <i>TD</i> | |

APPENDIX G – RECOMMENDATIONS OF THE RISK AUDIT COMMITTEE YEAR 2023/2024

| Municipal Audit Committee Recommendations | | |
|--|--|--|
| Date of Committee | Committee recommendations during 2023/2024 | Recommendations adopted (enter Yes) If not adopted (provide explanation) |
| 12 MAY 2022 | Analysis on plan for five years, governance structures, budget, and process plans | YES |
| | Compliance management/Compliance register to be developed, implemented and progress report be presented in all Audit committee meeting | YES |
| | Formal Risk Management Training /workshop needs to be conducted | YES |
| | All Risk Management policies to be approved on or before 30 June 2022 | YES |
| | A robust turnaround strategy with short, medium, and long term should be developed for addressing PAAP | YES |
| | Implementation of Consequence management to senior managers who are not performing | YES |
| | Assessment of Senior managers including the backlog | YES |
| | Assessment of all Service Providers | YES |
| | MPAC to fast track the investigation of the UIF&W before 30 June 2022 | YES |
| | The municipality to review its evaluation process to avoid terminations of service providers. | YES |
| | The municipality to consider compiling quarterly financial statements for presentation to the Audit and Risk | YES |
| | The analysis report on water tankering, set target against the budget and the plans going forward | YES |
| | Development of Policy framework on Policy development | YES |
| | Possible establishment of research unit to explore grant funding | YES |
| Development of infrastructure plan to address vandalism including road maintenance | YES | |
| | | T G |

AUDIT AND RISK COMMITTEE ANNUAL REPORT 2023/24

We are pleased to present our report for the financial year ended 30 June 2024

1. Audit and Risk Committee Responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that we have not reviewed changes in accounting policies and practices.

2. Audit and Risk Committee members and attendance

The Audit and Risk Committee, consisting of independent outside members, meets at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

3. The Effectiveness of Internal Control

Several deficiencies in the system of internal control and/or deviations there were noted by the Audit and Risk Committee internal auditors and the Auditor-General. The material internal controls related to:

- Supply chain management
- Irregular expenditures
- Asset management
- Performance management

4. In-Year Management and Monthly/Quarterly Report

The municipality did have an monthly and quarterly reporting system to the Council as required by the Municipal Finance Management Act (MFMA). Performance Management.

The AC reviewed functionality of the performance management system and it appears to be partial functional, there is a room for improvement in so far as achievement of planned targets is concerned and capacitating the Performance Management Unit. Furthermore, there is urgent need to conduct prior year assessments and cascade down performance management system

5. ICT Governance

The AC reviewed functionality of the ICT unit and it appears to be not functional, there is a room for improvement in so far as investment in digital technology is concerned and capacitating the Unit with skilled personnel.

6. Risk Management

The AC is of the opinion that municipality's risk management appears to be partial effective for the better of the year in material respect, and the municipality risk management strategy and related policies were approved late and hotline as part of fraud prevention strategy still to be implemented.

The committee remains concerned that not all ICT and financial risks are being addressed or mitigated in implementing new systems which is emanating from the monitoring of the risk register and progress reports on the respective action plans. The committee is urging management to adopt an aggressive anti-corruption measures to curb and prevent possible fraud and corruption. There is a need to develop and / or review a detailed fraud prevention plan and progress reports on the action plans for addressing the fraud risks.

7. Business Continuity Management

There was no progress on the development and implementation of the Business Continuity Management and Disaster Recovery Plan. This is of critical importance as this will assist the Municipality's resilience to the risk of disruptions to business processes.

8. Unauthorised, Irregular and Fruitless and wasteful Expenditure

The committee noted that there is no progress in preventing and reducing Irregular, Fruitless and Wasteful expenditure for the financial year under review. MPAC should fastrack the investigation of unwanted expenditure and management should develop and implement a reduction plan implemented speedily to ensure that there is resolution in this regard.

9. Material Irregularity

The committee is concerned that the external auditor has been issuing Material Irregularities (MI) in the two financial years and there is less progress in ensuring that there are no MIs issued against the municipality. The progress of the MI will be monitored on regular basis.

10. Compliance with laws and regulations

Material non-compliance relating to supply chain management, and municipal finance management act was reported by Audit and Risk Committee, and Internal Audit.

11. Internal Audit

The AC is satisfied with the effectiveness of Internal Audit and there is a need to fast-track the implementation of Combined Assurance Model.

12. Progress in implementation of Internal Audit and AGSA findings from prior year

AGSA and Internal Audit recommendations were not fully implemented by management at the time of this report.

13. Implementations of Audit and Risk Committee Recommendations by management

A material number of Audit and Risk Committee recommendations to management were noted implemented.

14. Annual Financial Statements and Annual Performance Report

Audit and Risk Committee reviewed the unaudited Annual Financial Statements and Annual Performance report and support its submission to AGSA for audit.

15. Conclusion

The Audit and Risk Committee wishes to acknowledge the commitment from Council, management and staff of the municipality. The stability in terms of the political and administrative leadership of the municipality has contributed to these improvements reported above. We would also like to thank the Speaker, Executive Mayor for his support, Councillors, senior management for their efforts and internal audit for their contribution.



SAB Ngobeni
Chairperson of the Audit and Risk Committee

APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS

| Disclosures of Financial Interests | | |
|--|---------------------------|--|
| Period 1 July to 30 June of 2023/2024 | | |
| Position | Name | Description of Financial interests* (Nil / Or details) |
| (Executive) Mayor | Cllr PK Molefe | Disclosed |
| Member of Mayco / Exco | | |
| Councillors | Cllr C Maema (Chief Whip) | 4 Houses (Zeerust) 1 Stand (Zeerust) |
| | | |
| | Cllr FE Gantana | House (Tsetse) |
| | Cllr LD Malwane | Farm (Deelpan) Farm (Sannieshof) |
| | Cllr NR Ngqobe | Nil |
| | Cllr JT Bamphitile | Nil |
| | | |
| Municipal Manager | OA Losaba | 1 House (Mafikeng) 1 House (Westbrook) 1 Flat (Meyersdal) 3 Erven (Mafikeng) Shares/pension – Old Mutual |
| Chief Financial Officer | G Moroane | Not disclosed |
| Senior Managers | T Ramorei | Not disclosed |
| | LI Mosiane | House Mafikeng |
| | M Rassool | Not disclosed |
| | | |
| T J | | |

APPENDIX K: REVENUE COLLECTION PERFORMANCE BY VOTE AND BY SOURCE

APPENDIX K (i): REVENUE COLLECTION PERFORMANCE BY VOTE

| Revenue Collection Performance by Vote | | | | | | | R' 000 |
|--|------------------|--------------------|------------------|------------------|------------------|--------------------|--------|
| Vote Description | 2022/23 | Current: 2023/2024 | | | 2023/24 Variance | | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjustments Budget | |
| Vote 1 - Mayoral Council | | | | | | | |
| Vote 2 - Municipal Manager | | | - | | | | |
| Vote 3 - Finance | 699 944 | 1 055 821 | 1 073 571 | 1 028 586 | 96% | 101% | |
| Vote 4 - Corporate Services | 511 | 0 | 393 | 0 | 0% | 0% | |
| Vote 5 - Development & Town Planning Services | 139 1 | 1 845 | 1 845 | 1 845 | 100% | 100% | |
| Vote 6 - Community Services | 71 | 90 | 90 | 127 | 132% | 132% | |
| Vote 7 - Public Works & Basic SS | 111 315 | 365 788 | 341 639 | 289 639 | 79% | 85% | |
| Vote 8 - Internal Audit | | | - | | | | |
| Example 9 - Vote 9 | | | - | | | | |
| Total Revenue by Vote | 1 261 530 | 1 412 395 | 1 229 964 | 1 365 575 | 97% | 111% | |
| <i>Variiances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3</i> | | | | | | T K.1 | |

APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE

| Revenue Collection Performance by Source | | | | | | |
|---|------------------|------------------|--------------------|------------------|--------------------|--------------------|
| R '000 | | | | | | |
| Description | 2022/2023 | 2023/2024 | | | 2023/2024 Variance | |
| | Actual | Original Budget | Adjustments Budget | Actual | Original Budget | Adjustments Budget |
| Property rates | - | - | - | - | - | - |
| Service charges - electricity revenue | - | - | - | - | - | - |
| Service charges - water revenue | 49 | 71 | 71 | 24 | 34% | 34% |
| Service charges - sanitation revenue | 99 | 38 | 38 | 77 | 203% | 203% |
| Rental of facilities and equipment | 398 | 290 | 290 | 412 | 412% | 412% |
| Interest earned - external investments | 28 875 | 150 | 18 150 | 658 | 438% | 3,6% |
| Interest earned - outstanding debtors | | - | - | - | - | - |
| Dividends received | | - | - | - | - | - |
| Fines, penalties and forfeits | | - | - | - | - | - |
| Licences and permits | 83 | 90 | 90 | 127 | 141% | -141% |
| Agency services | 0 | - | - | 0 | 0 | 0 |
| Transfers and subsidies | 1 297 038 | 1 066 741 | 1 067 134 | 1 296 364 | 122% | 121% |
| Other revenue | 1 081 | 500 | 250 | 549 | 110% | 220% |
| Gains | 22 914 | 0 | 0 | 6 203 | 0% | 0% |
| Total Revenue (excluding capital transfers and contributions) | 1 350 537 | 1 067 880 | 1 086 023 | 1 304 414 | 132% | 120% |
| <i>Variiances are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.</i> | | | | | | TK.2 |

APPENDIX L: CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

| Conditional Grants: excluding MIG 2023/24 | | | | | | |
|---|--------|--------------------|--------|----------|--------------------|---|
| | | | | | | R' 000 |
| Details | Budget | Adjustments Budget | Actual | Variance | | Major conditions applied by donor (continue below if necessary) |
| | | | | Budget | Adjustments Budget | |
| Neighbourhood Development Partnership Grant | | | | | | |
| | | | | | | |
| Public Transport Infrastructure and Systems Grant | | | | | | |
| | | | | | | |
| | | | | | | |
| Other Specify: | | | | | | |
| LG SETA | 0 | 393 | 725 | 725 | 332 | |
| EPWP | 1 845 | 1 845 | 1 845 | 0 | 0 | |
| Financial Management Grant | 3 000 | 3 000 | 3 000 | 0 | 0 | |
| Rural Roads Asset Management Grant | 2 728 | 2 728 | 2 728 | 0 | 0 | |
| Total | | | | | | |
| <p><i>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T 5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Obtain a list of grants from national and provincial government.</i></p> | | | | | | TL |

**APPENDIX M (I):
CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME**

| Capital Expenditure - New Assets Programme* | | | | | | | |
|---|----------------|-----------------|-------------------|--------------------|-----------------------------|----------------|----------|
| R '000 | | | | | | | |
| Description | 2022/2023 | 2023/2024 | | | Planned Capital expenditure | | |
| | Actual | Original Budget | Adjustment Budget | Actual Expenditure | 2022/23 | 2023/24 | 2024/25 |
| Capital expenditure by Asset Class | | | | | | | |
| Infrastructure – Total | 132 147 | 374 939 | 490 864 | 348 513 | 51 000 | 171 242 | - |
| Infrastructure: Water - Total | 128 726 | 288 307 | 159 047 | 159 139 | - | - | - |
| Boreholes | 102 801 | | | 86 451 | | | |
| Distribution | 7 006 | 288 307 | 159 047 | 72 688 | | | |
| Pumps Stations | 13 605 | - | - | - | | | |
| Reservoirs | 5 314 | - | - | - | | | |
| Reticulation | | | | | | | |
| Infrastructure: Sanitation – Total | 3 421 | 61 800 | 266 864 | 115 255 | 51 000 | 171 242 | - |
| Waste Water Treatment Works | 3 421 303 | 26 000 | 26 209 | - | 4 000 | | |
| Toilet Facilities | | 14 000 | 18 168 | 11 521 | - | - | - |
| Outfall Sewers | | 21 800 | 162 487 | 103 734 | 47 000 | 171 242 | |
| Infrastructure: Other - Total | - | - | | - | - | - | - |
| Waste Management | | | | | | | |
| Transportation | | | | | | | |
| Gas | | | | | | | |
| Other | | | 60 000 | | | | |
| Community – Total | - | 1 000 | 500 | - | 1 042 | 1 088 | - |
| Parks & gardens | | | | | | | |
| Fire/Ambulance Stations | | 1 000 | 500 | - | 1 042 | 1 088 | |
| Swimming pools | | | | | | | |
| Community halls | | | | | | | |
| Libraries | | | | | | | |
| Recreational facilities | | | | | | | |
| Fire, safety & emergency | | | | | | | |
| Security and policing | | | | | | | |
| Buses | | | | | | | |
| Clinics | | | | | | | |
| Museums & Art Galleries | | | | | | | |
| Cemeteries | | | | | | | |
| Social rental housing | | | | | | | |
| Other | | | | | | | |

Table continued from previous page

| Capital Expenditure - New Assets Programme* | | | | | | | |
|---|----------------|-----------------|-------------------|--------------------|-----------------------------|----------------|----------|
| | | | | | | | R '000 |
| Description | 2022/2023 | 2023/2024 | | | Planned Capital expenditure | | |
| | Actual | Original Budget | Adjustment Budget | Actual Expenditure | 2022/23 | 2023/24 | 2024/25 |
| Capital expenditure by Asset Class | | | | | | | |
| Heritage assets – Total | – | – | | – | – | – | – |
| Buildings | | | | | | | |
| Other | | | | | | | |
| Investment properties – Total | – | – | | – | – | – | – |
| Housing development | | | | | | | |
| Other | | | | | | | |
| Other assets | 18 520 | 23 832 | 64 453 | 74 119 | 25 172 | 26 280 | – |
| General vehicles | | | | | | | |
| Specialised vehicles | | | | | | | |
| Plant & equipment | 1 196 | – | – | – | 365 | 381 | |
| Computers - hardware/equipment | 666 | 3 332 | 4 453 | 1 634 | 3 415 | 3 566 | |
| Furniture and other office equipment | 483 | 2 000 | 2 000 | – | 2 311 | 2 413 | |
| Transport Assets | 16 175 | 8 500 | 58 000 | 72 486 | 10 420 | 10 878 | |
| Land | | 9 000 | – | – | 8 661 | 9 042 | |
| | – | – | | – | – | – | – |
| Agricultural assets | | | | | | | |
| List sub-class | – | – | | – | – | – | – |
| | – | – | | – | – | – | – |
| Biological assets | | | | | | | |
| List sub-class | 150 666 | – | – | – | 77 214 | 198 610 | – |
| | – | – | | – | – | – | – |
| Intangibles | | | | | | | |
| Computers - software & programming | | | | | | | |
| Other (list sub-class) | | | | | | | |

| | | | | | | | |
|--|--|--|--|--|--|--|--------------|
| Total Capital Expenditure on new assets | | | | | | | |
| Specialised vehicles | | | | | | | |
| Refuse | | | | | | | |
| Fire | | | | | | | |
| Conservancy | | | | | | | |
| Ambulances | | | | | | | |
| | | | | | | | <i>T.M.1</i> |

APPENDIX N

CAPITAL PROGRAMME BY PROJECT YEAR 2023/2024

| Capital Programme by Project: 2023/2024 | | | | |
|---|---------------------------------------|-------------------|------------------------|---------------------------|
| Project Title | BUDGETED MIG FUNDS (2023/2024) | ADJUSTMENT | ADJUSTED BUDGET | Actual Expenditure |
| BODIBE WARD 17 WATER RETICULATION | R 2 500 000,00 | R - | R 2 500 000,00 | R 2 654 167 - |
| DITSOBOTLA RURAL SANITATION PROGRAMME | R31 000 000 | R 17 000 000 | R 48 000 000 | R36 520 049 |
| MAFIKENG RURAL SANITATION PROGRAMME | R 7 337 847 | R 0 | R 7 337 847 | R 8 703 030 |
| LOTLHAKANE WATER SUPPLY | R 5 300 000 | R 0 | R 5 300 000 | R 10 286 701 |
| SETLOPO WATER SUPPLY | R 0 | R 2 630 687 | R 2 630 687 | R 2 630 687 |
| LONELY PARK WATER SUPPLY | R 0 | R 9 585 226 | R 9 585 226 | R 9 585 226 |
| MADIBE A TAU WATER SUPPLY | R 0 | R 7 387 265 | R 7 387 265 | R 7 387 265 |
| LOBATLA WATER SUPPLY | R 9 800 000 | R 0 | R 9 800 000 | R 26 804 429 |
| BORAKALLO WATER SUIPLY | R 8 400 000 | R 0 | R 8 400 000 | R 6 239 423 |
| RIETVLEI WATER SUPPLY | R 3 546 691 | R 0 | R 3 546 691 | R 1 233 050 |
| RAMOTSHERE-MOILOA RURAL SANITATION | R 30 356 691 | R 0 | R 30 356 691 | R 54 575 034 |
| ZEERUST WWTP PHASE 2 | R 19 959 807 | R 0 | R 10 000 000,00 | R 0 |
| MATLODING WATER SUPPLY EXTENSION | R 20 000 000 | R 0 | R 20 000 000 | R 24 607 527 |
| RATLOU RURAL SANITATION | R 74 130 539 | R 0 | R 74 130 539 | R 88 854 439 |
| SANNIESHOF/AGISANANG BULK WATER SUPPLY & RETICULATION | R 11 500 000 | -R 2 800 000 | R 8 700 000 | 0 |
| SANNIESHOF WWTW | R 8 829 539 | R 2 000 193 | R 10 829 732 | R 3 413 416 |

T N

APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD

| Capital Programme by Project by municipality : 2023/2024 | | |
|---|----------------------|---------------------------------|
| Capital Project | Municipality | Works completed (Yes/No) |
| Water | | |
| Bodibe Ward 17 Water Reticulation | Ditsobotla LM | No |
| Lotlhakane Water Supply | Ditsobotla LM | No |
| Water Supply in Rietvlei | Ramotshere Moiloa LM | No |
| Setlopo Water Supply | Mafikeng LM | No |
| Lonely Park Water Supply | Mafikeng LM | No |
| Madibe A Tau Water Supply | Mafikeng LM | No |
| Borakallo Water Supply | Ramotshere Moiloa LM | No |
| Lobatla Water Supply | Ramotshere Moiloa LM | No |
| Matloding Water Supply | Ratlou LM | YES |
| Sannieshof and Agisanang Bulk Water Supply & Reticulation | Tswaing LM | No |
| | | |
| Sanitation | | |
| Ditsobotla Rural Sanitation Programme | Ditsobotla LM | On-going |
| Mafikeng Rural Sanitation Programme | Mafikeng LM | On-going |
| Ramotshere Moiloa LM Rural Sanitation | Ramotshere Moiloa LM | On-going |
| Ratlou Rural Sanitation | Ratlou LM | On-going |
| Upgrade & Extension of Zeerusst WWTw | Ramotshere Moiloa LM | No |
| Sannieshof Wwtw Extension | Tswaing LM | No |

VOLUME II



ANNUAL FINANCIAL STATEMENTS

2023 -2024

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

| | |
|--|---|
| Legal form of entity | District municipality |
| Nature of business and principal activities | Water and Sanitation Service Authority, Fire Fighting and Municipal Health Services |
| Mayoral committee | |
| Executive Mayor | Hon. Molefe Khumalo |
| Speaker | Cllr. Shuping Nthabiseng |
| Single whip | Cllr. Maema Crosby |
| Infrastructure Development - Technical Services: | Cllr. Monnana Maria |
| Special Projects, Stakeholder Relations: | Cllr. Agnes Makgokgwa |
| Community Services & Social Development: | Cllr. Boitshoko Selekanyane |
| Finance (Budget & Treasury): | Cllr. Mabovu Thembinkosi |
| Inter-Governmental Relations & Spatial Planning: | Cllr. Mothibi Monnapula |
| Corporate Support, ICT & Shared Services: | Cllr. Dimakatso Malwane |
| LED, Agriculture, Rural Development & Shared: | Cllr. Moarabi Itumeleng |
| Sports, Arts, Culture & Traditional Affairs: | Cllr. Ngqobe Nombulelo |
| Councillors | Cllr. Mohelekete Collin Cllr. Maruping Gopolang Cllr. Sega Kealeboga Cllr. Msimanga Mothusi Cllr. Kathazo Masego Cllr. Pitso Ernest Cllr. Dala Margaret Cllr. Mogapi Gomotsegang Cllr. Phokompe Mosimagape Cllr. Tihagale Levy Cllr. Molete Emmah Cllr. Cornel Dreyer Cllr. Tsagae Motseokae Petrus Cllr. Bamphitile JacobTumelo Cllr. Kekana Bhahare Cllr. Botha Jurie Hendrik Cllr. Gadithulwe Kabelo Cllr. Motlathledi Kgosiemang Cllr. Phokompe Mosimanegape Cllr. Mosiedi Gobusamang Cllr. Nko Keatletsetse Cllr. Annandale Arista-Louise Cllr. Matsheka Semphete Cllr. Molefe Kedibogetse Cllr. Tladi Irene Cllr. Moruapheko Maria Merriam |
| Grading of local authority | Category C |
| Accounting Officer | OA Losaba |
| Chief Finance Officer (CFO) | GP Moroane (effective 1 August 2023) |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

General Information

| | |
|-----------------------------|--|
| Registered office | Cnr Carrington Street and 1st Avenue Industrial Site Mahikeng 2745 |
| Postal address | Private Bag X2165 Mahikeng 2745 |
| Bankers | First National Bank ABSA |
| Auditors | Auditor General of South Africa |
| Enabling legislation | Constitution of the Republic of South Africa (Act 108 of 1998) Municipal Finance Management Act, (Act 56 of 2003) Municipal Systems Act, (Act 32 of 2000) Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 3 of 2017) Division of Revenue Act (Act 16 of 2019) Municipal Demarcation Act, (Act 27 of 1998) |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Index

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

| | Page |
|--|-------------|
| Accounting Officer's Responsibilities and Approval | 321 |
| Accounting Officer's Report | 322 |
| Statement of Financial Position | 323 |
| Statement of Financial Performance | 324 |
| Statement of Changes in Net Assets | 325 |
| Cash Flow Statement | 326 |
| Statement of Comparison of Budget and Actual Amounts | 327 - 331 |
| Accounting Policies | 332- 369 |
| Notes to the Annual Financial Statements | 370 - 420 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Index

Abbreviations used:

| | |
|----------|---|
| AFSA | Arbitration Foundation Southern Africa |
| COIDA | Compensation for Occupational Injuries and Diseases Act |
| COVID-19 | Corona Virus Disease -19 |
| CPI | Consumer Price Index |
| DBSA | Development Bank of South Africa |
| FY | Financial Year |
| GAAP | Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| LM | Local Municipality |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| MPAC | Municipal Public Accounts Committee |
| mSCOA | Municipal Standard Chart of Accounts |
| NMMDM | Ngaka Modiri Molema District Municipality |
| SALGA | South African Local Government Association |
| SARS | South African Revenue Service |
| UIF | Unemployment Insurance Fund |
| VAT | Value Added Tax |
| WWTP | Waste Water Treatment Plant |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places 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 responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003).

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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 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 external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 6 to 103, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2024 and were signed by:



OA Losaba
Accounting Officer

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in services as a water and sanitation service authority, fire fighting and municipal health services and operates principally in South Africa.

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

Net surplus of the municipality was R 18,901,263 (June 2023: deficit R 349,681,680).

2. Going concern

I draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 4,731,928,405 (June 2023: 4,710,534,801) and that the municipality's total assets exceed its liabilities by R 4,731,928,405 (June 2023: 4,710,534,801).

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 municipality will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 4 of 2020).

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

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

Name
OA Losaba

6. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Ngaka Modiri Molema 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* |
|--|---------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Inventories | 7 | 27,432,261 | 63,187,804 |
| Receivables from exchange transactions | 8 | 10,463,209 | 9,042,515 |
| Receivables from non-exchange transactions | 9 | 26,199 | 26,199 |
| VAT receivable | 10 | 62,921,143 | 85,558,029 |
| Cash and cash equivalents | 11 | 134,231,993 | 159,306,618 |
| | | 235,074,805 | 317,121,165 |
| Non-Current Assets | | | |
| Investment property | 2 | 22,414,653 | 20,704,578 |
| Property, plant and equipment | 3 | 5,708,245,106 | 5,411,884,925 |
| Other financial assets | 4 | 377,996 | 346,478 |
| | | 5,731,037,755 | 5,432,935,981 |
| Total Assets | | 5,966,112,560 | 5,750,057,146 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 5 | 1,084,659,492 | 872,262,530 |
| Employee benefit obligation | 6 | 2,489,493 | 2,058,954 |
| Unspent conditional grants and receipts | 12 | - | 30,364,212 |
| Provisions | 13 | 40,864,951 | 39,480,765 |
| | | 1,128,013,936 | 944,166,461 |
| Non-Current Liabilities | | | |
| Employee benefit obligation | 6 | 106,170,219 | 95,355,884 |
| Total Liabilities | | 1,234,184,155 | 1,039,522,345 |
| Net Assets | | 4,731,928,405 | 4,710,534,801 |
| Accumulated surplus | | 4,731,928,405 | 4,710,534,801 |
| Total Net Assets | | 4,731,928,405 | 4,710,534,801 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Financial Performance

| Figures in Rand | Notes | 2024 | 2023 Restated* |
|--|-------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 15 | 81,011 | 54,296 |
| Commission income | | 4,349 | 1,670 |
| Rental of facilities and equipment | 16 | 412,279 | 398,254 |
| Licences and permits | 17 | 127,077 | 83,019 |
| Other income | 19 | 549,586 | 1,081,637 |
| Interest received - investment | 20 | 23,658,407 | 28,875,560 |
| Total revenue from exchange transactions | | 24,832,709 | 30,494,436 |
| Revenue from non-exchange transactions | | | |
| Transfer revenue | | | |
| Government grants & subsidies | 22 | 1,295,364,564 | 1,297,038,862 |
| Total revenue | 14 | 1,320,197,273 | 1,327,533,298 |
| Expenditure | | | |
| Employee related costs | 23 | (432,772,390) | (407,325,673) |
| Remuneration of councillors | 24 | (15,073,122) | (13,899,962) |
| Depreciation and amortisation | 25 | (201,794,703) | (231,501,624) |
| Finance costs | 27 | (12,198,223) | (14,198,473) |
| Lease rentals on operating lease | 18 | (2,146,271) | (1,424,611) |
| Inventory consumed | 29 | (15,707,405) | (11,484,749) |
| Contracted services | 31 | (196,746,252) | (608,204,675) |
| Transfers and subsidies | 21 | (21,400,002) | (75,000,000) |
| General expenses | 30 | (127,727,158) | (120,802,448) |
| Total expenditure | | (1,025,565,526) | (1,483,842,215) |
| Operating surplus (deficit) | 33 | 294,631,747 | (156,308,917) |
| Loss on disposal of assets | | (51,369,482) | (9,734,159) |
| VIP Transfers to local communities | 7 | (176,952,447) | (210,596,136) |
| Remeasurements of the net defined benefit liability | 6 | 6,203,112 | 22,914,689 |
| Impairment loss | 26 | (41,598,667) | - |
| Inventories write downs and reversals of write downs | | (12,013,000) | 4,042,843 |
| | | (275,730,484) | (193,372,763) |
| Surplus (deficit) for the year | | 18,901,263 | (349,681,680) |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus / deficit | Total net assets |
|---|-------------------------------|----------------------|
| Balance at 01 July 2022 | 5,060,216,481 | 5,060,216,481 |
| Changes in net assets | | |
| Surplus for the year as previously reported | (349,681,680) | (349,681,680) |
| Total changes | (349,681,680) | (349,681,680) |
| Restated balance at 01 July 2022 | 4,713,027,142 | 4,713,027,142 |
| Changes in net assets | | |
| Surplus for the year | 18,901,263 | 18,901,263 |
| Total changes | 18,901,263 | 18,901,263 |
| Balance at 30 June 2024 | 4,731,928,405 | 4,731,928,405 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Cash Flow Statement

| Figures in Rand | Note(s) | 2024 | 2023 Restated* |
|---|---------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Grants | | 1,265,000,352 | 1,310,177,265 |
| Interest income | | 23,658,407 | 28,875,560 |
| | | <u>1,288,658,759</u> | <u>1,339,052,825</u> |
| Payments | | | |
| Employee costs | | (444,305,479) | (417,391,055) |
| Suppliers | | (279,870,747) | (829,876,816) |
| Finance costs | | (236,949) | (767,076) |
| | | <u>(724,413,175)</u> | <u>(1,248,034,947)</u> |
| Net cash flows from operating activities | 32 | <u>564,245,584</u> | <u>91,017,878</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 3 | (589,288,691) | (386,179,005) |
| Movement in other financial assets | | (31,518) | (22,975) |
| Net cash flows from investing activities | | <u>(589,320,209)</u> | <u>(386,201,980)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(25,074,625)</u> | <u>(295,184,102)</u> |
| Cash and cash equivalents at the beginning of the year | | 159,306,618 | 454,490,720 |
| Cash and cash equivalents at the end of the year | 11 | <u>134,231,993</u> | <u>159,306,618</u> |

Ngaka Modiri Molema 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

Statement of Financial Performance

Revenue

Revenue from exchange transactions

| | | | | | | |
|---|------------------|-------------------|-------------------|-------------------|------------------|-----|
| Service charges | 70,000 | - | 70,000 | 81,011 | 11,011 | |
| Rendering of services | 500,000 | (250,000) | 250,000 | 4,349 | (245,651) | (a) |
| Rental of facilities and equipment | 290,000 | - | 290,000 | 412,279 | 122,279 | (b) |
| Licences and permits | 90,000 | - | 90,000 | 127,077 | 37,077 | |
| Other income | - | - | - | 549,586 | 549,586 | (c) |
| Interest received - investment | 150,000 | 18,000,000 | 18,150,000 | 23,658,407 | 5,508,407 | (d) |
| Total revenue from exchange transactions | 1,100,000 | 17,750,000 | 18,850,000 | 24,832,709 | 5,982,709 | |

Revenue from non-exchange transactions

Transfer revenue

| | | | | | | |
|-------------------------------|----------------------|--------------------|----------------------|----------------------|----------------------|-----|
| Government grants & subsidies | 1,422,444,000 | (23,756,310) | 1,398,687,690 | 1,295,364,564 | (103,323,126) | (e) |
| Total revenue | 1,423,544,000 | (6,006,310) | 1,417,537,690 | 1,320,197,273 | (97,340,417) | |

Expenditure

| | | | | | | |
|--|------------------------|--------------------|------------------------|------------------------|---------------------|-----|
| Personnel | (458,451,734) | (1,080,558) | (459,532,292) | (432,772,390) | 26,759,902 | (f) |
| Remuneration of councillors | (15,048,834) | - | (15,048,834) | (15,073,122) | (24,288) | |
| Depreciation and amortisation | (217,000,000) | (37,721,928) | (254,721,928) | (201,794,703) | 52,927,225 | (g) |
| Impairment loss/ Reversal of impairments | - | - | - | (41,598,667) | (41,598,667) | (h) |
| Inventory consumed and bulk purchases | (239,100,000) | 206,600,000 | (32,500,000) | (15,707,405) | 16,792,595 | (i) |
| Contracted Services | (311,709,425) | 12,511,728 | (299,197,697) | (196,746,252) | 102,451,445 | (j) |
| Transfers and Subsidies | (30,000,000) | 8,600,000 | (21,400,000) | (21,400,002) | (2) | |
| General Expenses | (100,758,420) | (3,074,550) | (103,832,970) | (142,071,652) | (38,238,682) | (k) |
| Total expenditure | (1,372,068,413) | 185,834,692 | (1,186,233,721) | (1,067,164,193) | 119,069,528 | |

Operating surplus

| | | | | | | |
|---|---|---|---|----------------------|----------------------|-----|
| Loss on disposal of assets and liabilities | - | - | - | (51,369,482) | (51,369,482) | (l) |
| VIP Transfers to local communities | - | - | - | (176,952,447) | (176,952,447) | (m) |
| Remeasurements of the net defined benefit liability | - | - | - | 6,203,112 | 6,203,112 | (n) |
| Inventories losses/write-downs | - | - | - | (12,013,000) | (12,013,000) | (o) |
| | - | - | - | (234,131,817) | (234,131,817) | |

Surplus before taxation

| | | | | | | |
|--|-------------------|--------------------|--------------------|-------------------|----------------------|--|
| Surplus before taxation | 51,475,587 | 179,828,382 | 231,303,969 | 18,901,263 | (212,402,706) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 51,475,587 | 179,828,382 | 231,303,969 | 18,901,263 | (212,402,706) | |

Ngaka Modiri Molema 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 | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Inventories | 178,544,085 | (92,600,000) | 85,944,085 | 27,432,261 | (58,511,824) | (p) |
| Receivables from exchange transactions | 3,587,490 | - | 3,587,490 | 10,463,209 | 6,875,719 | (q) |
| Receivables from non-exchange transactions | 26,199 | - | 26,199 | 26,199 | - | |
| VAT receivable | 190,027,797 | (29,677,405) | 160,350,392 | 62,921,143 | (97,429,249) | (r) |
| Cash and cash equivalents | 178,072,959 | (72,152,984) | 105,919,975 | 134,231,993 | 28,312,018 | (s) |
| | 550,258,530 | (194,430,389) | 355,828,141 | 235,074,805 | (120,753,336) | |
| Non-Current Assets | | | | | | |
| Investment property | 18,103,496 | - | 18,103,496 | 22,414,653 | 4,311,157 | (t) |
| Property, plant and equipment | 5,380,588,107 | 79,202,321 | 5,459,790,428 | 5,708,245,106 | 248,454,678 | (u) |
| Other financial assets | - | - | - | 377,996 | 377,996 | (v) |
| | 5,398,691,603 | 79,202,321 | 5,477,893,924 | 5,731,037,755 | 253,143,831 | |
| Total Assets | 5,948,950,133 | (115,228,068) | 5,833,722,065 | 5,966,112,560 | 132,390,495 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Other financial liabilities | 459,452 | - | 459,452 | - | (459,452) | (w) |
| Payables from exchange transactions | 281,284,558 | - | 281,284,558 | 1,084,659,492 | 803,374,934 | (x) |
| VAT payable | 142,500 | (37,500) | 105,000 | - | (105,000) | |
| Employee benefit obligation | - | - | - | 2,489,493 | 2,489,493 | (y) |
| Provisions | 46,659,758 | - | 46,659,758 | 40,864,951 | (5,794,807) | (z) |
| | 328,546,268 | (37,500) | 328,508,768 | 1,128,013,936 | 799,505,168 | |
| Non-Current Liabilities | | | | | | |
| Employee benefit obligation | 101,286,261 | - | 101,286,261 | 106,170,219 | 4,883,958 | (y) |
| Total Liabilities | 429,832,529 | (37,500) | 429,795,029 | 1,234,184,155 | 804,389,126 | |
| Net Assets | 5,519,117,604 | (115,190,568) | 5,403,927,036 | 4,731,928,405 | (671,998,631) | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 5,519,117,604 | (115,190,568) | 5,403,927,036 | 4,731,928,405 | (671,998,631) | |

Ngaka Modiri Molema 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 | Adjustments | Final Budget | Actual amounts | Difference |
|---|------------------------|---------------------|----------------------|----------------------|---------------------------------|
| | budget | | | on comparable basis | between final budget and actual |
| Figures in Rand | | | | | |
| Cash Flow Statement | | | | | |
| Cash flows from operating activities | | | | | |
| Receipts | | | | | |
| Grants | 1,422,444,000 | (23,756,310) | 1,398,687,690 | 1,265,000,352 | (133,687,338) |
| Interest income | - | - | - | 23,658,407 | 23,658,407 |
| Other receipts | 1,092,500 | (287,500) | 805,000 | - | (805,000) |
| | 1,423,536,500 | (24,043,810) | 1,399,492,690 | 1,288,658,759 | (110,833,931) |
| Payments | | | | | |
| Suppliers and employee costs | (1,219,893,624) | 354,772,663 | (865,120,961) | (724,176,226) | 140,944,735 |
| Finance costs | - | - | - | (236,949) | (236,949) |
| Transfers and subsidies | (30,000,000) | 8,600,000 | (21,400,000) | - | 21,400,000 |
| | (1,249,893,624) | 363,372,663 | (886,520,961) | (724,413,175) | 162,107,786 |
| Net cash flows from operating activities | 173,642,876 | 339,328,853 | 512,971,729 | 564,245,584 | 51,273,855 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | (402,623,050) | 27,032,646 | (375,590,404) | (589,288,691) | (213,698,287) |
| Movement in financial assets | - | - | - | (31,518) | (31,518) |
| Net cash flows from investing activities | (402,623,050) | 27,032,646 | (375,590,404) | (589,320,209) | (213,729,805) |
| Net increase/(decrease) in cash and cash equivalents | (228,980,174) | 366,361,499 | 137,381,325 | (25,074,625) | (162,455,950) |
| Cash and cash equivalents at the beginning of the year | 454,325,568 | (295,018,950) | 159,306,618 | 159,306,618 | - |
| Cash and cash equivalents at the end of the year | 225,345,394 | 71,342,549 | 296,687,943 | 134,231,993 | (162,455,950) |

Ngaka Modiri Molema 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 |
|-------------------------|-----------------|-------------|--------------|------------------------------------|--|
|-------------------------|-----------------|-------------|--------------|------------------------------------|--|

Figures in Rand

Material budget differences

- (a) The actual income from the rendering of services is less than the budgeted amount. This is due to less commission earned by the municipality on garnishees. The adjustments to the budget were made as the municipality did not anticipate more income from the commission and garnishees.
- (b) The actual income from the rental of facilities is more than the budgeted amount. This is due to an increase in the rental fees charged by the municipality on their investment property, as well as an increased number of tenants occupying the municipal facilities.
- (c) The actual other income amount is more than the budget. This is due to sale of tender documents being more than anticipated.
- (d) The actual interest income is more than the budgeted income due to an increase in cash reserves that the municipality held during the year. This surplus is attributed to the increase in revenue from exchange transaction with more cash reserves yielding a higher return, exceeding the initial budget projections. The adjustment to the budget was made as the municipality anticipated more interest than initially expected.
- (e) The actual government grants income is less than the budgeted amount due to the overall decrease of allocations of funds to local government entities over the 2024 MTEF (Medium term expenditure framework) period. The original budget was adjusted due to grants allocations being reduced.
- (f) The municipality's employee costs are lower than budgeted primarily due to unfilled positions within its workforce. This vacancy rate has contributed to a reduction in overall labour expenses. The budget for employee costs was reduced/adjusted due to positions still being vacant during the adjustment period.
- (g) The municipality's actual depreciation expenses is lower than budgeted due to an increase in asset disposals during the 2023/24 financial year. These disposals resulted in asset write-offs, which reduced the overall depreciation charge. This also resulted in adjustments being made to the budget to increase the budget for depreciation as it was originally expected to be lower.
- (h) Impairment losses are not budgeted for.
- (i) Actual inventory consumed is less than the budgeted amount. This is due to less inventory being consumed than previously anticipated. The original budget was adjusted as inventory consumed had decreased during the adjustment period and was expected to remain low for the remainder of the financial year.
- (j) The municipality's actual contracted services expenses were lower than budgeted due to the completion of several projects and contracts during the 2023/24 financial year. Additionally, the municipality only entered into new contracts with six service providers during this period, and some of these projects are still in their initial stages, resulting in less expenditure incurred. This also resulted in the reduction from the original budget to the adjustment budget for contracted services.
- (k) The budgeted general expenses are more than the actual amount. This is due to less spending and cost containment measures by the municipality during the financial year. However, during the adjustment period, the municipality increased the budget for general expenses to cover for certain expenses that were expected to be incurred in the last quarter of the financial year.
- (l) Loss on disposal of assets is not budgeted for.
- (m) VIP transfers to local communities are not budgeted for.
- (n) Actuarial gains and losses are not budgeted for.
- (o) Inventory losses and write-downs are not budgeted for.

Ngaka Modiri Molema 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 |
|-------------------------|-----------------|-------------|--------------|------------------------------------|--|
|-------------------------|-----------------|-------------|--------------|------------------------------------|--|

Figures in Rand

- (p) Actual inventory is less than the budgeted inventory. The decrease in inventory, especially the VIP toilet inventory can be attributed to a revision in the inventory management methodology. Previously, it was assumed that inventory was however, it is now assumed that once an asset is completed, it is automatically considered outside the control of the District Municipality. Consequently, this adjustment has led to a significant reduction in the Work-in-Progress (WIP) VIP toilet inventory, as well as the adjustment to the budget to reflect this change in the inventory management methodology.
- (q) Actual receivables from exchange transactions is more than the budgeted amount. This is mostly due to increases in prepayments, resulting in actual receivables from exchange transactions exceeding the budget.
- (r) Actual VAT receivable is less than the budgeted amount. This is due less spending by the municipality on contracted services and general expenses in the current financial year. The municipality also adjusted the original budget to reduce the expected VAT receivables due to less spending.
- (s) Actual cash and cash equivalents balances are more than the budgeted amount. This is due to improved budgeting processes and less spending by the municipality, corroborated by decreases in contracted services and general expenditure, as well as increased investment income. However, additional cash was budgeted for and thereby reducing the cash balances from the previously anticipated cash balances.
- (t) Actual investment income is more than the budgeted amount. This is due to investment property projects that were unbundled during the financial year.
- (u) Actual property, plant and equipment is more than the budgeted amount. This is due to capital projects that were unbundled during the financial year. The adjustment to the original budget was made to cater for this increase in property, plant and equipment.
- (v) Actual financial assets were not budgeted for.
- (w) Other financial liabilities were budgeted for. However, the municipality did not obtain any financial liabilities during the year.
- (x) Actual payables from exchange transactions are more than the budgeted amount. This is due to the reinstatement of the Sedibeng/Magalies Payables that stems from a statement issued by Sedibeng/Magalies Water to the District Municipality during years prior to the 2021/22 financial year. In the 2022/23 financial year, the payable was reinstated in the Municipality's financial records.
- (y) Actual employee benefit obligation is more than the budgeted amount. This is as a result of the economic conditions and assumptions applied by the Actuaries.
- (z) Actual provisions are less than the budgeted amount. This is as a result of unfilled vacancies in the municipality. This is corroborated by the actual employee costs being less than the budgeted amount.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

| Figures in Rand | Note(s) | 2024 | 2023 |
|-----------------|---------|------|------|
|-----------------|---------|------|------|

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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

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 municipality.

1.3 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.

Management considers key financial metrics and approved medium-term budgets, MFMA Section 71 reports together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate.

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.

Budget information

Variances between budget and actual amounts are regarded as material when there is a variance of:

- 20% or greater in the statement of financial position, the statement of financial performance and the cash flow statement.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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:

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

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. The recoverable service amount of non-cash-generating assets have been determined on the higher of value-in-use calculations and fair value less cost 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.

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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation rates and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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. In determining the appropriate discount rate, the municipality 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 6.

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Employee benefit obligations

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. In determining the appropriate discount rate, the municipality 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 6.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Recognition

Investment property is recognised at cost and shall be carried according to the cost model. Transaction costs are included in the initial measurement.

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

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

The municipality discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (refer to note 3).

1.7 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Site restoration and dismantling cost (continued)

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.

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.

Depreciation and impairment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.7 Site restoration and dismantling cost (continued)

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

| Item | Depreciation method | Average useful life |
|---------------------------------------|---------------------|---------------------|
| Buildings | Straight-line | 25 - 50 years |
| Plant and machinery | Straight-line | 4 - 15 years |
| Furniture and fixtures | Straight-line | 4 - 15 years |
| Motor vehicles | Straight-line | 5 - 15 years |
| IT equipment | Straight-line | 2 - 5 years |
| Infrastructure - Mechanical equipment | Straight-line | 10 - 20 years |
| Civil structures | Straight-line | 15 - 50 years |
| Electricity - Distribution cables | Straight-line | 40 - 50 years |
| Electricity - Equipment | Straight-line | 15 - 45 years |
| Electricity - Public lighting | Straight-line | 30 - 40 years |
| External facilities | Straight-line | 7 - 30 years |
| Sewerage - Pipe line | Straight-line | 40 - 50 years |
| Sewerage - Pump station | Straight-line | 10 - 55 years |
| Sports and playground | Straight-line | 10 - 40 years |
| Stormwater - Drainage construction | Straight-line | 50 - 70 years |
| Stormwater - Drainage unlined | Straight-line | 10 - 15 years |
| Water - Dams and reservoirs | Straight-line | 50 - 80 years |
| Water - Other | Straight-line | 15 - 20 years |
| Water - Pipes and grid | Straight-line | 50 - 90 years |
| Water - Pumps and tanks | Straight-line | 15 - 20 years |
| Intangible assets - Computer software | Straight-line | 3 - 5 years |

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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 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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3).

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.8 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.9 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.

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement

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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.9 Intangible assets (continued)

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 begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

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 - 5 years |

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

Derecognition

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).

1.10 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.

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

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

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

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

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

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

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.

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

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

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

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

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

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

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

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 | Category |
|---|--|
| Other financial asset | Financial asset measured at fair value |
| Cash and cash equivalents | Financial asset measured at fair value |
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Receivables from non-exchange transaction | Financial asset measured at amortised cost |

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

| Class | Category |
|---|--|
| Trade and other payables from exchange transactions | Financial liability measured at amortised cost |

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of a financial instrument not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity 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.

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 entity 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 entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-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, a 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.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity 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 entity 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 entity 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

Impairment and uncollectibility of financial assets

The entity 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.

The entity assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessments of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
 - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
 - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Refer to notes 8 and 9 for the impact of the above application.

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 directly OR 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 directly OR 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

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.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived; the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or the entity, 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 entity:

- derecognises the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are 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 entity 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 entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.10 Financial instruments (continued)

Financial liabilities

The entity derecognises 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.

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.

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.

1.11 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.

Statutory receivables of the municipality include items such as:

- Traffic fines
- Value Added Tax.

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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Statutory receivables (continued)

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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.

Accrued interest

Where the municipality 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 municipality 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 municipality 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 municipality 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.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality 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 municipality 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.11 Statutory receivables (continued)

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.

1.12 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 - 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.

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

Income for leases is disclosed under revenue in statement of financial performance.

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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.13 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Initial measurement

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the inventories can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/writeoff, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 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).

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Designation

At initial recognition, the municipality 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 a municipality's objective of using the asset.

The municipality 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 municipality 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 municipality 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 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- 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.

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 municipality 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.

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 municipality 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 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 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.14 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 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.15 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).

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 municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also to indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefore are distinguished as non-cash generating.

In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash generating.

Designation

At initial recognition, the municipality 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 a municipality's objective of using the asset.

The municipality 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 municipality 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 municipality 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 municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Impairment is a loss in the 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).

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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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 municipality 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.15 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.

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.

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.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 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 entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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 entity 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 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 entity 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.

The municipality determines 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;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Employee benefits (continued)

The entity 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, an entity shall attribute 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, an entity shall attribute 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 entity 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 entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.16 Employee benefits (continued)

Other long term employee obligations

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

The municipality has an obligation to provide long term service allowance benefits to all of its employees. 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 other long-term employee benefits 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 shall recognise 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 shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

The entity determines the present value of long term employee 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 entity uses the Projected Unit Credit Method to determine the present value of its long service employee benefit and the related current service cost and, where applicable, past service cost. The Projected Unit Credit 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.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit 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 benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.17 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.

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 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 surplus.

If a municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.17 Provisions and contingencies (continued)

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 municipality 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 municipality 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 municipality considers that an outflow of economic resources is probable, a municipality 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.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.14 and 1.15.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

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.

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 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 municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality 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 municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.19 Revenue from exchange transactions (continued)

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 municipality;
- 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.

Interest

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.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 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.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

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.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Services in-kind

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.

1.21 Investment income

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

1.22 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.

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.23 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.25 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.

Detailed disclosures are made in note 42 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.26 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.

Detailed disclosures are made in note to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.27 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 that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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 excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Detailed disclosures are made in note 44 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.28 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.

1.29 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited and/or debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.30 Budget information

Municipality is 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 municipality 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 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. Explanatory comments to material differences are provided in note to the annual financial statements.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Accounting Policies

1.31 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person 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. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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.

1.32 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 municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality 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.

1.33 Disclosure in terms of Section 45 of the Municipal Supply Chain Management Regulations

The notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child, or parent of such a person in the service of the state, or has been in the service of the state in the previous twelve months.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

2. Investment property

| | 2024 | | | 2023 | | |
|---------------------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 35,164,109 | (12,749,456) | 22,414,653 | 33,052,452 | (12,347,874) | 20,704,578 |

Reconciliation of investment property - 2024

| | Opening balance | Disposals | Transfers received | Impairments | Depreciation | Total |
|---------------------|-----------------|-----------|--------------------|-------------|--------------|------------|
| Investment property | 20,704,578 | (653) | 2,146,316 | (29,087) | (406,501) | 22,414,653 |

Reconciliation of investment property - June 2023

| | Opening balance | Depreciation | Total |
|---------------------|-----------------|--------------|------------|
| Investment property | 21,131,189 | (426,611) | 20,704,578 |

Pledged as security

No investment was pledged as security by 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.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. 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 | 20,588,362 | - | 20,588,362 | 20,588,362 | - | 20,588,362 |
| Buildings | 190,482,618 | (83,502,622) | 106,979,996 | 196,889,992 | (84,306,349) | 112,583,643 |
| Other property, plant and equipment | 95,968,442 | (30,551,253) | 65,417,189 | 102,929,538 | (31,927,380) | 71,002,158 |
| Infrastructure | 10,779,971,036 | 5,264,711,477) | 5,515,259,559 | 10,395,640,287 | 5,187,929,525) | 5,207,710,762 |
| Total | 11,087,010,458 | (5,378,765,352) | 5,708,245,106 | 10,716,048,179 | (5,304,163,254) | 5,411,884,925 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

| | Opening balance | Additions | Disposals | Work in progress | Transfers | Depreciation | Impairment loss | Total |
|-------------------------------------|----------------------|----------------|---------------------|--------------------|--------------------|----------------------|---------------------|----------------------|
| Land | 20,588,362 | - | - | - | - | - | - | 20,588,362 |
| Buildings | 112,583,643 | - | (103,334) | 27,950 | - | (5,502,629) | (25,634) | 106,979,996 |
| Other property, plant and equipment | 71,002,158 | 397,616 | (1,578,474) | - | - | (3,884,973) | (519,138) | 65,417,189 |
| Infrastructure | 5,207,710,762 | - | (49,687,020) | 592,435,491 | (2,174,266) | (192,000,600) | (41,024,808) | 5,515,259,559 |
| | 5,411,884,925 | 397,616 | (51,368,828) | 592,463,441 | (2,174,266) | (201,388,202) | (41,569,580) | 5,708,245,106 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 2023

| | Opening balance | Additions | | Work in progress | Depreciation | Impairment loss | Total |
|-------------------------------------|----------------------|-------------------|---------------------|---------------------|----------------------|--------------------|----------------------|
| Land | 20,588,362 | - | - | - | - | - | 20,588,362 |
| Buildings | 113,653,452 | 1,604,349 | (85,819) | 3,679,794 | (5,403,456) | (864,677) | 112,583,643 |
| Other property, plant and equipment | 66,732,662 | 9,754,198 | (1,479,524) | - | (3,906,179) | (98,999) | 71,002,158 |
| Infrastructure | 5,198,305,486 | 61,938,294 | (10,944,585) | 171,868,230 | (207,522,427) | (5,934,236) | 5,207,710,762 |
| | 5,399,279,962 | 73,296,841 | (12,509,928) | 175,548,024 | (216,832,062) | (6,897,912) | 5,411,884,925 |

Pledged as security

No property, plant and equipment were pledged as security.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

3. Property, plant and equipment (continued)

Property, plant and equipment in the process of being constructed or developed

The following projects are currently experiencing delays or were halted. For each project, the reason for the delay or halting of the project were noted. The carrying amount of those assets included in the balance of the Property, Plant and Equipment are listed below.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

| | | |
|--|-------------------|-------------------|
| Mogosane Water Supply | 14,276,875 | 14,276,874 |
| Springfontein Water Supply | 506,960 | 506,960 |
| Mafikeng South Bulk Water Supply | 15,359,021 | 15,359,021 |
| Seweding, Magogoe, Phatsima Water Supply | 3,223,686 | - |
| Magogoe Ward 19 Water Supply | 8,988,246 | - |
| Sedibeng Ratlou Drought Relief | 14,960,204 | - |
| Sedibeng Tswaing Drought Relief | 15,161,665 | - |
| Sedibeng Ditsobotla Drought Relief | 1,925,371 | - |
| Sedibeng Mafikeng Drought Relief | 719,427 | - |
| Gamotlatla Water Supply phase 2 | 1,095,364 | - |
| Mafikeng South Regional Water Supply | 1,620,850 | - |
| | 77,837,669 | 30,142,855 |

The above-mentioned projects have all had no movement since the 2020/2021 financial year. The municipality will investigate the way forward regarding these slow-moving projects.

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

| | | |
|---|----------|-------------------|
| Dinokana Bulk Water Supply Augmentation Phase 2 There is currently a litigation process with the contractor Beyond Build Construction for non payment of the certificates | - | 17,795,904 |
| Madibogo Water Supply The Project was placed on hold because there was no source of water. | - | 15,158,496 |
| Mahikeng South Bulk Water Supply Project seeded to Sedibeng project will be handed over to Ngaka Modiri Molema District Municipality after completion. | - | 15,359,021 |
| Part of Seweding, Magogoe Tar & Phatsima Water Supply Project seeded to Sedibeng project will be handed over to Ngaka Modiri Molema District Municipality after completion | - | 3,223,586 |
| | - | 51,537,007 |

Reconciliation of Work-in-Progress 2024

| | Included within Infrastructure | Included within Buildings | Total |
|--------------------------------|-----------------------------------|------------------------------|----------------------|
| Opening balance | 780,063,311 | 6,214,778 | 786,278,089 |
| Additions/capital expenditure | 532,936,172 | 60,157,316 | 593,093,488 |
| Other movements | (9,468,247) | - | (9,468,247) |
| Transferred to completed items | (75,933,091) | (2,174,266) | (78,107,357) |
| | 1,227,598,145 | 64,197,828 | 1,291,795,973 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress June 2023

| | Included within Infrastructure | Included within Buildings | Total |
|--------------------------------|-----------------------------------|------------------------------|--------------------|
| Opening balance | 641,764,045 | 6,214,778 | 647,978,823 |
| Additions/capital expenditure | 453,109,856 | 5,284,142 | 458,393,998 |
| Transferred to completed items | (314,810,590) | (5,284,142) | (320,094,732) |
| | 780,063,311 | 6,214,778 | 786,278,089 |

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.

4. Other financial assets

Residual interest at cost

| | | |
|------------------------------|---------|---------|
| Momentum Flexible investment | 377,996 | 346,478 |
|------------------------------|---------|---------|

Non-current assets

| | | |
|---------------------------|---------|---------|
| Residual interest at cost | 377,996 | 346,478 |
|---------------------------|---------|---------|

The municipality has a flexible investment account with Momentum. The investment yields interest of 7.45% per annum.

5. Payables from exchange transactions

| | | |
|-------------------------------|----------------------|--------------------|
| Trade payables | 362,029,077 | 151,537,122 |
| Transfers and subsidy payable | 43,620,151 | 45,926,978 |
| Magalies water payable | 629,495,111 | 625,783,357 |
| Retention fees | 37,452,283 | 32,874,876 |
| Employee related accruals | 613,827 | 2,560,506 |
| Control and clearing accounts | 81,931 | 2,703,518 |
| Bonus accrual | 11,367,112 | 10,876,173 |
| | 1,084,659,492 | 872,262,530 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|----------------------|---------------------|
| 6. Employee benefit obligations | | |
| Defined benefit plan | | |
| Post Retirement Medical Aid Benefits | | |
| Present value of the fund obligation at the beginning of the year | (75,868,309) | (79,085,771) |
| Current service cost | (5,869,255) | (7,091,473) |
| Current interest cost | (9,478,349) | (10,922,730) |
| Remeasurements | 4,639,744 | 20,962,534 |
| Payments made | 325,281 | 269,131 |
| | (86,250,888) | (75,868,309) |
| Long service bonus awards | | |
| Present value of the fund obligation at the beginning of the year | (23,459,424) | (23,947,616) |
| Current service cost | (1,792,976) | (2,052,907) |
| Current interest cost | (2,482,925) | (2,508,667) |
| Remeasurements | 1,563,368 | 1,952,155 |
| Payments made | 1,733,673 | 3,097,611 |
| | (24,438,284) | (23,459,424) |
| The amounts recognised in the statement of financial position are as follows: | | |
| Total employee benefits | | |
| Opening balance | (99,327,733) | (101,120,492) |
| Current service cost | (7,662,231) | (9,144,380) |
| Current interest cost | (11,961,274) | (13,431,397) |
| Remeasurements | 6,203,112 | 22,914,689 |
| Payments made | 2,058,954 | 3,366,742 |
| | (110,689,172) | (97,414,838) |
| Non-current liabilities | (106,170,219) | (95,355,884) |
| Current liabilities | (2,489,493) | (2,058,954) |
| | (108,659,712) | (97,414,838) |
| Calculation of remeasurements | | |
| Remeasurements – Post retirement medical aid benefit | 4,639,744 | 20,962,534 |
| Remeasurements – Long service award | 1,563,368 | 1,952,155 |
| | 6,203,112 | 22,914,689 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

6. Employee benefit obligations (continued)

Post Retirement Medical Aid Benefits

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 makes monthly contribution for health care arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

The most recent Actuarial Valuation of the Present value of the Defined Benefit Obligation were carried out at the 30 June 2024 by One Pangaea Expertise and Solutions, fellow of the Actuarial Society of South Africa. The present value of the Defined Benefit Obligation and the related current service and past service cost were measured using the projected unit credit method:

The members are made up as follows:

| | Valuation at 30 June 2024 | Valuation at 30 June 2023 |
|---|------------------------------|------------------------------|
| Current (In Service) members | 634 | 699 |
| Continuation members (e.g. Retirees,widows,orphans) | 11 | 5 |
| | 645 | 704 |

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

| | | |
|--|----------------------|---------------------|
| Liability as at 01 July | (97,414,838) | (101,120,492) |
| Benefits paid | 2,058,954 | 3,366,742 |
| Net expense recognised in the statement of financial performance | (13,420,393) | 338,912 |
| | (108,776,277) | (97,414,838) |

Net expense recognised in the statement of financial performance

| | | |
|----------------------|---------------------|----------------|
| Current service cost | (7,662,231) | (9,144,380) |
| Interest cost | (11,961,274) | (13,431,397) |
| Remeasurements | 6,203,112 | 22,914,689 |
| | (13,420,393) | 338,912 |

Calculation of actuarial gains and losses

| | | |
|----------------|-------------|-------------|
| Remeasurements | (1,563,368) | (1,952,155) |
|----------------|-------------|-------------|

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

6. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

| | | |
|---------------------------------------|---------|---------|
| Discount rates used | 13.35 % | 12.52 % |
| Expected increase in salaries | 7.74 % | 7.14 % |
| Expected increase in healthcare costs | 9.24 % | 8.64 % |
| Net discount rates | 3.76 % | 3.57 % |

GRAP 25 defines the determination of the discount rate as assumption, to be used as follows:

The discount rate reflects the Time Value of Money is the best approximated by reference to the market yields at the Reporting date on Government Bonds. Where there is no dip in the Market for Government Bonds with sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rates for longer maturities by extrapolating current market rates along the yield curves.

Expected retirement age

| | Valuation 2024 | Valuation 2023 |
|--------|-------------------|-------------------|
| Female | 65 | 65 |
| Male | 65 | 65 |
| | 130 | 130 |

The effect of the major categories of plan assets is as follow: A nil value to the fair value of plan assets was assumed as there were no assets aside for post-employment medical subsidies funding that qualify as plan assets in terms of the requirements of GRAP 25.

The basis on which the discount rate has been determined is the relative levels of the discount rate and health care cost inflation to one another rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

| | One percentage point increase R | One percentage point decrease R |
|-------------------------|--|--|
| Effect on interest cost | 10,922,730 | 10,922,730 |
| Effect on service cost | 7,091,473 | 7,091,473 |

Amounts for the current and previous four years are as follows:

| | 2024 R | 2023 R | 2022 R | 2021 R | 2020 R |
|----------------------------|------------|------------|------------|------------|------------|
| Defined benefit obligation | 86,250,888 | 77,897,769 | 89,217,878 | 66,960,723 | 52,830,195 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

6. Employee benefit obligations (continued)

The major categories of plan assets as a percentage of total plan assets are as follows:

Key actuarial assumptions used:

| | | |
|-----------------------|---------|---------|
| Discount rate | 10.66 % | 12.52 % |
| CPI | 5.50 % | 7.14 % |
| Salary increased rate | 6.50 % | 8.28 % |
| Net discount rate | 3.91 % | 3.57 % |

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligations.

Long service awards

The long service bonus awards (LSA) plan are defined benefit plans. The municipality offers long service bonus awards for every five years of service completed, from ten years of service to 45 years inclusive.

The employees eligible for long service awards:

| | | |
|--------------------|-----|-----|
| Eligible employees | 682 | 648 |
|--------------------|-----|-----|

Average retirement age

The normal retirement age is 65 years. It has been assumed that the employees will retire at age 63 on average. This assumption implicitly allows for early retirement.

Withdrawal from service

If an employee leaves, the employer's liability in respect of that employee ceases.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used in the industry.

| The Amounts recognised in the statement of financial position are as follows: | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|------------|------------|------------|------------|------------|
| Present value of the fund obligation | 24,438,284 | 23,459,424 | 23,947,616 | 22,727,595 | 21,001,996 |

Sensitivity analysis on the unfunded accrued liability

Withdrawal Rate:

illustrated below is the effect of high and lower withdrawal rates by increasing rate by 20% and decreasing the withdrawal rate by 20%. The adjustment will result in a 5,12% increase and 4,66% decrease in the accrued liability respectively.

| | 20% Increase R' | 30 June 2024 Valuation basis R' | 20% Decrease R' |
|----------------------|--------------------|--|--------------------|
| Accrued liability | 25,603,320 | 24,438,284 | 23,370,626 |
| Current service cost | 1,941,195 | 1,833,557 | 1,736,359 |
| Expense cost | 2,622,591 | 2,498,655 | 2,385,097 |

General Earnings inflation rate:

The effect of a 1% per annum change in the general earnings inflation assumption is illustrated below:

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

6. Employee benefit obligations (continued)

| | 20% Decrease R' | 30 June 2023 Valuation basis R' | 20% Increase R' |
|----------------------|--------------------|--|--------------------|
| Accrued liability | 24,660,347 | 23,459,424 | 22,366,500 |
| Current service cost | 1,902,756 | 1,792,976 | 1,663,997 |
| Expense cost | 2,614,580 | 2,482,925 | 23,631,393 |

The adjustment will result in a 6,74% increase and 6,14% decrease in the accrued liability respectively.

7. Inventories

| | | |
|------------------------------|-------------------|-------------------|
| Raw materials and components | 14,757,927 | 24,286,582 |
| VIP Toilets | 12,626,133 | 38,853,021 |
| Water for distribution | 48,201 | 48,201 |
| | 27,432,261 | 63,187,804 |

| | | |
|--|-------------|-------------|
| Inventories recognised as an expense during the year | 192,659,852 | 222,080,885 |
|--|-------------|-------------|

Inventory pledged as security

No inventory has been pledged as security.

VIP Toilets inventory reconciliation

| | | |
|---------------------------|-------------------|-------------------|
| Opening balance | 39,953,764 | 41,920,288 |
| Additions | 150,112,497 | 208,629,612 |
| Completed and transferred | (176,952,447) | (210,596,136) |
| Closing balance | 13,113,814 | 39,953,764 |

8. Receivables from exchange transactions

| | | |
|---|-------------------|------------------|
| Trade creditors with debit balances | 660,758 | 671,649 |
| Deposits | 2,091,209 | 2,087,823 |
| Less: Provision for impairment | (2,085,514) | (2,085,514) |
| Prepaid expenses | 9,063,295 | 7,888,118 |
| Other receivables | 733,461 | 480,439 |
| Net trade receivables from exchange transactions | 10,463,209 | 9,042,515 |

Trade and other receivables pledged as security

None of the trade and other receivables were pledged as security.

Trade and other receivables past due but not impaired

Reconciliation of provision for impairment of trade and other receivables

| | | |
|------------------------------------|--------------------|--------------------|
| Opening balance | (2,085,514) | - |
| Less: Impairment losses recognised | - | (2,085,514) |
| | (2,085,514) | (2,085,514) |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|--------------------|--------------------|
| 9. Receivables from non-exchange transactions | | |
| Government grants and subsidies | 557,488 | 557,488 |
| Staff debtors | 926,906 | 926,906 |
| Less: Provision for impairment | (1,458,195) | (1,458,195) |
| Net total receivable from exchange | 26,199 | 26,199 |
| Receivables from non-exchange transactions pledged as security | | |
| No trade and other receivables from non-exchange transactions were pledged as security or collateral. | | |
| 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 | 1,487,570 | 1,487,570 |
| 2 months past due | (1,458,195) | (1,458,195) |
| Receivables from non-exchange transactions impaired | | |
| The ageing of these loans is as follows: | | |
| Over 6 months | 1,479,743 | 1,479,743 |
| Reconciliation of provision for impairment of receivables from non-exchange transactions | | |
| Opening balance | (1,479,743) | - |
| Provision for impairment | - | (1,479,743) |
| | (1,479,743) | (1,479,743) |
| 10. VAT receivable | | |
| VAT | 62,921,143 | 85,558,029 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

11. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---------------|-------------|-------------|
| Bank balances | 134,231,993 | 159,306,618 |
|---------------|-------------|-------------|

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 |
| FNB Cheque Acc 52910086795 | 33,912,731 | 6,793,013 | 165,055,473 | 33,912,731 | 6,756,787 | 165,055,473 |
| FNB Call Account 62859822374 | 567,981 | 4,677,397 | 17,765,531 | 567,981 | 4,677,397 | 17,765,531 |
| FNB Call Account 62835653016 | 7,638 | 25,568,999 | 26,365,768 | 7,638 | 25,568,999 | 26,365,768 |
| ABSA Call deposit 160432220101 | 369,125 | 345,895 | 329,613 | 369,125 | 345,895 | 329,613 |
| ABSA Call Account 9384966749 | 64,139 | - | - | 64,673 | - | - |
| ABSA Call account 9385731014 | 3,633,530 | - | - | 3,607,143 | - | - |
| ABSA Call Account 9386988537 | 196,277 | - | - | 194,851 | - | - |
| ABSA Call Account 9387173042 | 88,343,760 | - | - | 87,638,577 | - | - |
| FNB Call Account 62445709746 | 116,058 | 2,009,828 | 3,796,149 | 116,058 | 2,009,828 | 3,796,149 |
| FNB Call Account 62858604369 | 200,036 | 1,422,729 | 30,588,459 | 200,036 | 1,422,729 | 30,588,459 |
| FNB Call Account 62860297706 | 462,668 | 1,855,865 | 185,346,421 | 462,668 | 1,855,729 | 185,346,421 |
| FNB Call Account 62914421087 | 70,445 | 23,960,020 | 25,291,409 | 70,445 | 23,960,020 | 25,291,409 |
| FNB Call Account 63011395125 | 3,479,058 | 91,143,071 | - | 3,479,058 | 91,143,071 | - |
| FNB Call Account 63012146105 | 772,062 | 1,566,125 | - | 772,062 | 1,566,125 | - |
| Nedbank Call Account 03/7881001518/000041 | 2,770,044 | - | - | 2,770,044 | - | - |
| Total | 134,965,552 | 159,342,942 | 454,538,823 | 134,233,090 | 159,306,580 | 454,538,823 |

The difference between the cash and cash equivalent balance for the cheque (primary) account as the underlying accounting records and bank confirmations / certificate is caused by the outstanding deposit and payments. These are payments made and receipts received closed to year end, therefore, they do not reflect in the banking systems.

A reconciling list is available for inspection, made up of transactions which could not be processed on 30 June 2024.

Cheque (primary) account

| | | |
|------------------------|----------------|---------------|
| Bank statement balance | 34,034,915 | 6,793,013 |
| Cash book balance | 33,912,731 | 6,756,787 |
| Differences | 122,184 | 36,226 |

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|--------------------------------|----------|-------------------|
| Municipal Infrastructure Grant | - | 30,364,140 |
| EPWP | - | 72 |
| | - | 30,364,212 |

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.

See note 22 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

13. Provisions

Reconciliation of provisions - June 2024

| | Opening Balance | Additions | Utilised during the year | Total |
|-----------------|-----------------|-----------|--------------------------|------------|
| Leave provision | 39,480,765 | 4,824,811 | (3,440,625) | 40,864,951 |

Reconciliation of provisions - June 2023

| | Opening Balance | Additions | Utilised during the year | Total |
|-----------------|-----------------|-----------|--------------------------|------------|
| Leave provision | 39,045,213 | 2,991,649 | (2,556,097) | 39,480,765 |

14. Revenue

| | | | | |
|------------------------------------|--|--|----------------------|----------------------|
| Rendering of services | | | 4,349 | 1,670 |
| Service charges | | | 81,011 | 54,296 |
| Rental of facilities and equipment | | | 412,279 | 398,254 |
| Licences and permits | | | 127,077 | 83,019 |
| Other income | | | 549,586 | 1,081,637 |
| Interest received - investment | | | 23,658,407 | 28,875,560 |
| Government grants & subsidies | | | 1,295,364,564 | 1,297,038,862 |
| | | | 1,320,197,273 | 1,327,533,298 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | | | |
|------------------------------------|--|--|-------------------|-------------------|
| Service charges | | | 81,011 | 54,296 |
| Rendering of services | | | 4,349 | 1,670 |
| Rental of facilities and equipment | | | 412,279 | 398,254 |
| Licences and permits | | | 127,077 | 83,019 |
| Other income | | | 549,586 | 1,081,637 |
| Interest received - investment | | | 23,658,407 | 28,875,560 |
| | | | 24,832,709 | 30,494,436 |

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

| | | | | |
|-------------------------------|--|--|---------------|---------------|
| Taxation revenue | | | | |
| Transfer revenue | | | | |
| Government grants & subsidies | | | 1,295,364,564 | 1,297,038,862 |

15. Service charges

| | | | | |
|---------------------------------|--|--|---------------|---------------|
| Sale of water | | | - | 1,304 |
| Sewerage and sanitation charges | | | 81,011 | 52,992 |
| | | | 81,011 | 54,296 |

16. Rental of facilities and equipment

| | | | | |
|----------|--|--|---------|---------|
| Premises | | | 412,279 | 398,254 |
|----------|--|--|---------|---------|

17. Licences and permits

| | | | | |
|---------------------|--|--|---------|--------|
| Health Certificates | | | 127,077 | 83,019 |
|---------------------|--|--|---------|--------|

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|------------------|------------------|
| 18. Lease rentals on operating lease | | |
| Premises | | |
| Parking | 1,710,800 | 374,220 |
| Equipment | | |
| Photocopying | 435,471 | 1,050,391 |
| | 2,146,271 | 1,424,611 |
| 19. Other income | | |
| Sale of tender documents | 499,333 | 474,333 |
| Insurance refunds | 50,253 | 372,161 |
| Discount received | - | 235,143 |
| | 549,586 | 1,081,637 |
| 20. Interest received | | |
| Investment interest revenue | | |
| Bank | 23,658,407 | 28,875,560 |
| Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R23,658,407 (2023: R28,875,560). | | |
| 21. Transfer and subsidies | | |
| Other subsidies | | |
| Transfers to local municipalities | 21,400,002 | 75,000,000 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

22. Government grants & subsidies

Operating grants

| | | |
|----------------------------|----------------------|--------------------|
| Equitable share | 1,000,155,687 | 974,124,000 |
| Financial Management Grant | 3,000,000 | 3,000,000 |
| EPWP | 1,845,000 | 2,039,928 |
| LG SETA | 724,877 | 686,074 |
| | 1,005,725,564 | 979,850,002 |

Capital grants

| | | |
|------------------------------------|----------------------|----------------------|
| Rural Roads Asset Management Grant | 2,728,000 | 2,718,000 |
| Municipal Infrastructure Grant | 286,911,000 | 314,470,860 |
| | 289,639,000 | 317,188,860 |
| | 1,295,364,564 | 1,297,038,862 |

Conditional and Unconditional

Included in above are the following grants and subsidies received:

| | | |
|-------------------------------|----------------------|----------------------|
| Conditional grants received | 294,484,000 | 322,229,313 |
| Unconditional grants received | 1,000,155,687 | 974,124,000 |
| Restricted grants received | 724,877 | 686,074 |
| | 1,295,364,564 | 1,297,039,387 |

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Financial Management Grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 3,000,000 | 3,000,000 |
| Conditions met - transferred to revenue | (3,000,000) | (3,000,000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 12).

Purpose of the grant is to provide direct support to municipalities to develop financial management and technical capacity for the implementation of the MFMA, its regulations and associated financial reforms.

Municipal Infrastructure Grant

| | | |
|---|---------------|-------------------|
| Balance unspent at beginning of year | 30,363,687 | - |
| Current-year receipts | 286,911,000 | 344,835,000 |
| Conditions met - transferred to revenue | (286,911,000) | (314,471,313) |
| Surrendered | (30,363,687) | - |
| | - | 30,363,687 |

Conditions still to be met - remain liabilities (see note 12).

Purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities. And to provide specific funding for the development of asset management plans for infrastructure servicing the poor.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

22. Government grants & subsidies (continued)

Expanded Public Works Programme

| | | |
|---|-------------|-------------|
| Current-year receipts | 1,845,000 | 2,140,000 |
| Conditions met - transferred to revenue | (1,845,000) | (2,140,000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 12).

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

Rural Roads Asset Management Grant

| | | |
|---|-------------|-------------|
| Balance unspent at beginning of year | 453 | 459,452 |
| Current-year receipts | 2,728,000 | 2,718,000 |
| Conditions met - transferred to revenue | (2,728,000) | (2,718,000) |
| Other movements | (453) | (458,999) |
| | - | 453 |

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to assist rural district municipalities in setting up their road asset management systems, and to collect road and traffic data in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA).

LG SETA

| | | |
|---|-----------|-----------|
| Current-year receipts | 505,763 | 686,074 |
| Conditions met - transferred to revenue | (505,763) | (686,074) |
| | - | - |

Conditions still to be met - remain liabilities (see note 12).

Purpose of the grant is to aid in the development of a skilled and capable workforce supporting a responsive, accountable, efficient and effective local government system, through a range of learning programmes that focuses on scarce and critical skills in the respect of sectors covered by the LGSETA, the New Growth Path, the Industrial Development Action Plan, the National Skills Accord, the Green Accord, the Beneficiation Strategy of South Africa, the National Development Plan, Strategic Integrated Projects, the Rural Development Strategy, the Back to Basics Strategy, the Environmental Strategy and the Human Resource Development Strategy.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-------------------------------------|--------------------|--------------------|
| 23. Employee related costs | | |
| Basic | 259,377,507 | 243,267,026 |
| Bonus | 20,359,530 | 19,553,354 |
| Medical aid - company contributions | 27,308,599 | 25,148,127 |
| Unemployment Insurance Fund | 1,585,361 | 1,589,801 |
| Leave pay provision charge | 3,440,625 | 2,991,650 |
| COVID-19 Danger Allowance | - | 25,500 |
| Defined contribution plans | 8,278,441 | 10,128,881 |
| Overtime payments | 31,989,745 | 12,996,056 |
| Car allowance | 18,283,712 | 18,057,577 |
| Housing benefits and allowances | 1,128,112 | 1,039,208 |
| Bargaining council | 89,834 | 86,919 |
| Pension fund contributions | 47,053,940 | 44,188,013 |
| Cellphone allowance | 558,600 | 571,700 |
| Stand-by allowance | 5,501,219 | 4,317,977 |
| Shift allowance | 7,817,165 | 23,363,884 |
| | 432,772,390 | 407,325,673 |

Remuneration of Municipal Manager (Mr O Losaba)

| | | |
|---|------------------|------------------|
| Basic Salary | 1,191,305 | 801,891 |
| Car Allowance | 182,812 | 147,406 |
| Cellphone Allowance | 27,000 | - |
| Contributions to UIF, Medical and Pension Funds | 241,187 | 129,730 |
| Housing Allowance | - | 20,000 |
| Non-pensionable | 16,950 | 78,382 |
| Leave payout | - | 217,139 |
| Annual Bonus | 195,805 | 48,369 |
| | 1,855,059 | 1,442,917 |

Remuneration of Chief Financial Officer (Mr S Mphato)

| | | |
|---|----------------|------------------|
| Annual Remuneration | 32,127 | 726,719 |
| 13th Cheque | 26,679 | 49,632 |
| Contributions to UIF, Medical and Pension Funds | 2,027 | 180,670 |
| Cellphone Allowance | - | 12,000 |
| Leave payout | 123,540 | - |
| Non-pensionable | 20,340 | 372,124 |
| | 204,713 | 1,341,145 |

Mr S Mphato was a Chief Financial Officer until 30 June 2023.

Remuneration of Senior Manager - Corporate Services (Ms M Dambuza)

| | | |
|---|----------------|------------------|
| Annual Remuneration | 32,127 | 727,122 |
| Car Allowance | - | 84,000 |
| 13th Cheque | 26,773 | 49,632 |
| Contributions to UIF, Medical and Pension Funds | 1,322 | 149,489 |
| Cellphone Allowance | - | 12,000 |
| Housing Allowance | - | 165,252 |
| Non-pensionable | 20,340 | 154,079 |
| Leave payout | 35,297 | - |
| | 115,859 | 1,341,574 |

Ms M Dambuza was a Senior manager until 31 July 2023.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

23. Employee related costs (continued)

Remuneration of Senior Manager - Community services (Ms S Nkadimang)

| | | |
|---|----------------|------------------|
| Annual Remuneration | 139,199 | 727,105 |
| Car Allowance | - | 168,000 |
| 13th Cheque | 26,773 | 49,632 |
| Contributions to UIF, Medical and Pension Funds | 3,585 | 187,893 |
| Cellphone allowance | 1,000 | 12,000 |
| Non-pensionable | 32,588 | 196,244 |
| Leave payout | 123,540 | - |
| | 326,685 | 1,340,874 |

Ms S Nkadimang was Senior Manager - Community Services until 31 July 2023.

Remuneration of Senior Manager - Technical Services (Mr M Rassool)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 1,065,237 | 734,221 |
| Car Allowance | 138,239 | 170,534 |
| Contributions to UIF, Medical and Pension Funds | 208,807 | 149,513 |
| Housing Allowance | 132,000 | 122,118 |
| Non-pensionable | 20,340 | 154,079 |
| Cellphone Allowance | 12,000 | 12,000 |
| Acting Allowance | - | 18,820 |
| Leave payout | 70,594 | - |
| | 1,647,217 | 1,361,285 |

Remuneration of Senior Manager - Chief Audit Executive (Mr L Mosiane)

| | | |
|---|------------------|------------------|
| Annual Remuneration | 923,359 | 740,858 |
| Car Allowance | 110,391 | 168,000 |
| 13th Cheque | 53,545 | 49,632 |
| Contributions to UIF, Medical and Pension Funds | 178,854 | 149,315 |
| Cellphone Allowance | 12,000 | 12,000 |
| Housing Allowance | 107,081 | 36,000 |
| Non-pensionable | 185,460 | 185,460 |
| | 1,570,690 | 1,341,265 |

Remuneration of the New Chief Financial Officer (Mrs G Moroane)

| | | |
|---|------------------|----------|
| Annual Remuneration | 1,250,173 | - |
| Contributions to UIF, Medical and Pension Funds | 136,321 | - |
| Cellphone Allowance | 11,000 | - |
| | 1,397,494 | - |

Mrs G Moroane was appointed as Chief Financial Officer from 01 August 2023.

Remuneration of Senior Manager - Acting Corporate Services (Adv A Pulenyane)

| | | |
|------------------|---------|---|
| Acting Allowance | 123,225 | - |
|------------------|---------|---|

Adv A Pulenyane acted as Senior Manager for Corporate Services during the year.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

23. Employee related costs (continued)

Remuneration of Senior Manager - New Community Services (Ms M Molawa)

| | | |
|---|------------------|----------|
| Annual Remuneration | 993,297 | - |
| Car Allowance | 270,239 | - |
| Contributions to UIF, Medical and Pension Funds | 260,347 | - |
| Cellphone Allowance | 12,000 | - |
| | 1,535,883 | - |

Ms M Molawa was appointed Senior manager - Community Services from 01 July 2023.

Remuneration of Senior Manager - Planning and Development (Mr T Ramorei)

| | | |
|---|------------------|----------|
| Annual Remuneration | 986,503 | - |
| Car Allowance | 160,032 | - |
| Contributions to UIF, Medical and Pension Funds | 249,602 | - |
| Cellphone Allowance | 12,000 | - |
| Housing Allowance | 120,000 | - |
| | 1,528,137 | - |

Mr T Ramorei was appointed Senior manager - Planning and Development from 11 July 2023.

24. Remuneration of councillors

| | | |
|---------------------------|-------------------|-------------------|
| Executive Mayor | 1,213,573 | 1,136,214 |
| Single Whip | 923,482 | 861,855 |
| Mayoral Committee Members | 5,533,490 | 6,885,831 |
| Speaker | 981,501 | 916,725 |
| Councillors | 6,421,076 | 4,099,337 |
| | 15,073,122 | 13,899,962 |

In-kind benefits

The municipality has granted the right of use of municipal vehicles to the Municipal Mayor and Municipal Speaker at no cost.

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.

25. Depreciation and amortisation

| | | |
|-------------------------------|--------------------|--------------------|
| Property, plant and equipment | 201,388,202 | 231,075,013 |
| Investment property | 406,501 | 426,611 |
| | 201,794,703 | 231,501,624 |

26. Impairment loss

Impairments

| | | |
|-------------------------------|-------------------|----------|
| Property, plant and equipment | 41,569,580 | - |
| Investment property | 29,087 | - |
| | 41,598,667 | - |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|--------------------|--------------------|
| 27. Finance costs | | |
| Interest on late payments to suppliers | 236,949 | 767,076 |
| Interest on post-retirement benefits | 11,961,274 | 13,431,397 |
| | 12,198,223 | 14,198,473 |
| 28. Auditors' remuneration | | |
| Fees | 7,030,368 | 8,426,183 |
| 29. Inventory consumed | | |
| Water distribution | 15,707,405 | 11,484,749 |
| 30. General expenses | | |
| Assessment rates & municipal charges | 3,731,887 | 244,906 |
| Auditors remuneration | 7,030,368 | 8,426,183 |
| Bank charges | 167,334 | 292,590 |
| Consumables | 1,293,362 | 2,901,443 |
| Hire | 8,350,903 | 28,293,633 |
| Insurance | 4,836,505 | 7,304,812 |
| IT expenses | 3,583,457 | 5,555,545 |
| Marketing | 406,191 | 1,469,463 |
| Motor vehicle expenses | 1,101,483 | 2,573,531 |
| Fuel and oil | 26,729,059 | 21,476,228 |
| Agency fees | 489,388 | 302,624 |
| Printing and stationery | 1,336,165 | 2,059,983 |
| Promotions | 1,026,047 | 2,364,620 |
| Staff welfare | 4,280,564 | 4,338,887 |
| Subscriptions and membership fees | 13,782,305 | 1,088,423 |
| Telephone and fax | 6,614,995 | 5,230,011 |
| Transport and freight | 632,556 | 152,157 |
| Training | 107,862 | 1,503,000 |
| Travel - local | 788,654 | 1,646,659 |
| Electricity | 31,663,170 | 20,425,327 |
| Uniforms | 7,626,122 | 614,273 |
| Accommodation | 1,740,134 | 2,086,755 |
| Sitting allowance | 408,647 | 451,395 |
| | 127,727,158 | 120,802,448 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|--------------------|--------------------|
| 31. Contracted services | | |
| Outsourced Services | | |
| Catering services | 1,013,030 | 921,639 |
| Security Services | 34,618,730 | 25,817,362 |
| Water Tankers | - | 760,150 |
| Consultants and Professional Services | | |
| Business and Advisory | 40,875,555 | 32,923,048 |
| Infrastructure and Planning | 1,452,532 | 869,945 |
| Legal cost | 22,353,529 | 21,339,518 |
| Contractors | | |
| Repairs and maintenance of building and facilities | 96,432,876 | 525,573,013 |
| | 196,746,252 | 608,204,675 |
| 32. Cash generated from operations | | |
| Surplus (deficit) | 18,901,263 | (349,681,680) |
| Adjustments for: | | |
| Depreciation and amortisation | 201,794,703 | 231,501,624 |
| Gain on sale of assets and liabilities | 51,369,482 | 9,734,159 |
| Impairment deficit | 41,598,667 | - |
| Movements in retirement benefit assets and liabilities | 11,244,874 | (5,735,114) |
| Movements in provisions | (1,420,694) | (4,974,586) |
| Changes in working capital: | | |
| Inventories | 35,755,543 | 111,863,953 |
| Receivables from exchange transactions | (1,420,694) | (4,974,586) |
| Payables from exchange transactions | 214,149,766 | 120,491,348 |
| VAT | 22,636,886 | (47,112,000) |
| Unspent conditional grants and receipts | (30,364,212) | 29,904,760 |
| | 564,245,584 | 91,017,878 |
| 33. Operating surplus (deficit) | | |
| Operating surplus (deficit) for the year is stated after accounting for the following: | | |
| Operating lease charges | | |
| Premises | | |
| • Parking | 1,710,800 | 374,220 |
| Equipment | | |
| • Printing and photocopying | 435,471 | 1,050,391 |
| | 2,146,271 | 1,424,611 |
| Loss on sale of property, plant and equipment | (51,369,482) | (9,734,159) |
| Impairment on property, plant and equipment | 41,569,580 | - |
| Impairment on investment property | 29,087 | - |
| Depreciation on property, plant and equipment | 201,388,202 | 231,075,013 |
| Depreciation on investment property | 406,501 | 426,611 |
| Employee costs | 447,845,512 | 421,225,635 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

| | 2024 | 2023 |
|--|------|------|
|--|------|------|

34. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

| | At fair value | At amortised cost | Total |
|--|--------------------|----------------------|--------------------|
| Trade and other receivables from exchange transactions | - | 10,463,209 | 10,463,209 |
| Other receivables from non-exchange transactions | - | 26,199 | 26,199 |
| Cash and cash equivalents | 134,231,993 | - | 134,231,993 |
| Other financial assets | 377,996 | - | 377,996 |
| | 134,609,989 | 10,489,408 | 145,099,397 |

Financial liabilities

| | At amortised cost | Total |
|---|----------------------|---------------|
| Trade and other payables from exchange transactions | 1,072,678,553 | 1,072,678,553 |

June 2023

Financial assets

| | At fair value | At amortised cost | Total |
|--|--------------------|----------------------|--------------------|
| Trade and other receivables from exchange transactions | - | 9,042,515 | 9,042,515 |
| Other receivables from non-exchange transactions | - | 26,199 | 26,199 |
| Cash and cash equivalents | 159,306,618 | - | 159,306,618 |
| Other financial assets | 346,478 | - | 346,478 |
| | 159,653,096 | 9,068,714 | 168,721,810 |

Financial liabilities

| | At amortised cost | Total |
|---|----------------------|-------------|
| Trade and other payables from exchange transactions | 858,825,851 | 858,825,851 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|-------------|-------------------|
| 35. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 135,663,937 | 75,098,144 |
| Total capital commitments | | |
| Already contracted for but not provided for | 135,663,937 | 75,098,144 |
| This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. | | |
| Prior period error | | |
| Opening balance as previously stated | - | 57,476,117 |
| Prior period error adjustment | - | 17,622,027 |
| Restated opening balance | - | 75,098,144 |

The following deficiencies in the reporting of capital commitments have resulted in a prior period error:

- Suspended/Cancelled Projects: Some projects that were suspended, cancelled, or closed in prior periods were still included in the reported capital commitments, leading to an overstatement of obligations.
- Incorrect Retention Amounts: The inclusion or exclusion of retention amounts was incorrectly calculated, resulting in the misstatement of capital commitments by an erroneous amount.
- Incorrect VAT Treatment: The VAT amounts associated with capital commitments were either incorrectly included or excluded, leading to discrepancies in the reported capital obligations.

The errors were corrected retrospectively.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

36. Contingencies

Contingent assets

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 entity.

| | | |
|---|-------------------|------------------|
| 1. NMMDM // Khwethayo Construction JV | 5,498,434 | 5,498,434 |
| 2. NMMDM // Tshireletso Protection Services | 27,032,762 | - |
| 3. NMMDM // Ziggy Investments | 6,730,429 | - |
| | 39,261,625 | 5,498,434 |

1. NMMDM // Khwethayo Construction JV

Claim by the Municipality for failing by the company to construct and install toilets and constructing waste collectors in the amount of R5 498 433.80.

Pleadings have been closed, both parties have discovered and the settlement negotiations have collapsed. The defendant applied to amend its plea and we have raised a Rule 30(2)(b) for non-compliance of the rules. The parties have yet to argue the Rule 30, the matter will also head to pre-trial conference and trial.

Uncertainty exist around the timing of the outflow, estimated legal cost to be paid to Motshabi attorneys is R200,000. There's possibility of reimbursement.

2. NMMDM // Tshireletso Protection

Services Overpayment due and payable to the Municipality

AGSA conducted an investigation and discovered that there was an overpayment made to Tshireletso Protection Services and advise that it be recovered. Municipality is in the process of recovering costs.

Uncertainty exist around the timing of the outflow, however there is possibility of reimbursement. The matter is on-going.

3. NMMDM // Ziggy Investments

Overpayment due and payable to the Municipality

AGSA conducted an investigation and discovered that there was an overpayment made to Ziggy Investments and advise that it be recovered. In the process of recovering costs therefore the matter is on-going.

Uncertainty exist around the timing of the outflow, however there is possibility of reimbursement. The matter is on-going.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|--------------------|--------------------|
| 36. Contingencies (continued) | | |
| Contingent liabilities | | |
| A contingent liability is: | | |
| (a) 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 entity; | | |
| (b) a present obligation that arises from past events but is not recognised because: | | |
| (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or | | |
| (ii) the amount of the obligation cannot be measured with sufficient reliability. | | |
| 1. Beyond Build Construction JV // NMMDM | 2,875,303 | 2,875,303 |
| 2. Geldenhuys et al // NMMDM | 139,338,407 | 201,341,200 |
| 3. Quantibuild (Pty) Ltd // NMMDM | 2,153,631 | 2,153,631 |
| 4. PK Financial Consulting CC // NMMDM | - | - |
| 5. Kawo Construction CC // NMMDM | 9,939,988 | 9,939,988 |
| 6. Ultimate Dynamics and Proper Consulting JV // NMMDM | 1,665,496 | 1,665,496 |
| 7. Al Jaza Investments (Pty) Ltd // NMMDM | 6,185,983 | 6,185,983 |
| 8. Hundred Percent Blackstone Suppliers Projects | 500,000,000 | 500,000,000 |
| 9. Naphtronics (Pty) Ltd // NMMDM | 7,500,000 | 7,500,000 |
| 10. Khwethayo Construction JV // NMMDM | 5,498,434 | 5,498,434 |
| | 675,157,242 | 737,160,035 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

36. Contingencies (continued)

1. Beyond Build Construction JV // NMMDM

A dispute exists over a letter of demand from Beyond Build Construction in May 2015 for the payment of R2,875,303 relating to an outstanding payment certificate for the construction of VIP toilets in Dinokana Village. The service provider then changed legal council/legal representation. The letter of demand from the new legal representation is R2,875,303 sighting an increase on Interest rate.

The municipality attorneys then requested a Practical Completion Certificate from Beyond Build as proof of work done but this was not submitted.

Beyond Build reissued their letter of demand through their attorneys, Morweng Attorneys in May 2019. The NMMDM denied the liability and instituted a counter claim for the same amount in July 2019. The matter is on-going as a pre-trial conference was held on 13th March 2023, parties are considering Pre-trial minutes and preparing for trial.

Uncertainty exists around the timing of any outflow dependent on the outcome of the trial. M.E Tlou attorneys has estimated legal fee and disbursements to the tune of R467,987.

There is possibility of reimbursement at this stage. The matter is on-going.

2. Geldenhuys et al // NMMDM

In September 2007, the NMMDM entered into a purchase agreement with Geldenhuys to purchase its farm containing multiple boreholes to abstract water. Subsequent to signing the agreement, the municipality withdrew its decision to purchase as the purchase price was too high. In June 2011, Geldenhuys then approached the Court with this matter but the purchase agreement specifically stated that all disagreements should be handled through an arbitration and not the courts. Parties agreed to remove the case off the court's roll due to the arbitration clause.

Thereafter Geldenhuys approached the then Minister of Local Government, Pravin Gordhan to intervene but the intervention did not yield any results. Subsequently the municipality applied to court to terminate the purchase agreement in February 2020. The municipality applied to court for application to terminate claim and consequent the sale. A court date was set for 29 November 2021 and the matter could not proceed due to the farm owner changing legal council and due to covid 19 pandemic.

The matter had to have been to court on the 17th March 2023 and was removed from court by agreement by both parties due to non-compliance of mandatory court requirements.

Subsequently Geldenhuys et al issued an additional court summons against the municipality for damages and loss of income as a result of the Municipality's failure to purchase their farm as agreed.

The claimant claimed an amount of R139,338,470 being the damages and loss of income incurred by the plaintiff. Therefore, uncertainty exists around the timing of the outflow, if any, dependent on the court's decision, currently, the parties would arrange pre-trial conference. The estimated legal costs and disbursements to be paid to Molefe Attorneys is R1,900,000. There is possibility of reimbursements at this stage. The matter is on-going.

3. Quantibuild (Pty) Ltd // NMMDM

In January 2019 Quantibuild received an arbitration award of R2,153,631 in their favour against the municipality for outstanding payments relating to retentions and suspension of work due to labour unrest for the erection of wastewater treatment plants in Groot Marico.

The municipality appealed the judgement and the new judgement from the supreme court of appeal was in favour of the municipality and was only on equitable cost, the final judgement on this matter was supposed to be made on 10 October 2022 and no judgement was made, therefore, the matter is on-going before court appeal.

Uncertainty exists around the timing of the outflow, if any, as this will be dependent on the sitting court. The estimated legal fees and disbursements to be paid to Semaushu Attorneys is R500,000. Possibility of reimbursements cannot be confirmed at this stage.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

36. Contingencies (continued)

4. PK Financial Consulting CC // NMMDM

PK Financial Services alleges that the tender for Tax and Financial Recovery is tailor-made for Maxprof. This matter has been dismissed by the NW High Court with costs. PK Financial Services have appealed the judgement of the 17th of December 2020, awaiting for trial date. The Municipality has since replied to the other side's papers and they have since been quiet, it appears as if they await outcome of the tender in question."

It was not practicable to estimate the contingent liability amount.

5. Kawo Construction CC // NMMDM

Kawo Construction CC is denying Ditsobotla Local Municipality access to the boreholes due to irresponsibility of DLM officials leaving gates unattended and his animals let loose and gets stolen as and when the officials went to do repairs to boreholes.

Kawo Construction CC issued a letter of demand on 09 March 2022 for denying the officials access to boreholes and requesting payment of R9,939,988 owed by DLM Municipality for repairs of roads in and outside DLM. NMMDM as the owner of the boreholes. is negotiating with the farm owner to allow the Municipality to register servitudes in the area where the boreholes are located. We are waiting for Attorneys of Kawo Construction to provide the figure for compensation for the boreholes erected on his farm.

Uncertainty exists around the timing of outflow. There is no possibility of reimbursement, however the matter is on-going.

6. Ultimate Dynamics and Proper Consulting JV // NMMDM

The Municipality received Letter of Demand from Ultimate Dynamics and Proper Consulting JV for unlawful termination of contract and failure to pay outstanding invoices.

This matter is currently before court, summons defended. The Municipality has filed Notice of Intention to Defend.

Uncertainty exist around the timing of the outflow, if any dependent on the court judgement. There is a possibility of reimbursement. The matter is on-going.

7. Al Jaza Investments (Pty) Ltd // NMMDM

On 12 February 2015, NMMDM received a letter from Ditsobotla Local Municipality informing them that attorneys for Al Jaza Investments (Pty) Ltd issued a letter of demand stating that their property was damaged by fire as a result of the NMMDM's failure to provide adequate water tank and equipment to oust off the fire and that the fire services personnel did not have sufficient protective clothing. As a result, their client suffered damages to the tune of R2,408,531.

The complainant did not appear in court for the matter and the case was struck off the roll with costs. In October 2018, the court taxed the costs involved and requested Al Jaza to settle these. Thereafter an application was made for trial by Al Jaza Investments in March 2019 but the Municipality responded that the complainant needs to settle the taxed costs before pursuing a new case. The matter is on-going as consultation with Counsel was scheduled for 30 August 2023 for trial preparation. A request for consultation to ascertain qualifications for fire personnel is entertained.

Uncertainties exist around the timing of the outflow, if any, as this will be dependent on the outcome of the trial, estimated legal costs and disbursements to be paid to M.E Tlou attorneys are R413,662. There is possibility of reimbursements at this stage.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

36. Contingencies (continued)

8. Hundred Percent Blackstone Suppliers Projects

Stolen intellectual property

The Municipality received the summons from Black Stone Supply regarding unlawful usage of intellectual property, which is registered and protected by Black Stone Supply.

The Municipality received a letter of demand alleging that tender was advertised with their concept, without permission or consent.

This matter is before court the NMMDM has responded to the summons. The Municipality has filed Notice of Intention to Defend, matter is on-going.

Uncertainty exists around the timing of the outflow. There's possibility of reimbursement.

9. Naphtronics (Pty) Ltd // NMMDM

In 2015, Naphtronics was appointed to render security services irregularly due to SCM processes not being followed. The municipality then elected to terminate their contract in High Court in light of the irregularity but Naphtronics referred the matter to court in March 2018, decision was made in favour of the municipality. However Naphtronics has appealed with SCA still awaiting court. The SCA granted leave to appeal to Full Bench of the North West High Division. This matter was dismissed but Naphtronics applied for review, this matter was sent back to the NW High Court for review on just equitable, still awaiting date to determine just equitable cause or remedy.

The leave was granted on limited issues only, appeal was granted and remitted back to the High Court for determination of the debt outstanding, the matter is still on-going and yet to be heard by the Court.

(Naphtronics issued a letter of demand of R15,075,406 for outstanding invoices as NMMDM wanted to terminate their contract, the claim was rejected by the Municipality and proposed a payment of R7,500,000 to Naphtronics which they refused. The negotiations insured with options to either be accept the R7,500,000 or for their contract to be terminated.)

Uncertainty exists around the timing of outflow, estimated legal costs to be paid to Motshabi attorneys is R100 000. There's uncertainty on possibility of reimbursements.

10. Khwethayo Construction JV // NMMDM

In November 2013 a claim for termination of contract and claim additional payments made in respect of a tender was identified by the NMMDM.

An opinion was submitted on the 3rd of December 2013 by the Municipal Attorney.

It is advised by the Municipal attorney that Bagorosi Consulting be put in terms for the demand of the difference in amount due. Currently the Municipal Attorneys drafted the summons and are due to be served on Bagorosi.

This matter is continuing pending the outcome of the Khwethayo matter because the issues involved are similar or the same. We are in discussion for possible settlement. (Counter-claim).

Uncertainty exist around the timing of the outflow, estimated legal cost to be paid to Motshabi attorneys is R200,000. There's possibility of reimbursement.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | | |
|-----------------|------|------|
| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|

36. Contingencies (continued)

Prior period error - Contingent assets

During the 2023/2024 annual financial statements preparation, it was noted that contingent assets were understated in the 2022/2023 financial year with an amount of R5,498,434 (case NMMDM // Khwethayo Construction JV). These errors have been corrected and the total balance has been adjusted as follows:

| Increase in contingent assets | As previously reported | Correction of error | Restated |
|--|------------------------|---------------------|-----------|
| Contingent assets - NMMDM // Khwethayo Construction JV | - | 5,498,434 | 5,498,434 |

Prior period error - Contingent liabilities

1. During the 2022/2023 audit, it was noted by the AGSA that the following cases (COAF 37 EX 122) and furthermore we also identified additional cases that have been prescribed which resulted in the overstatement of contingent liabilities in the 2022/2023 financial year.

2. During the 2023/2024 annual financial statement preparation, it was noted that contingent liabilities were understated in the 2022/2023 financial year with an amount of R5,498,434 (case: Khwethayo Construction JV// NMMDM).

These errors have been corrected and the total balance has been adjusted as follows:

| Decrease in contingent liabilities | As previously reported | Correction of error | Restated |
|------------------------------------|------------------------|---------------------|-------------|
| Contingent liabilities | 772,729,280 | (35,569,246) | 737,160,034 |

Cases (COAF 37 EX 122) - Decrease in contingent liabilities

| | | |
|-----------------------------------|----------|---------------------|
| J.Y Gutta | - | (2,235,379) |
| Tebogo Shomolekae | - | (8,500) |
| Monarch Protection CC | - | (4,451,008) |
| Violet Tshetlo | - | (8,500) |
| Maq's Construction and Plant Hire | - | (5,122,954) |
| Johannes Delpont | - | (28,171) |
| Donald Maebane | - | (908,000) |
| Naphtronics (Pty) Ltd | - | (7,575,406) |
| Total (COAF 37 EX 122) | - | (20,337,918) |

Additional prescribed cases - Decrease in contingent liabilities

| | | |
|--|----------|---------------------|
| T. Gwabeni | - | (2,021,184) |
| Batlhalefi Projects (Sello Mogodiri) | - | (17,722,191) |
| Dr Maduo | - | (986,386) |
| Total additional prescribed cases | - | (20,729,761) |

Contingent liabilities (Understated) - Increase in contingent liabilities

| | | |
|---------------------------|---|-----------|
| Khwethayo Construction JV | - | 5,498,434 |
|---------------------------|---|-----------|

| | | |
|---------------------------------------|----------|---------------------|
| Total prior period adjustments | - | (35,569,245) |
|---------------------------------------|----------|---------------------|

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

37. Related parties

Relationships

Accounting Officer

Members of key management

Refer to accounting officers' report note

O.A. Losaba - Municipal Manager

L.I. Mosiane - Chief Audit Executive

S.S Mphato - Chief Financial Officer (contract ended June 2023)

G.P Moroane - Chief Financial Officer (appointed August 2023)

M.J. Rassool - Technical Services

M.D. Dambuza - Corporate Resource Support Services (until July 2023)

A Pulenyane - Acting Corporate Resource Support Services (acted from July 2023)

S.M Nkadimang - Community Services (until July 2023)

M Molawa - Community Services (appointed July 2023)

T Ramorei - Planning and Development (appointed July 2023)

For the remuneration of the above key management personnel refer to employee related cost note.

Remuneration of management

Remuneration of Councillors

2024

| Name | Basic Salary | Car Allowance | Cellphone Allowance | Medical Aid Contribution | Pension Fund Contribution | Total |
|-----------------|-------------------|------------------|---------------------|--------------------------|---------------------------|-------------------|
| Speaker | 684,331 | 195,732 | 53,208 | - | 48,230 | 981,501 |
| Chief Whip | 813,091 | - | 53,208 | - | 57,183 | 923,482 |
| MMC | 4,023,445 | 752,683 | 319,248 | - | 438,114 | 5,533,490 |
| Councillors | 5,440,398 | 357,126 | 437,075 | 36,799 | 149,678 | 6,421,076 |
| Executive Mayor | 832,943 | 247,135 | 53,208 | - | 80,287 | 1,213,573 |
| | 11,794,208 | 1,552,676 | 915,947 | 36,799 | 773,492 | 15,073,122 |

June 2023

| Name | Basic Salary | Car Allowance | Cellphone Allowance | Medical Aid Contribution | Pension Fund Contribution | Total |
|-----------------|-------------------|------------------|---------------------|--------------------------|---------------------------|-------------------|
| Executive Mayor | 1,105,083 | - | 40,800 | - | - | 1,145,883 |
| Speaker | 703,925 | 130,488 | 40,800 | - | 48,945 | 924,158 |
| Chief Whip | 774,065 | - | 40,800 | - | 53,866 | 868,731 |
| MMC | 3,089,168 | 450,026 | 122,400 | - | 190,878 | 3,852,472 |
| Councillors | 5,986,903 | 494,456 | 428,400 | 43,028 | 155,931 | 7,108,718 |
| | 11,659,144 | 1,074,970 | 673,200 | 43,028 | 449,620 | 13,899,962 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

38. Prior-year adjustments

Prior period errors were identified during the current year and corrected in line with GRAP 3 - Accounting Policies, Changes in Accounting Policies and Errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassification of comparatives had on the amounts disclosed in the annual financial statements, followed by a description of each of the individual prior period error with the amounts involved.

Statement of financial position

June 2023

| | As previously reported | Correction of error | Restated |
|--|------------------------|---------------------|-----------------|
| Property plant and equipment - Infrastructure | 5,076,584,194 | 131,126,568 | 5,207,710,762 |
| VAT Receivables/Payables | 92,198,225 | (6,640,196) | 85,558,029 |
| Receivables from exchange transactions - Prepaid expenses | 7,188,996 | 699,122 | 7,888,118 |
| Unspent conditional grants - Financial Management Grant | (1,262,139) | 1,262,139 | - |
| Payables from exchange transactions - Trade payables | (206,599,727) | 55,062,605 | (151,537,122) |
| Payables from exchange transactions - Retentions | (44,590,116) | 11,715,240 | (32,874,876) |
| Payables from exchange transactions - Magalies water payable | - | (625,783,357) | (625,783,357) |
| Property plant and equipment - Buildings | 112,644,572 | (60,929) | 112,583,643 |
| Property plant and equipment - Other PPE | 69,729,538 | 1,272,620 | 71,002,158 |
| Inventory | 243,222,628 | (180,034,824) | 63,187,804 |
| Employee benefit obligation - Non-current portion | (97,385,344) | 2,029,460 | (95,355,884) |
| Accumulated surplus | (4,734,254,142) | 23,719,341 | (4,710,534,801) |

2024

Statement of financial performance

June 2023

| | As previously reported | Correction of error | Restated |
|--|------------------------|---------------------|-----------------|
| Government grants and subsidies | (1,295,777,176) | (1,261,686) | (1,297,038,862) |
| General expenses - Fuel and Oil | 21,391,007 | 85,221 | 21,476,228 |
| Contracted services - Maintenance of Building and Facilities | 524,656,942 | 916,071 | 525,573,013 |
| Contracted services - Infrastructure and Planning | 1,006,467 | (136,522) | 869,945 |
| General expenses - Hire | 28,298,483 | (4,850) | 28,293,633 |
| Contracted services - Catering | 954,145 | (32,506) | 921,639 |
| General expenses - Accommodation | 2,135,494 | (48,739) | 2,086,755 |
| General expenses - IT Expenses | 5,643,086 | (87,541) | 5,555,545 |
| General expenses - Marketing | 1,599,876 | (130,413) | 1,469,463 |
| General expenses - Subscriptions and Membership fees | 1,563,482 | (475,059) | 1,088,423 |
| General expenses - Electricity | 20,117,926 | 307,401 | 20,425,327 |
| General expenses - Agency fees | - | 302,624 | 302,624 |
| VIP Toilets transferred to local Communities | 138,215,219 | 72,380,917 | 210,596,136 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

38. Prior-year adjustments (continued)

38.01 Fuel and Oil, Repairs - FNB Fleet

During the prior financial year, there was errors identified in the split of invoices received from FNB Fleet relating to Administration, Fuel and Oil, repairs and the VAT impact thereof. The full population relating to FNB Fleet was revisited and corrected to ensure that the invoices were captured in the correct account and line item. This error has been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of financial position

| | |
|--|-----------|
| Decrease in VAT Receivables | (944,175) |
| Increase in Payables from exchange transactions - Trade payables | (57,118) |

Statement of financial performance

| | |
|--|---------|
| Increase in General expenses - Fuel and Oil | 85,227 |
| Increase in Contracted services - Maintenance of Building and Facilities | 916,066 |

-

38.02 - Prepayment - SAGE

During the prior financial year, an error was identified, SAGE annual license renewal was not correctly accounted for during the 2022/23 financial year, and the full transaction amount was recorded in the 2022/23 financial year, the error was corrected to by apportioning the licence fee amount for the 2022/23 and 2023/24 pro-rated period. This error has been corrected and the opening balances were adjusted with the effect thereof as follows:

Statement of financial position

| | |
|---|---------|
| Increase in Receivables from exchange transactions - Prepaid expenses | 224,063 |
|---|---------|

Statement of financial performance

| | |
|--|-----------|
| Decrease in General expenses - IT expenses | (224,063) |
|--|-----------|

-

38.03 General expenses - IT expenses and Contracted Services - Infrastructure and Planning

During the prior financial year, certain IT expenses were included in Contracted Services instead of IT expenses. This resulted in IT expenses being understated and contracted services being overstated. This was corrected by way of reallocation.

Statement of financial performance

| | |
|---|-----------|
| Decrease in Contracted Services - Infrastructure and Planning | (136,522) |
| Increase in General expenses - IT expenses | 136,522 |

-

38.04 Retention

Correction of opening balance was due to retentions of projects being written off due to the defective liability period being elapsed and retentions of projects being misstated. They were corrected as follows:

Statement of financial position

| | |
|--|--------------|
| Decrease in Payables from exchange transactions - Retentions | 12,775,123 |
| Decrease accumulated surplus | (12,775,123) |

-

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|--|---------------|------|
| 38. Prior-year adjustments (continued) | | |
| 38.05 Recognition of amounts owing to the water services provider | | |
| During the 2021-22 financial year trade payables to Sedibeng water was erroneously moved from payables to contingencies. After investigations were performed regarding the possible litigation/claim, it was determined that there is no substantiating evidence for the transaction to qualify as a contingency and this has resulted in correcting the trade payables by increasing creditors age analysis balance to Sedibeng. | | |
| Statement of financial position | | |
| Increase in Payables from exchange transactions - Magalies Water payable | (625,783,357) | |
| Decrease in Accumulated surplus | 625,783,357 | |
| | | - |
| 38.06 Recognition of prepaid expense - Microsoft | | |
| During the prior financial year, an error was identified, Microsoft annual license renewal was not correctly accounted for during the 2022/23 financial year, and the full transaction amount was recorded in the 2022/23 financial year, the error was corrected to by apportioning the licence fee amount for the 2022/23 and 2023/24 pro-rated period. This error has been corrected and the opening balances were adjusted with the effect thereof as follows: | | |
| Statement of financial position | | |
| Increase in Receivables from exchange transactions - Prepaid expenses | (475,059) | |
| Statement of financial performance | | |
| Increase in General expenses - Subscriptions and membership fees | 475,059 | |
| | | - |
| 38.07 Financial Management Grant | | |
| During the current year, it was noted that prior year Financial Management Grant was fully spent, however an unspent conditional grant was disclosed. The error was corrected by accounting for the additional expenditure. | | |
| Statement of financial position | | |
| Decrease in Unspent Conditional Grant - FMG | (1,262,139) | |
| Statement of financial performance | | |
| Increase in Government Grants and Subsidies | 1,262,139 | |
| | | - |
| 38.08 Inventory | | |
| During the current financial year, the Municipality adopted a methodology which outlines the process of accounting for VIP (Ventilated Improved Pit) toilets as inventory under the Generally Recognised Accounting Practice (GRAP) 12 for Ngaka Modiri Molema District Municipality. The purpose is to ensure accurate and consistent recording of VIP toilets constructed by the Municipality for local communities in need. | | |
| Statement of financial position | | |
| Decrease in inventory | (180,034,824) | |
| Increase in Accumulated surplus | 252,415,741 | |
| Statement of financial performance | | |
| Increase in VIP Transfers to Local communities | (72,380,917) | |
| | | - |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

38. Prior-year adjustments (continued)

38.09 Employee benefit obligation - non-current

In the previous financial years, an error was identified whereby the closing balance for employee benefit obligation (medical aid benefit) as per the financial statements did not agree to the amount as per the Actuarial Valuation report. This resulted in the employee benefit obligation for medical aid and opening accumulated surplus being overstated by R2,029,460 in the 2023 financial statements. The error was corrected retrospectively.

Statement of financial position

| | |
|---|-------------|
| Decrease in employee benefit obligation - non current portion | (2,029,460) |
| Increase in opening accumulated surplus | 2,029,460 |
| | <u>-</u> |

38.10 VAT receivables

Trade payables - Correction of opening balance was due to reversals of open orders which were incorrectly accounted for as payables.

Fleet - Correction of opening balance was due to corrections made on the VAT incorrectly capturing of invoices on the SAGE system.

Prepayment - Correction was to ensure that the prepayment of insurance was correctly accounted for.

Statement of financial position

| | |
|--|-------------|
| Decrease in VAT receivable - Trade payables | (7,239,162) |
| Decrease in VAT - Purchase Order | (208,727) |
| Increase in VAT Receivables - Fleet | 944,175 |
| Increase in VAT Receivables - Prepayment insurance | 28,438 |
| Decrease in accumulated surplus | 6,475,276 |
| | <u>-</u> |

38.11 Property, Plant and Equipment – Infrastructure and Other PPE

In the 2022/2023 financial year, Property, Plant and Equipment (Infrastructure and Other PPE) was understated. As a result, depreciation was understated and contract services overstated. The error has been corrected retrospectively.

Statement of financial position

| | |
|--|--------------|
| Increase in Property, Plant and Equipment - Infrastructure | 132,012,099 |
| Increase in Property, Plant and Equipment - Other PPE | 1,272,620 |
| Decrease in Property, Plant and Equipment - Buildings | (60,929) |
| Increase in opening balance Accumulated Surplus | (74,873,760) |

Statement of financial performance

| | |
|---|--------------|
| Increase in depreciation/impairment | 3,767,109 |
| Decrease in contracted services – maintenance of buildings and facilities | (62,117,139) |
| | <u>-</u> |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

38. Prior-year adjustments (continued)

38.12 Payables from exchange transactions and retentions

Trade payables - Correction of opening balance was due to reversals of open orders which were incorrectly accounted for as payables.

Statement of financial position

| | |
|--|--------------|
| Decrease in Payables from exchange transactions - Retention fees | 7,239,162 |
| Decrease in Payables from exchange transactions - Trade payables | (55,513,242) |
| Decrease in Accumulated Surplus | 48,274,080 |
| | <u>-</u> |

38.13 Eskom Accrual

In the previous financial year, certain expenditure relating to Eskom was overstated as it was not recognised correctly. This resulted in accruals being understated and general expenditure (electricity) also being understated. The error was corrected retrospectively and resulted in adjustments as follows:

Statement of financial position

| | |
|--|-----------|
| Increase in Payables from exchange transactions - Trade payables | (393,516) |
|--|-----------|

Statement of financial performance

| | |
|--|----------|
| Increase in general expenses - electricity | 393,516 |
| | <u>-</u> |

38.14 Agency fee

During the 2023/2024 financial year, it was noted that prior year Agency fees was understated and marketing, hire, contracted services and accommodation overstated. Furthermore it was determined that the a journal was passed in the prior year and processed into an electricity account. These errors have been corrected and the prior year figures were adjusted with the effect thereof as follows:

Statement of Financial Performances

| | | |
|----------------------------------|----------|-----------|
| Agency fee | - | 302,623 |
| General expenses - Marketing | - | (130,413) |
| General expenses - Accommodation | - | (48,739) |
| General expenses - Hire | - | (4,850) |
| Contracted services - Catering | - | (32,507) |
| General expenses - Electricity | - | (86,114) |
| | <u>-</u> | <u>-</u> |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

38. Prior-year adjustments (continued)

38.15 Prepayments - Subscription and membership fees

Prior period errors were identified during the current year and corrected line with GRAP 3 - Accounting Policies, Changes Accounting Policies and Errors.

Below is a summary of the total effect that the prior period errors, changes accounting policies and reclassification of comparatives had on the amounts disclosed the annual financial statements, followed by a description of each of the individual prior period error with the amounts involved.

During the 2023/2024 financial year, it was noted that prior year prepaid expenses was understated and subscriptions and membership fees overstated, . The correction of the error will affect the following below:

Statement of Financial Positions

| | | |
|--|---|---------|
| Increase in Receivable from exchange transactions - Prepaid expenses | - | 699,123 |
|--|---|---------|

Statement of Financial Performance

| | | |
|--|---|-----------|
| Decrease in General expenses - Subscriptions and Membership Fees | - | (699,123) |
|--|---|-----------|

| | | |
|--|---|---|
| | - | - |
|--|---|---|

38.16 Prior period error - Investment property accounting policy

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

In the previous financial years, the municipality's accounting policy indicated that the investment property was subsequently measured at fair value. However, the municipality measured the investment property at cost and depreciated the investment property in the financial statements. This was in contradiction with the accounting policy of fair value. Management adjusted the accounting policy to cost model in the current year's financial statements. This was an error in the accounting policy and the error has been corrected retrospectively.

38.17 Prior period error- Financial instruments accounting policy

In the previous financial years, the municipality's accounting policy indicated that the payables from exchange transactions have been classified at fair value. The classification was incorrect in terms of GRAP 104. As per GRAP 104: Financial Instruments, financial liability at fair value through surplus or deficit is a financial liability that meets one of the following conditions:

- It meets the definition of held for trading; or
- Upon initial recognition it is designated by the municipality as at fair value through surplus or deficit.

In the current financial year, payables from exchange transactions of the municipality are carried at amortised cost. The error has been corrected retrospectively.

39. Going concern

We draw attention to the fact that at 30 June 2024, the municipality had an accumulated surplus of R 4,731,928,405 and that the municipality's total assets exceed its liabilities by R 4,731,928,405.

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.

Management therefore believes that the going concern assumption under which the financial statements have been prepared is appropriate on the basis of the above financial performance and financial position.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

40. Risk management

Financial risk management

The municipality'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.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

The Liquidity risk is the risk that the municipality might not be able to meet its obligations as they fall due. The municipality has a prudent liquidity risk management strategy which ensure that it maintains sufficient cash and cash equivalents to meet its objective as they fall due. The short-term investments are invested over terms that ensure that the municipality has a short term maturing every month to reduce the liquidity risk. The municipality also manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's derivative financial instruments which will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amount disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Financial liabilities

| | | |
|-------------------------------------|---------------|-------------|
| Payables from exchange transactions | 1,072,678,553 | 858,825,851 |
|-------------------------------------|---------------|-------------|

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.

Receivables from exchange transactions

Receivables from exchange transactions are amounts owing by customers, and are presented net of impairment losses. 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. The impact of the COVID-19 pandemic on the economy and consumers will affected the impairment provision for the current year. The provision estimates were adjusted to account for this increase in risk of missed payments or default. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Council. The utilisation of credit limits is regularly monitored.

Cash and cash equivalents and investments

The municipality limits its exposure to credit risk by investing with only the major commercial banks in South Africa that have a sound credit rating and within the specific guidelines set in the council approved cash management and investment policy. Accordingly, the municipality does not consider its exposure to credit risk significant.

The carrying amount of the financial assets represents the maximum credit exposure and the carrying amount of the financial assets as at 30 June was as follows:

| | | |
|--|-------------|-------------|
| Financial assets | June 2024 | June 2023 |
| Cash and cash equivalents | 134,231,993 | 159,306,618 |
| Receivables from non-exchange transactions | 26,199 | 26,199 |
| Receivables from exchange transactions | 10,463,209 | 9,042,515 |
| Other financial assets | 377,996 | 346,478 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

40. Risk management (continued)

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from short term deposits. Short term deposits issued at variable rates expose the municipality to cash flow interest rate risk. On the other hand, short term deposits issued at fixed rates expose the municipality to fair value interest rate risk. As at 30 June 2024 and 30 June 2023, the municipality's deposits and bank balances at fixed rate were denominated in the Rand.

Bank

| | | |
|-------------------------|-------------|-------------|
| First National Bank (B) | 134,231,993 | 159,306,618 |
|-------------------------|-------------|-------------|

41. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2023.

42. Unauthorised expenditure

| | | |
|---|-----------------------|-----------------------|
| Opening balance as previously reported | 10,114,211,095 | 9,696,996,746 |
| Add: Unauthorised expenditure - current | 509,856,965 | 417,214,349 |
| Closing balance | 10,624,068,060 | 10,114,211,095 |

Unauthorised expenditure: per vote level

| | Operational | Capital |
|--|--------------------|----------|
| 2024 | | |
| Vote 7 - Public Works & Basic Services | 509,856,965 | - |
| 2023 | | |
| Vote 2 - Municipal Manager | 590,986 | - |
| Vote 3 - Finance | 39,328,825 | - |
| Vote 6 - Community Services | 31,610,230 | - |
| Vote 7 - Public Works & Basic Services | 345,684,308 | - |
| | 417,214,349 | - |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|-------------------|-------------------|
| 43. Fruitless and wasteful expenditure | | |
| Opening balance as previously reported | 26,245,103 | 25,495,972 |
| Add: Fruitless and wasteful expenditure identified - current | 477,724 | 747,885 |
| Add: Fruitless and wasteful expenditure - identified in the current year relating to the prior year | - | 1,246 |
| Closing balance | 26,722,827 | 26,245,103 |

Fruitless and wasteful expenditure is presented inclusive of VAT.

Details of fruitless and wasteful expenditure

| | Disciplinary steps taken/criminal proceedings | | |
|--|--|---------|---------|
| Interest and penalties on late payment | No consequence management followed | 477,724 | 747,885 |

Analysis of expenditure awaiting write-off

There were no expenditure awaiting to be written off as there were no investigations underway in the current year.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

43. Fruitless and wasteful expenditure (continued)

Amount written-off

There were no expenditure awaiting to be written off as there were no investigations underway in the current year.

44. Irregular expenditure

| | | |
|--|----------------------|----------------------|
| Opening balance as previously reported | 4,660,729,056 | 4,174,830,779 |
| Add: Irregular expenditure - current | 570,721,678 | 485,898,277 |
| Add: Irregular expenditure - prior period | 10,945,940 | - |
| Less: Amounts written off by Council - Irrecoverable | (462,437,966) | - |
| Closing balance | 4,779,958,708 | 4,660,729,056 |

Incidents/cases identified/reported in the current year include those listed below:

| | Disciplinary steps taken/criminal proceedings | | |
|---|--|--------------------|--------------------|
| Bid adjudication and evaluation committee composition incorrect | No consequence management followed | 118,122,560 | - |
| Shorter day advertisement period | No consequence management followed | 8,046,927 | 2,408,944 |
| Statement of municipal rates not submitted | No consequence management followed | - | 12,102,428 |
| Supplier not tax compliant | No consequence management followed | 9,905,896 | 4,252,928 |
| No Supply Chain Management processes were followed | No consequence management followed | - | 190,791,278 |
| Irregular extension of contracts | No consequence management followed | 17,580,976 | 10,954,332 |
| Other non compliance with SCM Regulations | No consequence management followed | 415,534,622 | 262,070,533 |
| Declaration of interest not submitted | No consequence management followed | 1,138,105 | 2,081,019 |
| Three quotations not submitted | No consequence management followed | 392,592 | 1,236,815 |
| | | 570,721,678 | 485,898,277 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|---|------------------|------------------|
| 44. Irregular expenditure (continued) | | |
| Cases under investigation | | |
| There were no council committee investigations conducted into the irregular expenditure during the 2022/23 financial year | | |
| Irregular expenditure is calculated inclusive of VAT while the figures disclosed above have been presented in this set as exclusive of VAT. | | |
| 45. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government (SALGA) | | |
| Current year subscription / fee | 5,038,809 | 5,463,909 |
| Amount paid - current year | - | (5,463,909) |
| | 5,038,809 | - |
| Audit fees | | |
| Opening balance | - | 278,205 |
| Current year subscription / fee | 4,715,047 | 9,690,185 |
| Amount paid - current year | (4,715,047) | (9,690,185) |
| Amount paid - previous years | - | (278,205) |
| | - | - |
| PAYE, SDL and UIF | | |
| Opening balance | 5,494,459 | 6,412,260 |
| Current year subscription / fee | 76,493,318 | 70,870,559 |
| Amount paid - current year | (75,032,189) | (65,376,100) |
| Amount paid - previous years | - | (6,412,260) |
| | 6,955,588 | 5,494,459 |
| Pension and Medical Aid Deductions | | |
| Current year subscription / fee | 112,181,104 | 104,066,424 |
| Amount paid - current year | (112,181,104) | (104,066,424) |
| | - | - |
| VAT | | |
| VAT receivable | 62,921,143 | 85,558,029 |

VAT is received and paid as required per the Value Added Tax Act No. 89 of 1991 (VAT Act).

VAT is applied to all relevant goods and services as stated in the VAT Act and the amount thereof is determined in terms of the VAT Act. VAT is submitted and paid on a monthly basis.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand 2024 2023

46. 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.

The majority of items mentioned had to be addressed to emergency circumstances. The balance of items were due to procurement from sole providers:

| Class | Month | Supplier | Description | 2024 |
|--|------------|---|--|-------------------|
| Cigfaro is the only institution that provides conference for changes or developments in the technology within the government | 13/10/2023 | Cigfaro | Conference fees | 20,603 |
| Attendance of MSCOA Annual budget virtual conference organized by Cigfaro with treasury-Cigfaro is only institution that provides this workshop | 01/12/2023 | Cigfaro | Conference fees | 5,305 |
| Professional membership fees paid for four officials for Chartered institute of government finance,audit & risk officers | 13/12/2023 | Cigfaro | Membership Fees | 24,150 |
| CaseWare is a sole-provider system for annual financial statements | 30/11/2023 | AdaptIT | Membership Fees | 167,895 |
| There was a main sewer spillage on the Bray road which resulted in tons of dead fish in Tontonyane dam as a result there was an emergency bioremediation of the polluted dam | 14/08/2023 | Muri Enviro Consulting and waste management (Pty) Ltd | Removal, transport and disposal of dead fish | 798,491 |
| There was a main sewer spillage on the Bray road which resulted in tons of dead fish in Tontonyane dam as a result there was an emergency bioremediation of the polluted dam | 02/11/2023 | Muri Enviro Consulting and waste management (Pty) Ltd | Removal, transport and disposal of dead fish | 1,344,063 |
| There was a main sewer spillage on the Bray road which resulted in tons of dead fish in Tontonyane dam as a result there was an emergency bioremediation of the polluted dam | 10/01/2024 | Muri Enviro Consulting and waste management (Pty) Ltd | Removal, transport and disposal of dead fish | 128,880 |
| Diversion of sewer on the Brayroad, Ramosadi & surrounding villages, bulk sewer pipeline | 14/12/2023 | Excellence Academy | Burst pipes/Diversion of sewerage | 2,955,960 |
| Diversion of sewer on the Brayroad, Ramosadi & surrounding villages, bulk sewer pipeline | 22/01/2024 | Excellence Academy | Burst pipes/Diversion of sewerage | 3,564,000 |
| Diversion of sewer on the Brayroad, Ramosadi & surrounding villages, bulk sewer pipeline | 16/02/2024 | Excellence Academy | Burst pipes/Diversion of sewerage | 2,955,960 |
| Diversion of sewer on the Brayroad, Ramosadi & surrounding villages, bulk sewer pipeline | 22/03/2024 | Excellence Academy | Burst pipes/Diversion of sewerage | 3,240,000 |
| Annual GIS maintenance renewal | 21/11/2023 | ESRI South Africa | Renewal fees | 869,148 |
| | | | | 16,074,455 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | | |
|-----------------|------|------|
| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|

47. MFMA disclosure on SCM Regulation 45

The details listed below is disclosed in terms of Regulation 45 of the Municipal Supply Chain Regulation 2005 that determines that the municipality must disclose particulars of any award of more than R2,000 to a person who is a spouse, child or parent of a person in service of the state or has been in service of the state in the previous twelve months.

| Supplier name | June 2024 | June 2023 |
|-----------------------|-----------|-----------|
| Motshabi & Associates | - | 1,452,615 |

48. Segment information

General information

Identification of segments

The district municipality is organised and reports to management on the basis of eight major functional areas: Executive & Council, Municipal Manager, Community Services, Corporate Services, Governance / Internal Audit, Development & Town Planning, Public Works & Basic Services and Finance. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives.

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 district municipality does not have geographical segments as it operates within its area of jurisdiction in the North West Province. Segments were aggregated on the basis of services delivered to its residents.

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

48. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

| | Executive & Council | Municipal Manager | Community Services | Corporate Services | Governance / Internal Audit | Development & Public Works & Town Planning Basic Services | Finance | Total |
|------------------------------------|------------------------|----------------------|-----------------------|-----------------------|--------------------------------|--|--------------------|----------------------|
| Revenue | | | | | | | | |
| Service charges | - | - | - | - | - | - | 81,010 | 81,010 |
| Commission income | - | - | - | - | - | - | 4,349 | 4,349 |
| Rental of facilities and equipment | - | - | - | - | - | - | 412,278 | 412,278 |
| Licences and permits | - | - | 127,076 | - | - | - | - | 127,076 |
| Other income | - | - | - | - | - | 499,332 | 50,252 | 549,584 |
| Interest received - investment | - | - | - | - | - | - | 23,658,407 | 23,658,407 |
| Government grants & subsidies | - | - | - | - | - | 1,845,000 | 289,639,000 | 1,003,880,564 |
| Total segment revenue | - | - | 127,076 | - | - | 1,845,000 | 290,138,332 | 1,028,086,860 |
| Municipality's revenue | | | | | | | | 1,320,197,268 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | Executive & Council | Municipal Manager | Community Services | Corporate Services | Governance / Internal Audit | Development & Public Works & Town Planning Basic Services | Finance | Total | |
|---|------------------------|----------------------|-----------------------|-----------------------|--------------------------------|--|----------------------|---------------------|------------------------|
| 48. Segment information (continued) | | | | | | | | | |
| Expenditure | | | | | | | | | |
| Employee related costs | (15,190,130) | (12,832,884) | (117,736,964) | (54,881,427) | (8,539,833) | (19,931,937) | (182,008,509) | (21,650,703) | (432,772,387) |
| Remuneration of councillors | (251,570) | - | - | - | - | - | (14,821,552) | - | (15,073,122) |
| Depreciation and amortisation | - | - | - | - | - | - | (201,794,703) | - | (201,794,703) |
| Finance costs | - | - | (11,961,274) | - | - | - | (236,949) | - | (12,198,223) |
| Lease rentals on operating leases | - | - | (1,402,800) | (743,470) | - | - | - | - | (2,146,270) |
| Inventory consumed | - | - | - | - | - | - | (15,707,405) | - | (15,707,405) |
| Debt impairment | - | - | - | - | - | - | - | - | - |
| Contracted services | - | (103,298) | (1,674,351) | (22,326,568) | - | - | (172,642,033) | - | (196,746,250) |
| Transfers and subsidies | - | - | - | - | - | - | (21,400,002) | - | (21,400,002) |
| General expenses | (909,924) | (1,482,329) | (6,524,943) | (45,627,365) | (822,156) | (833,785) | (63,389,246) | (8,137,411) | (127,727,159) |
| VIP transfers to local communities | - | - | - | - | - | - | (176,952,447) | - | (176,952,447) |
| Remeasurements of the net defined benefit liability | - | - | - | - | - | - | 6,203,112 | - | 6,203,112 |
| Gains and losses on disposals of assets | - | - | - | - | - | - | (51,369,482) | - | (51,369,482) |
| Inventories losses/write-downs | - | - | - | - | - | - | (12,013,000) | - | (12,013,000) |
| Impairment loss | - | - | - | - | - | - | (41,598,667) | - | (41,598,667) |
| Total segment expenditure | (16,351,624) | (14,418,511) | (139,300,332) | (123,578,830) | (9,361,989) | (20,765,722) | (947,730,883) | (29,788,114) | (1,301,296,005) |
| Total segmental surplus/(deficit) | (16,351,624) | (14,418,511) | (139,173,256) | (123,578,830) | (9,361,989) | (18,920,722) | (657,592,551) | 998,298,746 | 18,901,263 |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | Executive & Council | Municipal Manager | Community Services | Corporate Services | Governance / Internal Audit | Development / Town Planning | Public Works & Basic Services | Finance | Total |
|---|------------------------|----------------------|-----------------------|------------------------|--------------------------------|--------------------------------|----------------------------------|------------------------|------------------------|
| 48. Segment information (continued) | | | | | | | | | |
| Assets | | | | | | | | | |
| Current assets | | | | | | | | | |
| Inventory | - | - | - | - | - | - | 12,674,334 | 14,757,927 | 27,432,261 |
| Receivable from exchange transactions | - | - | - | - | - | - | - | 10,463,209 | 10,463,209 |
| Receivable from non-exchange transactions | - | - | - | - | - | - | - | 26,199 | 26,199 |
| VAT receivable | - | - | - | - | - | - | - | 62,921,143 | 62,921,143 |
| Cash and cash equivalents | - | - | - | (6,633,061,379) | - | - | - | 6,767,293,372 | 134,231,993 |
| Non-current assets | | | | | | | | | |
| Investment property | - | - | - | - | - | - | - | 22,414,653 | 22,414,653 |
| Property, plant and equipment | - | 8,959,992,304 | 62,921,952 | 319,633,088 | (242,544) | 161,762 | (3,286,567,898) | (347,653,558) | 5,708,245,106 |
| Other financial assets | - | - | - | - | - | - | - | 377,996 | 377,996 |
| Total segment assets | - | 8,959,992,304 | 62,921,952 | (6,313,428,291) | (242,544) | 161,762 | (3,273,893,564) | 6,530,600,941 | 5,966,112,560 |
| Liabilities | | | | | | | | | |
| Current liabilities | | | | | | | | | |
| Payables from exchange transactions | - | - | - | - | - | - | 58,217,635 | (1,142,877,127) | (1,084,659,492) |
| Employee benefit obligation - current | - | - | - | - | - | - | - | (2,489,493) | (2,489,493) |
| Provisions | - | - | - | - | - | - | - | (40,864,951) | (40,864,951) |
| Non-current liabilities | | | | | | | | | |
| Employee benefit obligation - Non-current | - | - | - | - | - | - | - | (106,170,219) | (106,170,219) |
| Total segment liabilities | - | - | - | - | - | - | 58,217,635 | (1,292,401,790) | (1,234,184,155) |
| Total liabilities as per Statement of financial Position | | | | | | | | | (1,234,184,155) |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

48. Segment information (continued)

June 2023

| | Executive & Council | Municipal Manager | Community Services | Corporate Services | Governance / Internal Audit | Development & Town Planning | Public Works & Basic Services | Finance | Total |
|---|---------------------|---------------------|----------------------|----------------------|-----------------------------|-----------------------------|-------------------------------|----------------------|------------------------|
| Revenue | | | | | | | | | |
| Service charges | - | - | - | - | - | - | - | 54,296 | 54,296 |
| Commission income | - | - | - | - | - | - | - | 1,670 | 1,670 |
| Rental of facilities and equipment | - | - | - | - | - | - | - | 398,254 | 398,254 |
| Licences and permits | - | - | 83,019 | - | - | - | - | - | 83,019 |
| Other income | - | - | - | 235,143 | - | - | - | 846,494 | 1,081,637 |
| Interest received - investment | - | - | - | - | - | - | - | 28,875,560 | 28,875,560 |
| Government grants & subsidies | - | - | - | - | - | 2,039,928 | 317,188,860 | 977,810,074 | 1,297,038,862 |
| Total segment revenue | - | - | 83,019 | 235,143 | - | 2,039,928 | 317,188,860 | 1,007,986,348 | 1,327,533,298 |
| Entity's revenue | | | | | | | | | 1,327,533,298 |
| Expenditure | | | | | | | | | |
| Employee costs | (16,710,033) | (11,724,463) | (154,117,878) | (64,788,114) | (9,348,595) | (26,611,706) | (99,236,534) | (24,788,350) | (407,325,673) |
| Remuneration of councillors | (13,899,962) | - | - | - | - | - | - | - | (13,899,962) |
| Depreciation and amortisation | - | - | - | - | - | - | - | (231,501,624) | (231,501,624) |
| Finance costs | - | - | (13,431,398) | - | - | - | - | (767,075) | (14,198,473) |
| Lease rentals on operating leases | - | - | - | (1,424,611) | - | - | - | - | (1,424,611) |
| Inventory consumed | - | - | - | - | - | - | (11,484,749) | - | (11,484,749) |
| Contracted services | (249,704) | (250,660) | (51,528) | (65,004,246) | (1,620) | - | (510,694,336) | (31,952,581) | (608,204,675) |
| Transfers and subsidies | - | - | - | - | - | - | (75,000,000) | - | (75,000,000) |
| VIP Transfers to local communities | - | - | - | - | - | - | (210,596,136) | - | (210,596,136) |
| Remeasurements of the net defined benefit liability | - | - | - | - | - | - | 22,914,689 | - | 22,914,689 |
| Inventory losses and write downs | - | - | - | - | - | - | - | 4,042,843 | 4,042,843 |
| General expenses | (5,152,418) | (1,964,624) | (4,260,938) | (46,777,461) | (772,430) | (1,696,432) | (49,384,276) | (10,793,869) | (120,802,448) |
| Loss on disposal of assets | - | - | - | - | - | - | - | (9,734,159) | (9,734,159) |
| Total segment expenditure | (36,012,117) | (13,939,747) | (171,861,742) | (177,994,432) | (10,122,645) | (28,308,138) | (933,481,342) | (305,494,815) | (1,677,214,978) |
| Total segmental surplus/(deficit) | (36,012,117) | (13,939,747) | (171,778,723) | (177,759,289) | (10,122,645) | (26,268,210) | (616,292,482) | 702,491,533 | (349,681,680) |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| | Executive & Council | Municipal Manager | Community Services | Corporate Services | Governance / Internal Audit | Development & Town Planning | Public Works & Basic Services | Finance | Total | |
|---|------------------------|----------------------|-----------------------|------------------------|--------------------------------|--------------------------------|-------------------------------------|----------------------|------------------------|------------------------|
| 48. Segment information (continued) | | | | | | | | | | |
| Assets | | | | | | | | | | |
| Current assets | | | | | | | | | | |
| Inventory | - | - | - | - | - | - | 40,001,966 | 23,185,838 | 63,187,804 | |
| Receivables from exchange transactions | - | - | - | - | - | - | - | 9,042,515 | 9,042,515 | |
| Receivables from non-exchange transactions | - | - | - | - | - | - | - | 26,199 | 26,199 | |
| VAT receivables | - | - | - | - | - | - | - | 85,558,029 | 85,558,029 | |
| Cash and cash equivalents | - | - | - | (4,851,269,880) | - | - | - | 5,010,576,498 | 159,306,618 | |
| Non-current assets | | | | | | | | | | |
| Investment property | - | - | - | - | - | - | - | 20,704,578 | 20,704,578 | |
| Property, plant and equipment | - | 9,166,580,777 | 36,461,572 | 324,947,538 | (242,544) | 161,762 | (3,766,190,767) | (349,833,413) | 5,411,884,925 | |
| Other financial assets | - | - | - | - | - | - | - | 346,478 | 346,478 | |
| Total segment assets | - | 9,166,580,777 | 36,461,572 | (4,526,322,342) | (242,544) | 161,762 | (3,726,188,801) | 4,799,606,722 | 5,750,057,146 | |
| Total assets as per Statement of financial Position | | | | | | | | | 5,750,057,146 | |
| Liabilities | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| Payables from exchange transactions | - | - | - | - | - | - | 55,513,242 | (927,775,772) | (872,262,530) | |
| Employee benefit obligation - current | - | - | - | - | - | - | - | (2,058,954) | (2,058,954) | |
| Provisions | - | - | - | - | - | - | - | (39,480,765) | (39,480,765) | |
| Unspent conditional grants and receipts | - | - | - | - | - | - | (30,364,212) | - | (30,364,212) | |
| Non-current liabilities | | | | | | | | | | |
| Employee benefit obligation - Non-current | - | - | - | - | - | - | - | (95,355,884) | (95,355,884) | |
| Total segment liabilities | | | | | | | | 25,149,030 | (1,064,671,375) | (1,039,522,345) |
| Total liabilities as per Statement of financial Position | | | | | | | | | (1,039,522,345) | |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

| Figures in Rand | 2024 | 2023 |
|-----------------|------|------|
|-----------------|------|------|

49. Accounting by principals and agents

The district municipality is a party to principal-agent arrangements.

Details of the arrangements are as follows:

The district municipality entered into a water services agreement/contract with the following local municipalities within the jurisdiction whereby the district, as the Water Service Authority and a principal to the arrangement, appointed the local municipalities, as Water Service Providers and agents to the arrangement, for the supply of retail water services in their respective areas in accordance with and subject to the provisions of Chapter 8 of the Municipal Systems Act:

- Mahikeng Local Municipality
- Ditsobotla Local Municipality
- Ramotshere Local Municipality
- Ratlou Local Municipality
- Tswaing Local Municipality

During the financial year, the following direct and indirect transactions took place between the district and the local municipalities:

| Amounts included in transfers and subsidies | 2024 | 2023 |
|--|-------------------|-------------------|
| Mahikeng Local Municipality | 7,789,411 | 30,000,000 |
| Ditsobotla Local Municipality | 8,695,652 | 19,130,435 |
| Ramotshere Local Municipality | 7,221,765 | 4,078,238 |
| Tswaing Local Municipality | - | 13,028,444 |
| Transfers and subsidies payable | (2,306,826) | 8,762,883 |
| | 21,400,002 | 75,000,000 |

50. New standards and interpretations

50.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any standards and interpretations that are effective for the current financial year and that are relevant to its operations.

50.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2024 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|--|
| • Guideline: Guideline on the Application of Materiality to Financial Statements | No effective date | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |

Ngaka Modiri Molema District Municipality

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

51. Change in

estimate

Property, plant

and equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

| | 2024 | |
|--|-------------------|----------|
| Other property, plant and equipment | 1,451,845 | - |
| Infrastructure assets | 10,275,873 | - |
| Land, buildings and community assets | 125,202 | - |
| Total change in estimate for useful life of property, plant and equipment | 11,852,920 | - |

VOLUME III



2023-2024 SPECIAL ADJUSTMENT BUDGET

NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

| TABLE OF CONTENTS | PAGE NO |
|---|----------------|
| 1.1 Purpose | 421 |
| 1.2 Legislative and Regulatory Framework | 421 |
| 1.3 Mandate and Strategic Objectives | 421 |
| 1.4 Report | 422 |
| 1.5 Financial Implications | 424 |
| 1.6 Risk Implications | 425 |
| 1.7 Legal Implication | 425 |
| 1.8 Recommendations | 425 |

1.1 Purpose

The purpose of this report is to table the Special Adjustment Budget to deal with the reported and audited Unauthorized Expenditure for 2023/24 financial year.

1.2 Legislative and Regulatory Framework

Section 28 of Municipal Finance Management Act requires that a municipality may revise an approved annual budget through an adjustments budget:

Section 32 (2)(a)(i) states that:

A municipality must recover unauthorized, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure-

(a) in the case of unauthorized expenditure, is-

(i) authorized in an adjustment budget;

MBRR 23(6)(b) states that, council may authorize unauthorized expenditure in a special adjustments budget tabled in council when the mayor tables the annual report in terms of section 127(2) of the MFMA. These special adjustments budget "may only deal with unauthorized expenditure from the previous financial year which the council is being requested to authorize in terms of section 32(2)(a)(i) of the Act."

MFMA Circular 68 provides further guidance in that these special adjustments budget therefore deals with:

- unauthorized expenditure that occurred in the second half of the previous financial year, and
- any unauthorized expenditure identified by the Auditor-General during the annual audit process

1.3 Mandate and Strategic Objectives

The mandate and strategic objective of this submission is to ensure Good Governance and compliance with applicable legislation.

1.4 Report

NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

The Auditor-General has highlighted an escalating trend in unauthorized, irregular, fruitless, and wasteful expenditure in municipalities over recent years, evident in audit opinions and summarized in the annual reports on local government.

Section 15 of the MFMA deals with appropriation of funds for expenditure and provides that a municipality may, except where otherwise provided in the MFMA, incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget.

Section 28 of Municipal Finance Management Act requires that a municipality may revise an approved annual budget through an adjustment budget.

MFMA Circular 68 provide clarity so that there is a common understanding on the process to be followed in dealing with Adjustments Budgets to authorize unauthorized expenditure.

It further states that the timing of this special adjustments budget requires:

- a. the municipality to report all the unauthorized expenditure in its annual financial statements (thus ensuring transparency regarding its performance with implementing the budget).
- b. the Auditor-General to audit the municipality's disclosure of its unauthorized expenditure and to add any further unauthorized expenditure identified in the audit process; and
- c. sufficient time (but also places a time limit given the date of tabling the Annual Report) for instances of unauthorized expenditure to be properly investigated before being presented to council for a decision on whether or not to authorize it; the investigation is normally done by a council committee. If the above timelines are not met, then such matter must be addressed during the following mid-year adjustment budget process.

During the 2023/24 audit, the Auditor-General audited the municipality's unauthorized expenditure as disclosed in note 42 of the Annual Financial Statements as follows:

NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

42. Unauthorised expenditure

| | | |
|---|-----------------------|-----------------------|
| Opening balance as previously reported | 10,114,211,095 | 9,696,996,746 |
| Add: Unauthorised expenditure - current | 509,856,965 | 417,214,349 |
| Closing balance | 10,624,068,060 | 10,114,211,095 |

Unauthorised expenditure: per vote level

| 2024 | Operational | Capital |
|--|--------------------|----------|
| Vote 7 - Public Works & Basic Services | 509,856,965 | - |
| <hr/> | | |
| 2023 | Operational | Capital |
| Vote 2 - Municipal Manager | 590,988 | - |
| Vote 3 - Finance | 39,328,825 | - |
| Vote 6 - Community Services | 31,810,230 | - |
| Vote 7 - Public Works & Basic Services | 345,684,308 | - |
| | 417,214,349 | - |



NMM-WP_UNAUTH
ORISED EXPENDITUF

As indicated above, the unauthorized expenditure for the 2023/24 financial year amounts to R509, 856, 965.00. The expenditure was incurred under VOTE 7 – Public Works and Basic Services, mainly due to the operations and maintenance of infrastructure assets and the ongoing Water Intervention capital programmes implemented by the municipality, aimed at addressing water related challenges within the District Municipality. Furthermore, R 237 190 257.80 of the reported expenditure in VOTE 7 was on non-cash items i.e. depreciation and amortization, impairment losses. This constitutes 47% of the reported unauthorized expenditure.

MFMA section 28(2)(g) read in conjunction with MBRR 23(6)(b), provides for the Mayor to table, when tabling the annual report, a special adjustment budget for the purpose of authorizing the reported unauthorized expenditure of the previous financial year.

1.5 Financial Implications

The total audited unauthorized expenditure amounts to R 10 624 068 060.00, of which R 509 856 965.00 is for the 2023/24 financial year.

1.6 Risk Implications

NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

The purpose of presenting this report is to address and reduce risk of non-compliance with section 32(2) of Municipal Finance Management Act 56 of 2003.

1.7 Legal Implication

The report complies with the requirements outlined in Section 32(2)(a)(i) of the Municipal Finance Management Act 56 of 2003 and MBRR 23(6)(b).

1.8 Recommendations

It is recommended:

1. That Council approves the Special Adjustment Budget 2023/24 to authorize the reported unauthorized expenditure for 2023/24 financial year amounting to R 509 856 965.00 in terms of Section 32(2)(a)(i) and MBRR 23(6)(b).
2. That Council notes that the reported unauthorized expenditure for 2023/24 financial year amounting to R 509 856 965.00 is already audited by AGSA.
3. That the approved Special Adjustment Budget be send to both National and Provincial Treasuries.

NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

| Type | Expenditure |
|-------------------------------|-------------------------|
| Row Labels | Sum of 2024 Net |
| Community Services | 139 300 331,77 |
| Corporate Services | 123 578 831,04 |
| Development & Town Planning | 20 765 721,52 |
| Executive & Council | 16 351 624,05 |
| Finance | 29 788 114,57 |
| Governance/ Internal Audit | 9 361 988,94 |
| Municipal Manager | 14 418 511,45 |
| Public Works & Basic Services | 884 348 404,44 |
| Grand Total | 1 237 913 527,78 |

| COST CENTRE | ACTUAL EXPENDITURE | BUDGET | Actual vs Budget |
|-------------------------------|-------------------------|----------------|-------------------------|
| Community Services | 139 300 331,77 | 198 694 373,00 | 59 394 041,23 |
| Corporate Services | 123 578 831,04 | 159 022 015,00 | 35 443 183,96 |
| Development & Town Planning | 20 765 721,52 | 43 404 050,00 | 22 638 328,48 |
| Executive & Council | 16 351 624,05 | 44 605 195,00 | 28 253 570,95 |
| Finance | 29 788 114,57 | 335 517 054,00 | 305 728 939,43 |
| Governance/ Internal Audit | 9 361 988,94 | 11 159 449,00 | 1 797 460,06 |
| Municipal Manager | 14 418 511,45 | 19 340 146,00 | 4 921 634,55 |
| Public Works & Basic Services | 884 348 404,44 | 374 491 439,00 | (509 856 965,44) |
| Grand Total | 1 237 913 527,78 | | (509 856 965,44) |

NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

NON-CASH ITEMS - 2023/24

| Account | Segment | Income - Expenditure/ Balance Sheet | Type | AFS Category | AFS Line Item | Account_Type | 2024 Debits | 2024 Credits | 2024 Net | 2023 PY Debits | 2023 PY Credits | 2023 Net |
|--|-------------------------------|-------------------------------------|---------------------|--|--|--|---------------|--------------|---------------|----------------|-----------------|----------------|
| D0001/IZ00012/F0002/X049/R0433/001/FIN | Finance | Income statement | Revenue/Expenditure | Inventories write downs and reversals of write downs | Inventories write downs and reversals of write downs | 6400 - Inventory [Gains and Losses] | 12 012 999,98 | . | 12 012 999,98 | . | 4 042 843,28 | (4 042 843,28) |
| D0001/IZ00089/F0001/X049/R0433/001/BTO | Finance | Income statement | Revenue/Expenditure | Loss on disposal of assets | Loss on disposal of assets | 6000 - Disposal of Fixed and Intangible Assets [Ga | 51 369 481,88 | . | 51 369 481,88 | 9 734 158,94 | . | 9 734 158,94 |
| O0001/IE00709/F0001/X049/R0433/001/BTO | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 - Depreciation and Amortisation [Expenditure] | 982 414,75 | . | 982 414,75 | 51 809,25 | . | 51 809,25 |
| O0001/IE00711/F0001/X049/R0433/001/BTO | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 - Depreciation and Amortisation [Expenditure] | 394 487,04 | . | 394 487,04 | 53 277,49 | . | 53 277,49 |
| O0001/IE00715/F0001/X049/R0433/001/BTO | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 - Depreciation and Amortisation [Expenditure] | 1 443 699,54 | . | 1 443 699,54 | 13 502,11 | . | 13 502,11 |
| O0001/IE00723/F0041/X049/R0433/001/FIN | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 - Depreciation and Amortisation [Expenditure] | 1 064 371,80 | . | 1 064 371,80 | 120 272,33 | . | 120 272,33 |

NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

| | | | | | | | | | | | | |
|--|-------------------------------|------------------|-------------|-------------------------------|-------------------------------|--|-------------------|---|-------------------|---------------|---------------|-----------------|
| 00001/IE07539/F0001/X049/R0434/001/BTO | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 Depreciation and Amortisation [Expenditure] | 192 000 599,87 | . | 192 000 599,87 | 15 186 797,79 | . | 15 186 797,79 |
| 00001/IE07584/F0001/X049/R0434/001/BTO | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Investment Property | 4400 Depreciation and Amortisation [Expenditure] | . | . | . | 426 611,40 | . | 426 611,40 |
| 00001/IE07607/F0001/X049/R0433/001/BTO | Public Works & Basic Services | Income statement | Expenditure | Impairment losses | Impairment losses | 4400 Depreciation and Amortisation [Expenditure] | 41 598 667,17 | . | 41 598 667,17 | . | . | . |
| 00001/IE07628/F0001/X049/R0433/001/BTO | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 Depreciation and Amortisation [Expenditure] | . | . | . | . | 10 302 344,00 | (10 302 344,00) |
| 00001/IE07630/F0001/X049/R0433/001/FIN | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 Depreciation and Amortisation [Expenditure] | 406 500,84 | . | 406 500,84 | . | . | . |
| 00001/IE07630/F0041/X049/R0433/001/FIN | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 Depreciation and Amortisation [Expenditure] | 5 502 628,79 | . | 5 502 628,79 | 450 662,11 | . | 450 662,11 |
| 00001/IE07638/F0001/X049/R0434/001/BTO | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 Depreciation and Amortisation [Expenditure] | . | . | . | 4 005 178,12 | . | 4 005 178,12 |

NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY

| | | | | | | | | | | | | |
|---|-------------------------------|------------------|-------------|-------------------------------|-------------------------------|--|-----------------------------|--|-------------------|-------------------|---------------|-------------------|
| 00001/IE07638/F0041/X049/R0433/001/BTO | Public Works & Basic Services | Income statement | Expenditure | Depreciation and amortisation | Property, plant and equipment | 4400 Depreciation and Amortisation [Expenditure] | - | - | - | 221 495 857,92 | - | 221 495 857,92 |
| 01257-1/IE00535/F0041/X146/R0345/001/WS | Public Works & Basic Services | Income statement | Expenditure | Acturial gains and losses | Acturial gains and losses | 4600 Inventory Consumed [Expenditure] | - | 6 203 112,00 | (6 203 112,00) | - | 22 914 689,00 | (22 914 689,00) |
| | | | | | | | TOTAL NON-CASH ITEMS | | 300 572 739,66 | | | 214 278 251,18 |
| | | | | | | | VOTE 3 | Finance | 63 382 481,86 | | | 5 691 315,66 |
| | | | | | | | VOTE 7 | Public Works & Basic Services | 237 190 257,80 | | | 208 586 935,52 |