



LETSEMENG LOCAL  
MUNICIPALITY

# DRAFT ANNUAL REPORT

2021-2022

“A RESPONSIVE MUNICIPALITY IN  
PURSUIT OF SERVICE EXCELLENCE”



LETSEMENG LOCAL  
MUNICIPALITY

MAYOR: RBI MOCWALEDI

## CONTENTS

<b>1. Mayor's Foreword.....</b>	<b>1</b>
<b>2. Executive Summary.....</b>	<b>4</b>
<b>3 Chapter 1: Municipal Functions, Population &amp; Environmental Overview.....</b>	<b>6</b>
3.1 Introduction To Background Data .....	6
3.1.1 Demographic And Socio-Economic Profile.....	8
3.1.2 Income Distribution.....	111
3.1.3 Education And Skills.....	122
4. Service Delivery Overview.....	133
4.1. Water.....	133
4.2. Sanitation.....	134
4.3. Electricity.....	144
4.4. Refuse Removal .....	144
4.5. Housing .....	155
4.6. Roads And Storm Water .....	155
4.7. Financial Overview .....	16
4.8. Comment on Capital Expenditure .....	17
4.9. Organisational Development Overview.....	17
4.10. Auditor General Report.....	177
4.11. Statutory Annual Report Process .....	188
<b>5. Chapter 2 – Governance .....</b>	<b>199</b>
5.1. Introduction To Governance .....	199
5.2. Component A: Political and Administrative .....	19
5.3. Political Governance .....	21
5.4. Administrative Governance .....	22
5.5. Component B: Intergovernmental Relations.....	23
5.6. Component C: Public Accountability And Participation .....	24
5.7. Public Meetings .....	24
5.8. Idp Participation And Alignment .....	25
5.9. Component D: Corporate Governance.....	26
5.10. Risk Management .....	26
5.11. Anti-Corruption And Fraud .....	26
5.12. Supply Chain Management .....	27
5.13. By-Laws Litigation.....	27
<b>5.14. Website.....</b>	<b>28</b>
<b>6. Chapter 3 – Service Delivery Performance (Performance Report Part I).....</b>	<b>29</b>
6.1 Introduction .....	29
6.2 Component A: Basic Services Water .....	29
6.3 Waste Water (Sanitation) Provision .....	50
6.3.1 Comment On Water Services Performance Overall: .....	52
6.4 Electricity .....	52
6.4.1 Comment On Electricity Services Performance Overall .....	55
6.5 Waste Management.....	56
6.6 Housing.....	58
6.7 Component B: Free Basic Services And Indigent Support .....	61

6.7.1	Comment on Free Basic Services and Indigent Support .....	61
6.8.	Component C: Road And Transport.....	62
6.9	Roads .....	63
6.9.1	Comment On The Performance Of Roads Overall.....	64
6.10	Transport .....	64
6.11	Component D: Waste Water (Storm Water Drainage).....	64
6.11.1	Comment on Performance of Storm-water Drainage overall.....	65
6.12	Component E: Planning And Development .....	66
6.13	Planning.....	66
6.14	Local Economic Development .....	67
6.14.1	Comment on Local Job opportunities .....	67
6.14.2	Comment on Local Economic Development Performance Overall .....	69
6.15	Component F: Community and social services .....	70
6.16	Libraries, Arts And Culture.....	70
6.17	Parks And Cemeteries.....	71
6.18	Special Programmes .....	72
6.19	Component G: Environmental Protection.....	72
6.20	Other (Disaster Management & Other) .....	72
6.21	Sport And Recreation.....	73
<b>7.</b>	<b>Chapter 4 – Organisational Development Performance (Performance Report Part I).....</b>	<b>75</b>
7.1	Introduction to the Office of the Municipal Manager .....	75
7.2.	Financial Services.....	76
7.3.	Human Resource Services.....	78
7.4.	Information And Communication Technology (Ict) Services.....	79
7.5.	Legal And Council Support Services.....	80
7.6	Component A: Introduction to Municipal personnel.....	82
7.7	Component B: Managing the municipal workforce .....	84
7.8	Policies .....	84
7.9	Injuries, Sickness and suspensions .....	85
7.10	Performance rewards .....	86
7.11	Organizational performance scorecard.....	86
7.12	Component C: Capacitating the Municipal Workforce .....	87
7.13	Skills Development And Training.....	88
7.14	Component D: Managing The Workforce Expenditure .....	90
7.15	Employee Expenditure: .....	90
<b>8.</b>	<b>Chapter 5 – Financial Performance.....</b>	<b>92</b>
8.1	Component A: Statement of financial performance .....	92
8.1.1	Grants .....	93
8.1.2	Comment on Conditional Grants and Grant received from other Sources .....	93
8.1.3	Asset Management.....	94
8.2	Financial ratios based on key performance indicators .....	96
8.3	Component B: Spending Against Capital Budget.....	99
8.4	Indigents Households .....	100
8.5	Debtors age analysis .....	100
8.6	Operating Expenditure .....	101
8.7	Basic services and infrastructure backlogs overview .....	101
8.8	Component C: Cash Flow Management And Investments .....	102
8.9	Component D: Other financial matters .....	103
<b>9.</b>	<b>Chapter 6 – Auditor General Audit Report.....</b>	<b>105</b>

Glossary.....	123
Appendices .....	125
Appendix A - Councillors, committee allocation and council attendance .....	126
Appendix B – Committees And Committee Purposes .....	126
Appendix C –Third Tier Administrative Structure .....	127
Appendix D –Functions Of Municipality/Entity .....	128
Appendix E – Ward Reporting.....	128
Appendix F – Ward Information .....	130
Appendix G – Recommendations Of The Municipal Audit Committee 2021/22.....	130
Appendix H – Long Term Contracts And Public Private Partnerships .....	130
Appendix I – Municipal Entity/ Service Provider Performance Schedule .....	131
Appendix J – Disclosures Of Financial Interests .....	132
Appendix K (Ii): Revenue Collection Performance By Source .....	132
Appendix M (I): Capital Expenditure - New Assets Programme .....	133
Appendix N – Capital Programme By Project 2021/22.....	135
Appendix P – Service Connection Backlogs At Schools And Clinics.....	136
Appendix Q – Service Backlogs Experienced By The Community Where Another Sphere Of Government Is Responsible For Service Provision.....	136
Appendix R – Declaration Of Loans And Grants Made By The Municipality .....	136

## LIST OF FIGURES

Figure 1: Letsemeng Municipal Area.....	6
Figure 2: Population by Age and Gender .....	9
Figure 3: Ratio Cost Coverage .....	96
Figure 4: Service Debtors to Revenue Ratio.....	97
Figure 5: Debt Coverage Ratio .....	97
Figure 6: Employee Cost .....	98
Figure 7: Capital Expenditure .....	99

## LIST OF TABLES

Table 1: Overview of Neighbourhoods within Letsemeng Municipality.....	7
Table 2: Census Key Statistics.....	8
Table 3: Distribution of Population by Population Group.....	9
Table 4: Settlement Type .....	9
Table 5: Income profile.....	11
Table 6: Employment Status: .....	122
Table 7: Educations and skills profile.....	12
Table 8: Distribution of population aged 20 years and older by level of education attained .....	12

Table 9: Distribution of households with access to piped (tap) water by geography .....	13
Table 10: Toilet Facility.....	14
Table 11: Distribution of households with access to electricity for lighting by geography .....	14
Table 12: Distribution of households by type of refuse removal and geography.....	15
Table 13: Proportion of Households with minimum level of Basic Services.....	15
Table 14: Financial Overview – 2021/22.....	15
Table 15: Operating Ratios .....	15
Table 16: Total Capital Expenditure.....	15
Table 17: Public Meetings.....	25
Table 18: IDP Participation and Alignment Criteria.....	25
Table 19: By-laws introduced.....	27
Table 20: Municipal Website: Content and Currency of Material.....	28
Table 21: Water Service Delivery Levels .....	33
Table 22: Households - Water Service Delivery Levels .....	34
Table 23: Employees Water Service .....	49
Table 24: Financial Performance Water Service .....	49
Table 25: Capital Expenditure Water Service.....	49
Table 26: Sanitation Service Delivery .....	51
Table 27: Sanitation Service Delivery Levels below the minimum .....	51
Table 28: Employees: Sanitation Service.....	52
Table 29: Financial Performance 2021/22: Sanitation Service .....	52
Table 30: Capital Expenditure 2021/22: Sanitation Service.....	52
Table 31: Electricity Service Delivery Levels.....	54
Table 32: Households - Electricity Service Delivery Levels below the minimum.....	54
Table 33: Employees: Electricity Services.....	54
Table 34: Financial Performance: Electricity Services .....	55
Table 35: Capital Expenditure: Electricity Services.....	55
Table 36: Solid Waste Service Delivery Levels.....	56
Table 37: Households - Solid Waste Service Delivery Levels.....	56
Table 38: Employee: Waste Management Services.....	57
Table 39: Employee: Waste Disposal and other services .....	57

Table 40: Financial Performance 2021/22: Waste Management Services .....	57
Table 41: Capital Expenditure: Waste Management Services .....	58
Table 42: Households - Access to basic housing.....	59
Table 43: Employees: Housing .....	60
Table 44: Financial Performance: Housing.....	60
Table 45: Capital Expenditure: Housing.....	60
Table 46: Free Basic Services .....	61
Table 47: Financial Performance: Free Basic Services .....	61
Table 48: Gravel Road Infrastructure.....	63
Table 49: Paved Road Infrastructure .....	63
Table 50: Employees: Road Services.....	63
Table 51: Financial Performance: Road Services .....	63
Table 52: Capital Expenditure: Road Services.....	64
Table 53: Storm water Infrastructure.....	65
Table 54: Employees: Storm water Services .....	65
Table 55: Financial Performance: Storm water Services.....	65
Table 56: Applications for Land Use Development.....	66
Table 57: Employees: Urban Planning & Property Management .....	66
Table 58: Financial Performance: Urban Planning & Property Management.....	66
Table 59: Capital Expenditure 2021/22: Urban Planning & Property Management.....	67
Table 60: Jobs Created during 2021/22 by LED Initiatives .....	68
Table 61: Jobs Created through EPWP projects .....	68
Table 62: Employees: LED Services.....	68
Table 63: Financial Performance 2021/22: LED Services .....	69
Table 64: Capital Expenditure 2021/22 LED Services .....	69
Table 65: Employees: Parks and Cemeteries .....	71
Table 66: Financial Performance: Parks and Cemeteries.....	71
Table 67: Capital Expenditure: Parks and Cemeteries .....	72
Table 68: Employees: Sport and Recreation.....	73
Table 69: Financial Performance: Sport and Recreation .....	73
Table 70: Capital Expenditure: Sport and Recreation.....	74

Table 71: Service Statistics: Office of the Municipal Manager .....	75
Table 72: Employees: Office of the Municipal Manager .....	75
Table 73: Financial performance: Office of the MM .....	76
Table 74: Capital Expenditure: Office of the MM .....	76
Table 75: Employees: Financial Services .....	77
Table 76: Financial Performance: Financial Services .....	77
Table 77: Capital expenditure: Financial Services .....	77
Table 78: Employees: Human Resource Services .....	78
Table 79: Financial Performance: Human Resource Services .....	79
Table 80: Capital Expenditure: Human Resource Services .....	79
Table 81: Employees: ICT Services .....	80
Table 82: Capital Expenditure: ICT Services .....	80
Table 83: Employees: Legal and Council Support Services .....	81
Table 84: Financial Performance: Legal and Council Support Services .....	81
Table 85: Capital Expenditure: Legal and Council Support Services .....	81
Table 86: Total Number of Employees .....	82
Table 87: Vacancy Rate .....	83
Table 88: Turn-over rate .....	83
Table 89: HR Policies and Plans .....	84
Table 90: Number and Cost of Injuries on Duty .....	85
Table 91: Number and Period of Suspensions .....	85
Table 92: Disciplinary Action Taken on Cases of Financial Misconduct .....	86
Table 93: Skills Matrix .....	88
Table 94: Financial Competency Development: Progress Report .....	89
Table 95: Number of Employees Whose Salaries Were Increased Due to Their Positions Being Upgraded .....	91
Table 96: Employees Whose Salary Levels Exceed the Grade Determined by Job Evaluation .....	91
Table 97: Employees appointed to posts not approved .....	91
Table 98: Grants .....	93
Table 99: Treatment of the three largest assets acquired .....	94
Table 100: Repairs and Maintenance Expenditure .....	96
Table 101: Debtors Age Analysis by Income Source .....	100

Table 102: Debtors Age analysis by Customer Group ..... 100

Table 103: Service Backlogs ..... 100



## 1. MAYOR'S FOREWORD

### COMPONENT A: MAYOR'S FOREWORD



It is a great pleasure and honour for me, to present the annual report to the community of Letsemeng. The report covers the work done during 2021/22 financial year, which started in July 2021 to June 2022.

The municipality was operating under severe unprecedented times and devastating situation under Global Pandemic. Service delivery has been our priority by ensuring that the community is receiving services they are entitled to receive. The impact of Covid-19 negatively affected the provision of service delivery whereby the President, Cyril Ramaphosa issued a directive in terms of reprioritisation of projects implementation within the country to accommodate Covid-19 related issues to reduce the outbreak of the corona virus.

The greater importance of accelerated provision service delivery through various mechanisms which were implemented by the senior management of the municipality to ensure that there is an effective and efficient projects implementation. The municipal offices were most of the time closed, except for the employees who were directly responsible for essential services, including, frontline desk and customer care services.

It is important to ensure that the municipality addresses most of the challenges resulted by the Covid-19 pandemic. However, strategies and plans will be revived to ensure that the service delivery related deficiencies are also addressed, accordingly.

#### 1.1 Vision

“A responsive Municipality in pursuit of Service excellence”

#### 1.2 Mission

“Providing sustainable quality services through partnering with Stakeholders and Communities”.

#### 1.3 Values

- Integrity
- Commitment
- Transparency

- Innovation
- Accountability

### **1.4 Key Policy Developments**

Although the municipality is still facing challenges with the developmental agenda as espoused in the IDP and the Free State Growth and Development Strategy, there is progress in achieving some of the goals we have set for ourselves. We have to ensure that our policies becomes consistent in its delivery to achieve the set objectives. We also have the responsibility to address the issues raised by the Auditor General on the pre-determined objectives and our Annual Financial Statements.

### **1.5 Key Service Delivery Improvements**

The municipality has retained its audit outcomes. Some of the Capital projects could not be completed as a result of service delivery protests and the municipality is attentively looking into these challenges which contributed towards deficiencies identified. Detailed information will be reflected in this report in terms of its implementation of these capital projects.

### **1.6 Public Participation**

Public Participation is the cornerstone of deepening the relationship between the communities and the municipality through improved community engagement mechanisms. It creates an opportunity aim at involving communities to better understand Letsemeng jurisdictions and practically direct efforts at the real needs of our communities. It also requires the involvement of stakeholder groups, including marginalised groups. These involvements are solely directed to create an opportunity for our stakeholders to present the interests of their constituencies. It has always been a challenge in terms of making sure that the regular coordination of our local stakeholder meetings and direct representation in some of the structures which are aimed at improving service delivery due to lack of staff. However, necessary measures are put in place in ensuring that these deficiencies are addressed. Ward Committees are also expected to narrow the gap between the various stakeholder groups, community and the municipality through their involvement during public participation programmes. The challenge had been the number of vacant sits which were deliberately abandoned by a number of ward committee members. However, this shortcoming had been addressed and vacant sits had been filled.

Thus the functionality of the Ward Committees and regular ward meetings are imperative. The municipality did not do well in this field. However, the situation is improving gradually and for the better since one public participation officer was appointed. The Council should look at some of the issues below for effective strategy to be developed in addressing the failures;

- ❖ Public communication systems;
- ❖ Feedback to communities.
- ❖ Public Participation Models
- ❖ Service Delivery Satisfaction Survey for the Financial Year 2021/22

Amongst the above-mentioned issues, electronic complaints management system had been implemented and the municipality need to conduct awareness campaign by making sure that the community is aware of this service.

Capacity building of the Ward Committees will also be the main key in ensuring that our communities participate fully in the democratic processes and strengthening of the municipality.

### **1.7 Future Actions**

I also need to inform that our plans have been drawn to accommodate public participation, implementation of revenue enhancement strategy without any fail. The municipality has also considered to interconnect human resource management, performance management system and strengthen retention strategies in order to ensure that we retain skilled employees. That the management fill up critical vacant positions promptly to improve remarkably on service delivery.

### **1.8 Agreements / Partnerships**

The municipality did not enter into any agreement or partnership with any entity or service provider regarding local economic development as a result of long unrest and community protest that took place during the financial year under review

### **1.9 Conclusion**

We rendered services under difficult circumstances mainly influenced by external forces within the space of service delivery.

We remain committed in making sure that we provide a responsive systems which support service delivery initiatives and local economic development.

We also recognised all the identified areas of development within communities. We anticipate improvements more especially on developmental needs of the communities through service delivery projects and programmes.

I must say that we remain committed to the principle of a responsive and accountable local government, a local government by the people, for the people.

Thank you,

.....  
**Cllr. RBI Mocwaledi**  
**Mayor**

## 2. EXECUTIVE SUMMARY

### COMPONENT B: MUNICIPAL MANAGER'S OVERVIEW



This Annual Report reflects Letsemeng Local Municipality's strategic focus and provides an overview of performance and the Council's financial position for the 2021/22 financial year. It outlines various programmes managed by the Directorates of the municipality and how they have performed in achieving set targets, which are in line with the Integrated Development Plan (IDP), the Council's Budget and the long-term vision for Letsemeng.

The 2021/22 financial year was another challenging year against the backdrop of continued difficult economic recessions and the devastating repercussions of Covid-19, Corona Virus, which started Thursday, March 2020, confirmed by the National Institute for Communicable Diseases. The municipality is currently striving to accelerate the implementation of the Economic Reconstruction and Recovery Plan, launched in October 2020, to rebuild our economy due to the COVID-19 pandemic.

As a result, under these circumstances, our municipality system needs to be simplified and faster-moving, negatively impacting governance and change management.

The municipality, with limited resources, accomplished processes regarding the delivery of infrastructure-related projects, namely, upgrading of sports facilities, refurbishing waste-water treatment works, development of 4.2ml water treatment works, Electrification of 300 households, and upgrading of a power station. Re-rehabilitated water pump stations and waste-water equipment and improved reticulation, equipping boreholes and water tanks in communities.

It is a great pleasure to highlight gradual improvements regarding the essential bulk infrastructure of basic services, specifically, Electricity supply. Ensured more lighting to make our townships areas safer, water supply in which some of the challenges the municipality managed to minimise, enhanced the value, quality and standard of drinkable water.

Indeed, the municipality increased the capacity of sanitation services and accessibility of water supply in some parts of the Letsemeng municipal areas.

We have strengthened relationships with the national and provincial government sectors. The municipality requested financial assistance through constant engagements with provincial government institutions. To ensure they make reasonable provisions within their annual budgets to accelerate the maintenance of network infrastructure, the R48 provincial route 47 km travel from Koffiefontein to Luckhoff and Havenga Bridge to Luckhoff R48.

The municipality continued to preserve this relationship with its external authorities. As a result, the institution can refer to some of the developments initiated through planning materials like masterplans and operation and maintenance plans. These plans have integrated all developmental challenges, enhanced the maintenance of basic services infrastructure which drastically assisted us, reduced water leaks, necessitated the replacement of essential infrastructure services directly affecting the lives of the communities and alleviated poverty in some parts of the Letsemeng areas.

To make the municipality financially viable, we still need to strengthen measures to generate revenue and improve revenue collection, increase ring-fence money for the maintenance of infrastructure and secure Eskom's operational and financial stabilisation. Furthermore, ensure a safe and reliable electricity supply, and provide all poor households with the number of free electricity allocations they are entitled to receive throughout service delivery processes in our communities.

Together, building safer communities and fight crime, drugs, and alcohol abuse. Taking care of the most vulnerable and making communities safer: ensuring that we unite our communities, grow and develop together and leave no one behind.

Most importantly, we express our sincere gratitude to the residents of Letsemeng, NGOs, the public sector and numerous residents for the support and advice they have provided during the most challenging and devastating unprecedented times that we found ourselves in during the period of the financial year under review.

---

DG Tsikang

Municipal Manager (Acting)

### 3. CHAPTER 1: MUNICIPAL FUNCTIONS, POPULATION & ENVIRONMENTAL OVERVIEW

#### 3.1. INTRODUCTION TO BACKGROUND DATA

Our Municipality is situated in the South Western part of the Free State Province and forms part of the smallest district namely Xhariep District Municipality, a rich agricultural area with natural economic resources. The local municipality area measures 10 192 square kilometres in extend and comprises of five towns; Koffiefontein (which is the head office), Petrusburg, Jacobsdal, Oppermansgronde and Luckhoff. The figure below shows the Letsemeng area with its main towns and neighbouring municipalities of the Xhariep District.



**Figure 1: Letsemeng Municipal Area**

It borders the Northern (through Jacobsdal) and Western Cape Provinces and is renowned for diamond, salt and slate mining as well as irrigation farming along the Orange Riet Canal and Van der Kloof Dam. Letsemeng Local Municipality is situated in the south-west of the Free State province within the Xhariep District Municipality, a rather agriculturally rich area with limited natural economic resources.

The N8 route transgresses the area to the North West and links Kimberley and Bloemfontein via Petrusburg. The N8 route also crosses the area to the north and links Kimberley and Bloemfontein via Petrusburg. The Port Elizabeth railway line starts at Koffiefontein and connects at Springfontein with the Bloemfontein/Cape Town. It is also bordered by Tokologo Local Municipality in Lejweleputswa District to the north, Mangaung Metro

Municipality to the east and Kopanong Local Municipality in the south-east. Other borders are the Pixley ka Seme District Municipality (Sol Plaatje Local Municipality) in Northern Cape Province to the west and Frances Baard District Municipality (Siyacuma, Thembalihle and Renoster Local Municipalities) in Northern Cape Province to the south-west.

The Local Municipality consists of the towns Koffiefontein, Jacobsdal, Petrusburg, Luckhoff and Oppermansgronde. Koffiefontein is the municipal head office.

The five towns are connected with tarred road infrastructure via Koffiefontein. The R705 links Jacobsdal with Koffiefontein while the R48 links Petrusburg, Koffiefontein and Luckhoff in a north-south direction. The R704 links Koffiefontein, Fauresmith and Jagersfontein with one another.

The municipal area also accommodates Oppermansgronde, just west of Koffiefontein, which is part of a land restitution project. Several pans occur in the area while the Van der Kloof dam, Kalkfontein Dam and Wuras Resort are some of the more prominent water sources available near the area. The Riet River drains through the area in a Westerly direction while the Orange River is the border west of the area. Although there are ample water sources available near the area, access to potable water in some of the towns remain problematic.

The Northern parts of the municipal area surrounding Petrusburg are good cultivated agricultural land while the southern area is renowned for livestock farming. The socio-economic development of the municipality is centred on agriculture. The municipal area also has mining activities, with diamonds being the major natural resource that helps with employment creation.

**Table 1: Overview of Neighbourhoods within Letsemeng Municipality**

Overview of Neighbourhoods within Letsemeng	
Settlement Type	Households
<b>Towns</b>	
Jacobsdal	1003
Koffiefontein	3203
Petrusburg	2639
Luckhoff	1007
Sub-Total	7852
<b>Townships</b>	
Ratanang	1112
Sub-Total	1112
<b>Rural settlements</b>	1717
Oppermansgronde	230
Sub-Total	1947
<b>Informal settlements</b>	202
Sub-Total	202
Total	11113
	<i>T 1.2.6</i>

### 3.1.1 DEMOGRAPHIC AND SOCIO-ECONOMIC PROFILE

The population figures are based on the community survey conducted in 2016. Migration tends to be voluntary, in most cases it is in search of better economic opportunities and a quality of life. A case in point is foreign nationals. Thus migration patterns are difficult to measure, keep track and get the exact reasons for migrating.

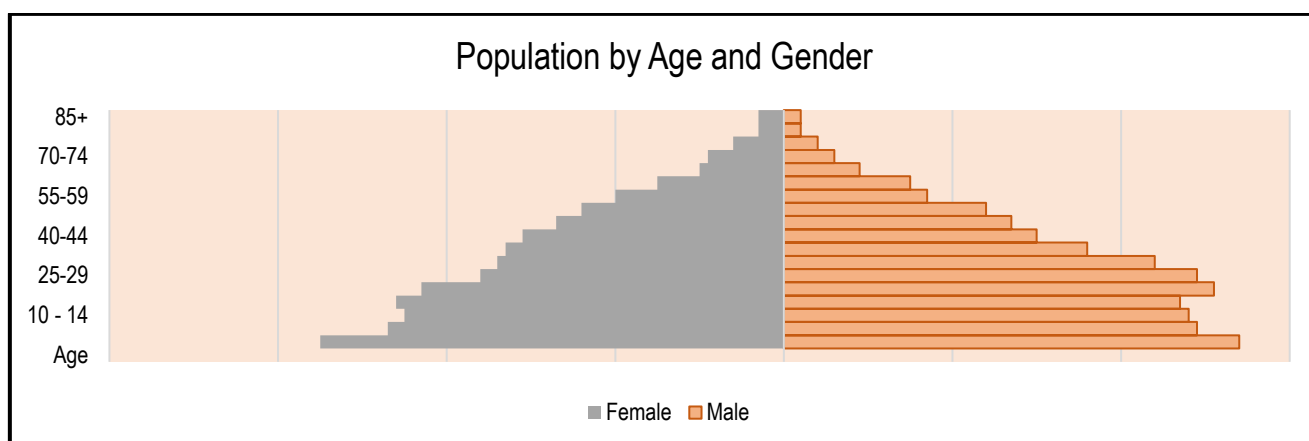
According to the 2016 survey, there is a positive growth in Letsemeng. It is an indication that more and more people are moving to Letsemeng municipality for various reasons. The population in Letsemeng currently stands at 40 044. This is according to the latest STATSSA figures.

Unemployment has marginally increased from 22.8% to 22.30%. Suffice to say the effect of drought and decreasing job opportunities might have a direct effect on migration out of the Letsemeng jurisdiction. Youth unemployment stands at 27.7%, which poses another challenge to the municipality and all Sector Departments to pay special attention to the youth in terms of both employment and economic empowerment.

**Table 2: Census Key Statistics**

<b>Census Key Statistics</b>	
<b>Population</b>	38 628
<b>Age Structure</b>	
Population under 15	29.70%
Population 15 to 64	64.80%
Population over 65	5.40%
<b>Dependency Ratio</b>	
Per 100 (15-64)	54.20
<b>Sex Ratio</b>	
Males per 100 females	105.70
<b>Population Growth</b>	
Per annum	-1.04%
<b>Labour Market</b>	
Unemployment rate (official)	22.30%
Youth unemployment rate (official) 15-34	27.70%
<b>Education (aged 20 +)</b>	
No schooling	17.70%
Higher education	4.80%
Matric	18.70%
<b>Household Dynamics</b>	
Households	11 242
Average household size	3.30
Female headed households	33.50%
Formal dwellings	83.20%
Housing owned	54.00%
<b>Household Services</b>	
Flush toilet connected to sewerage	72.80%
Weekly refuse removal	68.00%
Piped water inside dwelling	49.80%
Electricity for lighting	92.80%





**Figure 2: Population by Age and Gender**

**Table 3: Distribution of Population by Population Group**

	Census 2011
Black African	67.80%
Coloured	23.40%
Indian/Asian	0.30%
White	8.10%

## Households

There are 11 242 households in the municipality according to Stats SA. The technical department conducted a physical count of households at all five towns and found that there are 8 369 houses with an average household size of 3, 3 persons per household. 90, 8% of households have access to piped water either in their dwelling or in the yard. Only 2, 2% of households do not have access to piped water.

The figures above are according to the 2011 census, and they are still official statistics. The view might slightly change following the physical count done by the municipality.

**Table 4: Settlement Type**

Area	Percentage
Urban	83,3%
Tribal/Traditional	0%
Farm	16,7%

## Housing and dwellings

All urban areas are composed of various residential components varying from formal housing units to informal dwellings units as indicated in the table below. Within the Local Municipality, 83.2% of the population live in

formal housing, 16.1% in informal housing and only 0.5% in traditional housing. This reflects that the housing backlog is not that huge but will increase with the new development patterns in the municipality.

The following issues were highlighted regarding the housing delivery:

- ❖ Lack of funding for housing development;
- ❖ Access to land for sustainable human development;
- ❖ Construction of more RDP houses;
- ❖ Provision of services to new residential sites;
- ❖ Fast tracking land availability and transfer of land;
- ❖ Slow delivery of housing development;
- ❖ Lack of capacity at local municipal level;

## **Socio- economic Status**

The socio-economic growth of the municipality is centred on agriculture. The municipality area also has mining activities that are taking place with diamond minerals being the major natural resource which helps with employment creation. The municipality's effort is to create an environment that will be conducive for investment and entrepreneurs to do business.

The LED division at the municipality is making effort to empower local small business and individuals to take advantage of local procurement, organize workshops business skills and making comply with relevant pieces of legislation.

However, the challenge is the sustainability thereof due to limited financial resources and lack of skills by various people to run their own projects. Whilst the trend is worldwide in that about 96% of businesses / projects fail within the first five years, the municipality will make an effort to reduce the failure rate.

Letsemeng Municipals economy is characterized by the following:

- ❖ Mining and agricultural sector are the largest contributor to the local economy;
- ❖ The decline in the agricultural sector over the recent years has had an adverse effect on the employment potential of the rural areas;
- ❖ Luckhoff has the highest unemployment rate;
- ❖ De Beers Mines contributed a major part to the local economy before it was closed;

By virtue of its geographic location the Municipality prides itself as a natural transportation route for people travelling to destinations such as Bloemfontein since one of the major national roads, namely N8 passes through the municipal area.

### 3.1.2 INCOME DISTRIBUTION

In order to determine the people's living standards, as well as their ability to pay for basic services, such as water and sanitation, the income levels of the local population are analysed.

#### Household Income

Household income is a parameter which is, amongst others, also indicative of poverty levels within a community. A financially healthy community's household income usually displays a so-called "normal" income distribution pattern where the income is spread over a fairly wide range of income categories, and the income of the bulk of the community is situated more or less within the first half to two thirds of the income category range.

Females are more likely to be unemployed and looking for work than males. Poor communities are sometimes highly dependent on the environment for survival and, in this regard, almost always over-exploit the environment.

Only 10.2% of households in the Letsemeng Municipal fall within the "No income" category. Of concern is that 7.4% of the households in Letsemeng have an annual income of less than R 10 000 and 23.9% of the households have an annual income of less than R19 601.00.

Table 5: Income profile

Income	Percentage
None income	10,2%
R1 - R4,800	4,2%
R4,801 - R9,600	7,4%
R9,601 - R19,600	23,9%
R19,601 - R38,200	24,6%
R38,201 - R76,4000	14,1%
R76,401 - R153,800	8%
R153,801 - R307,600	4,5%
R307,601 - R614,400	2,3%
R614,001 - R1,228,800	0,5%
R1,228,801 - R2,457,600	0,2%
R2,457,601+	0,1%

### 3.1.3 EDUCATION AND SKILLS

11 788 people are economically active (employed or unemployed but looking for work), and of these 22, 3% are unemployed. Of the 6 058 economically active youth (15 – 34 years) in the area, 27, 7% are unemployed. The level of skills within an area is important to determine the level of potential employment.

Using the expanded definition, on average 22.3% of the population in Letsemeng is unemployed, with the highest rate of unemployment being in rural areas.

This high unemployment rate has serious repercussions on the ability of the residents of Letsemeng to pay for their daily needs. Unemployment is more than 21% in all of the areas and the highest is in Luckhoff at 32%.

Table 6: Employment Status:

Employment Status	Number
Employed	9164
Unemployed	2624
Discouraged Work Seeker	1745
Not Economically Active	11518

Table 7: Educations and skills profile

Group	Percentage
No Schooling	4,4%
Some Primary	45,4%
Completed Primary	8%
Some Secondary	29,9%
Completed Secondary	8,6%
Higher Education	0,6%
Not Applicable	3,1%

Table 8: Distribution of population aged 20 years and older by level of education attained

Group	%
No Schooling	4,4%
Some Primary	45,4%
Completed Primary	8%
Some Secondary	29,9%
Completed Secondary	8,6%
Higher Education	0,6%
Not Applicable	3,1%

## 4. SERVICE DELIVERY OVERVIEW

### 4.1. WATER

The Municipality's objective remains that of ensuring at least 100% of its inhabitants have access to portable water. Measures are being implemented on a regular and on-going basis to ensure that this objective is achieved. We will continue to ensure that this is met, and clean water is delivered to our communities. Where necessary and required, the municipality will engage the Provincial/National Government as well as other key stakeholders. Projects such as the Petrusburg one undertaken in the previous year is an example of such coordinated and joint efforts.

90, 8% of households have access to piped water either in their dwelling or in the yard. Only 2, 2% of households do not have access to piped water.

Table 9: Distribution of households with access to piped (tap) water by geography

Geography	Households				Percentages			
	Piped (tap) inside dwelling/yard	Piped (tap) water on community stand	No access to piped (tap) water	Total	Piped (tap) inside dwelling/yard	Piped (tap) water on community stand	No access to piped (tap) water	Total
FS161: Letsemeng	10211	788	243	11242	90.8	7.0	2.2	100.0
Koffiefontein	3180	8	15	3203	99.3	0.3	0.5	100.0
Ratanang	1105	1	6	1112	99.3	0.1	0.5	100.0
Jacobsdal	646	354	3	1003	64.4	35.3	0.3	100.0
Riet River	224	78	30	332	67.6	23.5	8.9	100.0
Petrusburg	2400	154	85	2639	91.0	5.8	3.2	100.0
Oppermans	230	-	-	230	100.0	-	-	100.0
Luckhoff	987	17	3	1007	98.0	1.6	0.3	100.0

### 4.2. SANITATION

The Municipality's continues to provide proper sanitation facilities to all communities. The municipality managed to reduce the number of bucket toilets. To date there are two hundred households who are still using a bucket system. Plans are afoot to totally eradicate the system.

Table 10: Toilet Facility

Toilet Facility	Percentage
None	5%
Flush toilet (connected to sewerage system)	72,8%
Flush toilet (with septic tank)	2,7%
Chemical toilet	0,5%
Pit toilet with ventilation	10,5%
Pit toilet without ventilation	5,3%
Bucket toilet	2,3%
Other	0,8%

### 4.3. ELECTRICITY

Electricity provision in the Municipality is jointly supplied by ESKOM and the Municipality. The Municipality is servicing three of the five towns under its jurisdiction, which are Koffiefontein, Petrusburg and Luckhoff. The municipality also sells prepaid electricity to some Koffiefontein and Luckhoff residents. In Jacobsdal, Ratanang and Bolokanang distribution is done by ESKOM.

Table 11: Distribution of households with access to electricity for lighting by geography

Geography	Households				Percentages			
	Electricity	Other	None	Total	Electricity	Other	None	Total
FS161: Letsemeng	10430	796	17	11243	92.8	7.1	0.1	100.0
Koffiefontein	3157	41	5	3203	98.6	1.3	0.2	100.0
Ratanang	1068	44	-	1112	96.0	4.0	-	100.0
Jacobsdal	809	187	7	1003	80.6	18.7	0.7	100.0
Riet River	258	74	-	332	77.7	22.3	-	100.0
Petrusburg	2524	112	2	2638	95.7	4.3	0.1	100.0
Oppermans	227	2	-	229	98.9	1.1	-	100.0
Luckhoff	919	88	-	1007	91.3	8.7	-	100.0

### 4.4. REFUSE REMOVAL

Waste Removal Services are provided to all the towns Koffiefontein, Petrusburg, Luckhoff, Oppermansgronde and Jacobsdal. These land fill sites with the exception of Jacobsdal and Petrusburg, are currently used as transfer stations and will be registered accordingly and be used fully as land fill sites.

Table 12: Distribution of households by type of refuse removal and geography

Geography	Households					Percentages				
	Formal Dwelling	Informal	Traditional	Other	Total	Formal Dwelling	Informal	Traditional	Other	Total
FS161: Letsemeng	9358	1812	17	55	11242	83.2	16.1	0.1	0.5	100.0
Koffiefontein	2659	538	1	5	3203	83.0	16.8	0.0	0.2	100.0
Ratanang	861	240	2	10	1113	77.4	21.6	0.2	0.9	100.0
Jacobsdal	598	395	-	10	1003	59.6	39.4	-	1.0	100.0
Riet River	251	76	5	-	332	75.6	23.0	1.4	-	100.0
Petrusburg	2181	450	1	7	2639	82.6	17.1	0.0	0.3	100.0
Oppermans	229	1	-	-	230	99.5	0.5	0	0	100.0
Luckhoff	937	60	1	8	1006	93.1	6.0	0.1	0.8	100.0

#### 4.5. HOUSING

The objective of the Municipality is to facilitate provision of adequate and affordable housing structures to the communities in its area of jurisdiction. Provision for houses is not the core competency of the Municipality; this objective is undertaken in partnership with the Provincial Department of Human Settlement which continues to allocate houses to residents on an on-going basis. This is mainly due to the fact that demand for housing remains a big challenge but we remain committed to facilitate the provision of shelter to the communities we serve.

#### 4.6. ROADS AND STORM WATER

Another aim of the municipality is to facilitate the adequate and constant maintenance of access roads and to ensure regular maintenance of all internal roads. Every year, a lot more kilometres of internal roads have been repaired. Furthermore, there is an annual allocation to ensure that roads are maintained. The proportion of households with access to the minimum level of services is shown in the table below:

Table 13: Proportion of Households with minimum level of Basic Services

Proportion of Households with minimum level of Basic services				
			2020-21	2021-22
Electricity service connections			100%	100%
Water - available within 200 m from dwelling			99%	99%
Sanitation - Households with at least VIP service			99%	99%
Waste collection - Kerbside collection once a week			100%	100%

#### 4.7. FINANCIAL OVERVIEW

This overview sets out highlights of the municipality's financial performance in the past year. Full details appear in the annual financial statements.

Table 14: Financial Overview – 2021-22

2020/21				2021/22		
Details	Original budget	Adjustment Budget	Actual	Original Budget	Adjustment Budget	Actual
<b>Income:</b>						
Grants	125 997 000	135 282 000	137 558 328	74,281,000	74 281 000	101,078,212
Taxes, Levies and tariffs	58 555 084	75 631 563	76 219 276	85 680 933	8 910 633	85 489,231
Other	5 574 817	9 930 026	16 202 395	10 373 498	96 668 126	18 919 431
Sub Total	<b>190 126 901</b>	<b>220,843,589</b>	<b>229 979 999</b>	<b>170 335 431</b>	<b>179,859,759</b>	<b>205,486,874</b>
<b>Less: Expenditure</b>	208 756 932	218 049 399	229 257 588	223 222 025	230 935 868	248 658 321
<b>Net Total*</b>	<b>(18 630 031)</b>	<b>2 794 190</b>	<b>722 411</b>	<b>(52 886 594)</b>	<b>(51 076 109)</b>	<b>(43 171 447)</b>
<i>* Note: surplus/(deficit)</i>						

Table 15: Operating Ratios

Operating Ratios				
Detail		2019/20	2020/21	2021/22
		%	%	%
Employee Cost		28%	28%	29%
Repairs & Maintenance		2%	3%	3%
Finance Charges		1.1%	3.4%	4.5%

Table 16: Total Capital Expenditure

Total Capital Expenditure: '2019/20 - to '2021/22				
Detail	2019-20	2020/21	2021/22	
Original Budget	48 392 250	58 573 470	51 103 301	
Adjustment Budget			65 520 949	
Actual	48 392 250	58 573 470	65 520 949	



#### **4.8 COMMENT ON CAPITAL EXPENDITURE**

The municipality's property, plant and equipment for the financial year under review amounted to R 685,621,737 compared to R 706,056,312 for the previous year. Capital commitments as at 30 June 2022 amounted to R 12 515 402 (2021: R 8 205 867). The fixed assets were financed from government grants.

#### **4.9 ORGANISATIONAL DEVELOPMENT OVERVIEW**

##### **Staffing**

There are still some key posts at lower levels of the organogram that need to be filled with urgency. The challenge the institution will forever battle with is the retention of skilled personnel. The geographical location and the financial position of the municipality are major deterrents to potential candidates.

#### **4.10 AUDITOR GENERAL REPORT**

The Municipality Received a Qualified Opinion for 2021/2022 financial year

According to legislation the Annual Report of a municipality must be tabled in the municipal council on or before 31 January each year. In order to enhance Councils oversight function the municipality should submit their Annual Performance Reports as soon as possible after the financial year end, ideally this ought to be the end of August.

The Annual Financial Statements and Annual Performance Report were submitted on 31 August 2022 to the Auditor-General. Management is currently developing processes and systems in order to ensure that the remaining sections be in place for the 2021/22 Annual Report process. It is expected that the entire process should be concluded by the end of January. The legislative process for the creation, submission, review and approval of the 2021/22 Annual Report is set out in the table below.

#### 4.11 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	July 2022
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft 2021/22 Annual Performance Report to Internal Audit	
5	Audit/Performance committee considers draft Annual Performance Report of municipality	August 2022
6	Municipality submits draft Annual Performance Report including Annual Financial Statements to Auditor General	
7	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
8	Auditor General audits Annual performance Report including Annual Financial Statements	September – November 2022
9	Municipalities receive and start to address the Auditor General's comments	December 2022
10	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	January 2023
11	Audited Annual Report is made public and representation is invited	February 2023
12	Municipal Public Accounts Committee assesses Annual Report	Feb-March 2023
13	Council adopts Oversight report	March 2023
14	Oversight report is made public	April 2023
15	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	June 2023

## **5. CHAPTER 2 – GOVERNANCE**

### **5.1. INTRODUCTION TO GOVERNANCE**

The Letsemeng Local Municipality is an organ of state within the local sphere of government. It was established by means of Provincial Notice No 181, published in the Free State Provincial Gazette of 28 September 2000. The Municipality is a municipality with plenary executive system determined by the Determination of Types of Municipality Act, 2000 (Act No. of 2000).

In terms of section 151(3) of the Constitution of the Republic of South Africa the municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to the national and provincial legislation, as provided for in the Constitution.

### **5.2. COMPONENT A: POLITICAL AND ADMINISTRATIVE**

#### **INTRODUCTION TO POLITICAL GOVERNANCE**

Section 151 of the Constitution, 1996 states that, the executive and legislative authority of a municipality is vested in its municipal council. This is complemented by the Municipal Structures Act and Municipal Systems Act. In terms of section 160(2) of the Constitution, 1996, the following powers may not be delegated by a municipal council and must therefore be exercised by council: passing of by-laws, approval of budgets, imposition of rates and taxes, levies and duties and the raising of loans. The Speaker is appointed by Council and performs her/his functions in terms of section 37 of the Municipal Structures Act, such as presiding at council meetings and overseeing the work of council committees.

The Municipal Council uses a governance system that applies to executive type system. It is consisted of thirteen (13) Councillors with a Speaker and the Mayor being a member designated as a full time councillor.

The main obligations of the Municipal Council is to formulate and endorse or pass by – laws, policies, most importantly the Integrated Development Plan and the Medium term revenue and expenditure framework (Budget)

The Speaker presides over ordinary as well as special Council meetings. The administration dispatch notices and agendas to Councillors forty eight (48) hours before the commencement of the council meetings as determined in the Standard Rule and Orders.

The Mayor as a political head of the Municipal Council attends to day to day obligations of the Municipal Council by playing oversight role over the administration and represents the meeting at the district and provincial intergovernmental relation forums as well as at the, South African Local Government Association. The Mayor provides general guidance over the fiscal and financial affairs of the municipality as well as the Integrated Development Plan.

The Council has established two (2) section 80 Committees in terms of the Municipal Structures Act and the Municipal Finance Management Act to process items before they could be forwarded to the Municipal Council i.e. Finance and Technical Committee and Community and Corporate Services committee. These Committees process items and forward them to the Executive Committee.

The Executive Committee prepare reports that are then submitted to Council for consideration and approval. Important to note is that the Section 80 Committees and Municipal Council sit as per schedule of Council meetings that was adopted by the Council.

The Municipal Council has established an MPAC, which is composed of three members and the Council is playing an Oversight role in the activities that are performed by the Municipality.

The Annual Report is prepared by the Performance Management Unit in collaboration with other departments. When the management is satisfied with this report it is then submitted to the Council for noting on or before the 31<sup>st</sup> of January of each year. Subsequent to this process it is forwarded to the Municipal Public Accounts Committee (MPAC) after tabling for assessment and thereafter it is presented before the Council with the Committee comments and recommendations. The Annual Report and the Committee report are submitted to Departments of Treasury, Cooperative Governance and Traditional Affairs for comments. Furthermore, these reports are separately published to the community for comments.

The Internal Audit Unit conducts audits throughout the year in terms of their audit plan and prepares Audit reports that are then submitted to the Audit and Performance Committee. After consideration of these reports the Audit Committee forwards its recommendations to Council for considerations and approval.

The Municipality has appointed the Municipal Manager who is the head of the administration. He is responsible for day to day operations of the organization and accounts to the Mayor in between Council meetings. Other senior managers who have been appointed in terms of section 56 of the Local Government: Municipal Systems Act, 2000 reports directly to the Municipal Manager. It is important to highlight that the Municipality is composed of four (4) departments that are headed by departmental heads, section 56 managers, excluding the office of the Municipal Manager i.e. Corporate Services, Budget and Treasury, Community Services and Technical Services.

### 5.3. POLITICAL GORVENANCE

POLITICAL STRUCTURE	Function
<b>MAYOR</b> Cllr RBI Mocwaledi	Preside over Municipal Council meetings and attend to day to day obligations of the Council by playing oversight role over the administration.
<b>Section 80 Committee Chairpersons</b> Cllr II Ramohlabi	<b>Chairperson for Finance and Technical Committee</b> Expenditure, Revenue, Assets & Liability Management, Budgeting & Reporting and Water, Sanitation, Electricity, Roads & Storm water, Urban Planning and PMU
Cllr TV Nthapo	<b>Chairperson for Community and Corporate Services</b> Waste Management, Sport & Recreation, Arts & Culture, Public Safety and Parks And Human Resources, Auxiliary and Legal Services, Council Support
Cllr J Kumalo	<b>Chairperson for Municipal Public Accounts Committee</b> Playing an oversight Role over the finances and the administration of the Municipality

### COUNCILLORS

The Municipal Council of Letsemeng Local Municipality comprises of thirteen (13) Councillors. Nine (9) of them were elected to represent wards and (4) were proportional representative. The Council is represented by four (4) political parties as follows:

African National Congress (ANC)	: Eight (9)
Democratic Alliance (DA)	: Two (2)
Economic Freedom Fighter (EFF)	: One (1)
Freedom Front	: One (1)

Two (2) members of Council, were designated as Chairpersons of Section 80 Committees. Each Committee is composed of three members which includes the Chairperson of the Committee. Furthermore, it has established a Municipal Public Accounts Committee which is composed of Three (3) Council members. The Ward Councillors are Chairpersons of Ward Committees, and the Ward Committee serves as an advisory committee to the wards councillors.

## 5.4 ADMINISTRATIVE GOVERNANCE

### INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

The Municipal Manager is the accounting officer of the municipality as the head of administration and reports directly to the Mayor and Council. Directors (section 56 managers) reports directly to the Municipal Manager and their performance is managed by the Municipal Manager in terms of the annually signed performance agreements and plans.

Directors are responsible for the management of their respective functions/departments, which include the management of service delivery programs and targets, personnel and budgets.

The Municipal Manager ensures accountability by departments through weekly and monthly management meetings and quarterly performance reviews of Directors.

#### Top Administrative Structure

	POST DESIGNATION	FUNCTION	PERFORMANCE AGREEMENT SIGNED YES/NO
1.	<b>MUNICIPAL MANAGER</b> Mr TL Mkhwane	Accounting Officer/Head of Administration	Yes
2	<b>ACTING DIRECTOR: CORPORATE SERVICES</b> Mr S Qwelane	<i>Human Resources, Auxiliary and Legal Services, Council Support</i>	Yes
3.	<b>CHIEF FINANCIAL OFFICER</b> Mr CFO/SJ Tooi	<i>Expenditure, Revenue, Assets &amp; Liability Management, Budgeting &amp; Reporting</i>	Yes
4.	<b>DIRECTOR: COMMUNITY SERVICES</b> Mr. CJ Makhoba	<i>Waste Management, Sport &amp; Recreation, Arts &amp; Culture, Public Safety and Parks</i>	No
5.	<b>DIRECTOR: TECHNICAL SERVICES</b> Mrs DG Tsikang	<i>Water, Sanitation, Electricity, Roads &amp; Storm water, Urban Planning and PMU</i>	Yes

## **5.5 COMPONENT B: INTERGOVERNMENTAL RELATIONS**

### **5.5.1 INTRODUCTION TO COOPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS**

Letsemeng Municipality through the 2021/22 financial year participated in a number of intergovernmental forums. This ensures that the Municipality is kept up to date on key developments in strategic areas of its responsibilities.

Through active participation in these forums and the available platform created, the Municipality exchanges ideas and interact with other spheres of government to improve mutual relations between government institutions.

### **5.5.2 NATIONAL INTERGOVERNMENTAL STRUCTURES**

The Municipality participate in the National South African Local Government Association Members Assembly which is held once annually. The municipalities converge annually at the assembly to discuss matters that affects the municipality and resolved how to tackle the challenges faced by the municipalities

### **5.5.3 PROVINCIAL INTERGOVERNMENTAL STRUCTURES**

The Municipality is part of the Provincial Coordinating Forum which is used to facilitate intergovernmental relations between the province and local government in the province. The Municipality also participates in Provincial Forums which include Provincial IDP Forum, Provincial Energy Forum, Provincial AIDS Forum as well as South African Local Government Association (SALGA).

### **5.5.4 DISTRICT INTERGOVERNMENTAL STRUCTURES**

Meetings are been held once in a quarter, whereby the District Municipality is responsible for ensuring the co-ordination of intergovernmental relations within the district municipality with local municipalities in the district. District Coordinating Forum consists of the Executive Mayor of the District and three other local municipalities' Mayors who are primary members of this structure.

### **5.5.5 TECHNICAL SUPPORT COMMITTEE**

This Committee consists of the District Municipal Manager and other three Local Municipal Manager who are primary members of the structure. The Committee must meet at least once per quarter with other stakeholders to process issues in preparation of the political District Forum.

## **5.6 COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION**

### **OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION**

The municipality improved on the responsibilities mentioned above as indicated in the 2021/22 IDP by:

- Providing feedback to different communities on issues people raised during the first round of public engagements.
- Providing progress report on funded projects implemented in the different Wards.
- Providing opportunity for communities to make input to the 2021/22 IDP process.
- Providing Ward Committees an opportunity to prioritise inputs received from the different wards.
- Encouraging Ward Councillors and Ward Committees to do further consultation about communities service delivery priorities.
- Encouraging communities, Stakeholders and individual members of society to make use of the opportunity to do submission regarding the IDP review and budget of the municipality.

The staff is allocated wards to work with and report on their activities. There are also members of ward committees responsible for different sections in their wards. These measures have helped as members of community reports issues related of service delivery at their earliest occurrence.

## **5.7 PUBLIC MEETINGS**

### **KEY PURPOSES OF WARD COMMITTEES**

- Create formal unbiased communication channels and co-operative partnerships between the Municipality and the community within a ward.
- Ensure contact between the Municipality and the community through the relevant feedback mechanisms.
- Act as an advisory body on council policies and matters affecting communities in the ward as requested.
- Make recommendations on matters affecting the ward to the ward councillor.
- Serve as a constructive mobilizing agent for positive community action.

### **COMMUNICATION, PARTICIPATION AND FORUMS**

The municipality uses loud hailing, print media, posters, as well as physical delivery of invitation such as IDP/budget which are on semester interval. These meetings are inclusive of representative from Safety, Business and CBO's.



Table 17: Public Meetings

Public Meetings							Comments
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)	Dates and manner of feedback given to community	
IDP, Budget Consultation meeting at Oppermansgronde	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community Members were requested to forward their inputs to the Office of the Speaker/ Mayor and Municipal Manager
IDP and Budget Consultation at Petrusburg	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community members requested to forward their inputs
IDP and Budget Consultation at Koffiefontein (Ward 5)	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community members requested to forward their inputs
IDP and Budget Consultation at Luckhoff	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community members requested to forward their inputs
IDP and Budget Consultation at Phambili	None	0	0	0	None	Meetings were not conducted due to Covid-19 regulations	Community members requested to forward their inputs

## COMMENT ON THE EFFECTIVENESS OF PUBLIC MEETINGS HELD

The community consultation meetings were not conducted due to Covid-19 regulations.

## 5.8 IDP PARTICIPATION AND ALIGNMENT

Table 18: IDP Participation and Alignment Criteria

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 directly 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
*Section 26 Municipal Systems Act 2000	

## **5.9 COMPONENT D: CORPORATE GOVERNANCE**

### **OVERVIEW OF CORPORATE GOVERNANCE**

The municipality endeavours to comply with the regulatory frameworks and best practices regarding corporate governance. This includes the establishment of a risk management function, internal audit unit and independent audit committee and the implementation of fraud and anti-corruption policies and measures.

In addition, Letsemeng Municipality follows a comprehensive system of rules and processes that are designed to sustain and enhance optimal end to effective organizational management.

### **5.10 RISK MANAGEMENT**

Risk Management provides a clear and structured approach to identifying risks. Having a clear understanding of all risks allows the municipality to measure and prioritise them and take the appropriate actions to reduce possible losses.

The Municipality implements and maintains effective, efficient and transparent systems of risk management and internal control. The risk management will assist the municipality to achieve its service delivery outcomes and enhance organisational performance. The risks are managed formally and periodically by means of a factual and realistic approach. This promotes the achievement of objectives and further avoids these risks from impacting negatively on the organizational efficiency.

The average risks in developing the Internal Audit Coverage Plan was extracted from the risk assessment report, considering the impact and likelihood of critical issues/risks within each of the identified activities.

### **5.11 ANTI-CORRUPTION AND FRAUD**

The actions that constitute corruption can be classified as follows:

- Any dishonest, fraudulent or corrupt act,
- Theft of funds, supplies and other assets,
- Maladministration or financial misconduct in handling or reporting of money,
- Making profit from insider knowledge,
- Disclosing confidential information to outside parties,
- Deliberately refusing or omitting to report or act upon reports of irregular or dishonest conduct

The strategies in place to prevent corruption, fraud and theft are the application of policies approved by council such as the supply chain management policy and the segregation of duties to approval of transactions within the municipality.

Key risk areas susceptible to corruption and fraud are the procurement, cash collection and payments as well as unauthorized distribution of information from the institution. Policies were approved by council. The code of conduct in terms of the Municipal Systems Act was communicated to all employees to highlight the importance of proper employee behaviour and conduct.

A previous challenge that is now overcome was the lack of important structures to effectively deal with the occurrence of corruption and fraud within the municipality. A lack of capacity at the Internal Audit and Supply Chain and the ineffective functioning of the Audit Committee were some of the challenges the municipality faced to effectively eliminate the occurrence of fraud and corruption. These challenges have now been resolved and a functional internal audit, supply chain management. The Municipality established an Audit Committee that serve only the Letsemeng Local Municipality

## 5.12 SUPPLY CHAIN MANAGEMENT

Supply Chain Management is centralised and attached to Budget and Treasury Office which is mainly responsible for the administration and procurement of goods and services. The municipality is currently utilizing *Sage Evolution*. All the procurements are transacted through sage evolution system to avoid irregular and fruitless expenditure. Supply Chain processes are regulated by supply chain policy which is in line with relevant regulations.

## 5.13 BY-LAWS LITIGATION

Table 19: By-laws introduced

By-laws Introduced during 2021/22					
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
None	-	-	-	-	-
<b>*Note: See MSA section 13.</b>					

### COMMENT ON BY-LAWS

For the financial year under review the municipality did not have any new By-Laws to be promulgated.

## 5.14 WEBSITE

A municipal website <http://www.letsemeng.fs.gov.za> is a key communication mechanism in terms of service offering, information sharing and public participation and should be an integral part of a municipality's communication infrastructure and strategy. It serves as a tool for community participation, improves stakeholder involvement and facilitates stakeholder monitoring and evaluation of municipal performance. Section 75 of the MFMA requires that the municipalities place key documents and information on their website, including the IDP, the annual budget, adjustments budgets, budget related documents and policies.

**Below is a website checklist to indicate the compliance to Section 75 of the MFMA:**

**Table 20: Municipal Website: Content and Currency of Material**

<b>Municipal Website: Content and Currency of Material</b>	
<b>Documents published on the Municipality's Website</b>	<b>Yes / No</b>
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (2020/21)	Yes
The annual report (2021/22) to be published	Yes
All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2021/22) and resulting scorecards	Yes
All service delivery agreements (2021/22)	No
All long-term borrowing contracts (2021/22)	No
All supply chain management contracts above a prescribed value R100 000 for 2021/22	Yes
An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during Year 1	No
Contracts agreed in 2021/22 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	No
Public-private partnership agreements referred to in section 120 made in 2021/22	No
All quarterly reports tabled in the council in terms of section 52 (d) during 2021/22	Yes
<i>T 2.10.1</i>	

## **6. CHAPTER 3 – SERVICE DELIVERY PERFORMANCE REPORT PART I)**

**(PERFORMANCE**

### **6.1 INTRODUCTION**

The municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The Technical Department is responsible for operation and maintenance of infrastructure which include electricity, water services, roads and storm water. The Technical Department also provides support services such as the mechanical workshop.

The Technical Department plays a pivotal role in terms of facilitation and coordination of services provided by Provincial and National Departments. The municipality has adopted a five-year IDP Plan which is a strategic document aiding in the developments within the municipality. Sector plans are also included which gives effect to the strategies and objectives in the IDP. The IDP is further informed by both the National and Provincial development strategies.

The purpose of the report is to provide information in respect of the core responsibilities, objectives, achievements as well as challenges faced by the Technical Department during the 2021/22 financial year.

### **6.2 COMPONENT A: BASIC SERVICES - WATER**

This component includes: water; waste water (sanitation); electricity; waste management; and housing services; and a summary of free basic services. The municipality accepted that the number of households within the municipal area is 40 044 as provided by Statistics South Africa for 2016.

#### **INTRODUCTION TO BASIC SERVICES**

Technical Services Department is responsible for the following services:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishing/rehabilitation of existing infrastructure.
- Provision of basic services such as water, electricity and roads.

This is done as a basic service delivery aspect in the following areas:

#### **A. Water and waste water services**

- Water purification
- Sewerage treatment
- Storage dams
- Water reservoirs

- Water and sewage reticulation networks

B. Roads, storm water, railways and public works

- Roads design, construction and maintenance
- Storm water drainage system
- Bridges and culverts
- Landfill site management

C. Electricity

- Electricity Distribution
- Electricity network maintenance and upgrading
- Electricity Consumption Care
- Public lighting

D. Buildings survey

- Approval of building plans, construction and inspections thereof

### **Objectives and Achievements**

Strategic objectives are set out in planning and budgeting tools such as IDP and SDBIP in order to properly plan and achieve targets. Priority areas regarding basic service delivery are as follows:

- Access to water,
- Water loss,
- Water quality,
- Access to sanitation,
- Access to electricity,
- Energy efficiency,
- Access to municipal surfaced roads

### **Departmental Challenges**

- Institutional and organizational development:
  - Inadequate attraction and retention of skilled competent personnel,
  - Prolonged recruitment processes,

- Inadequate training and development of staff
- Infrastructure maintenance and development:
  - Outdated technology and aged infrastructure,
  - Water and Sanitation Master plans are in place and have been approved by council,
  - Inadequate infrastructure capacity to meet supply demand,
  - Increasing theft and vandalism of infrastructure,
  - Limited preventative maintenance,
  - Decaying infrastructure,
  - Heavy motor vehicular movement through and around CBD,
  - High distribution losses (water and electricity)
- Machinery, equipment and fleet:
  - Shortage of machinery, equipment and fleet,
  - High average age of municipal fleet,
  - Most fleet out of useful lifespan,
  - Prolonged turnaround time in terms of repairs and continued breakages,
  - Limited maintenance equipment,
  - Delayed processing time of purchase request in terms of maintenance and repairs,
  - Shortage of vehicles and machinery causing low productivity and low morale of staff cascading into serious delays in service delivery.
- Financial Constraints:
  - Insufficient maintenance budget,
  - Insufficient capital budget appropriated (own funding),
  - Lack of consumables and sundry items,
  - Supplier / municipal relations dented,
  - Long processing period of purchase orders.
- Natural Hazards:
  - rainfall and flooding causes delay in project implementation and flooding of residential areas,
  - Drought, leading to inadequate raw water supply and thereby negatively affecting the Municipality's mandate of providing basic water service to its communities.
  - Extensive damage to infrastructure (decaying roads surfaces and potholes) and facilities / property.

- Compliance to Regulations:
  - Inadequate monitoring and measuring equipment and processes to facilitate compliance.
- Bulk Supply Services:
  - Inadequate bulk raw water supply in Petrusburg and Koffiefontein.
  - Rapidly deteriorating condition of roads network including main roads.

## **WATER PROVISION**

Water needs are determined via the consumer base on the ground. Figures used to determine this includes provision for registered indigents according to the municipal policy. Supply and disruptions are monitored and future needs are based on results. Further inputs from the community and political offices are compared with departmentally identified issues and included in the IDP as needed. National government targets are also included in future planning.

For blue drop purposes the water quality is monitored continuously and uploaded on the IRIS site and water provision to the community is done in accordance with the Water Services Act 1997.

The top four priorities are:

1. Sufficient water supply for communities.
2. Connections to individual stands with provision for indigents.
3. Provision of water within legal requirements (Water within Blue drop and SANS 241 standards)
4. Monitoring of water supply through proper installation of water meters

The challenge in water supply remains the balance between the available raw water and demand from the community.

The blue drop status have increased and it is expected to improve in the next financial year due to the appointment of process controllers that are in line with regulation 813 of the national standards and funding from the Department of Water and Sanitation for the water services works which aids with improving the water services infrastructure. The multi-year project of a construction of a Water Treatment Works that was completed in Jacobsdal has improved the supply and quality of water, this will furthermore increase the status of the overall bluedrop in Letsemeng.

All formal areas of Letsemeng available for occupation are provided with water networks with pre installed connections and consumers moving onto unconnected stands are connected on application.

Letsemeng Local Municipality (LLM) is a Water Service Provider (WSP) and a Water Service Authority (WSA), all this functions are currently operated by the Municipality. Letsemeng Local Municipality has through the Department of Cooperative Governance and Traditional Affairs (Cogta) prepared a Water and Sanitation Master



Plan and Maintenance and Operations in 2019. These strategic documentation are used as roadmaps in terms of identifying challenges and applying for funds.

LLM is struggling to meet the water demand from four towns namely Luckhoff, Koffiefontein, Jacobsdal and Petrusburg. This is due to the low capacity of the Water treatment Works (WTW), old aged infrastructure e.g Canal in Jacobsdal and availability of surface water. The demand of water is higher than the available supply, this is in some cases compromising the quality of water since the plants would be pushed to the maximum capacity or even be exeded resulting in turbidity increasing. LLM through the Department of Water & Sanitation (DWS) will refurbish the Koffiefontein Water Treatment Works and construct a 4.5 Ml concrete reservoir.

Unavailability of surface water poses a high risk to the community of Petrusburg because they rely on ground water, most of the boreholes have already started showing reduced capacity while there is no alternatice sources. LLM has completed two projects to improve water supply in Petrusburg and Bolokanang, the refurbishment and equipping of 12 boreholes and construction of a new pipeline from borehole 14 and 15 in Petrusburg to Bolokanang Reservoir. Improvement of water supply in Ratanang 202 sites has been completed with water reticulation and yard connections. LLM through MIG funding was able to install and refurbish Bulk and Domestic meters of Koffiefontein, Petrusburg, Jacobsdal and Luckhoff. The aforementioned project was implemented to assist with addressing the challenge of water losses and to improve revenue collection of the municipality.

Table 21: Water Service Delivery Levels

Water Service Delivery Levels					
Description	Ref	Households			
				2020/21	2021/22
				Actual 0-Jan-00	Actual No.
<b><u>Water: (above min level)</u></b>					
Piped water inside dwelling				8 336	8 336
Piped water inside yard (but not in dwelling)				0	0
Using public tap (within 200m from dwelling )	2			693	693
Other water supply (within 200m)	4			493	493
<i>Minimum Service Level and Above sub-total</i>				9 522	9 522
<i>Minimum Service Level and Above Percentage</i>				100%	100%
<b><u>Water: (below min level)</u></b>					
Using public tap (more than 200m from dwelling)	3	490	490	0	0
Other water supply (more than 200m from dwelling)	4	0	0	0	0
No water supply		0	0	0	0
<i>Below Minimum Service Level sub-total</i>		490	490	0	0
<i>Below Minimum Service Level Percentage</i>		5%	5%	0%	0%
<b>Total number of households*</b>	5	<b>9 319</b>	<b>9 319</b>	<b>9 522</b>	<b>9 522</b>

Table 22: Households - Water Service Delivery Levels

Description		2020/21	2021/22
		Actual No.	Actual No.
<b>Formal Settlements</b>			
Total households		8 134	8 134
Households below minimum service level		0	0
Proportion of households below minimum service level		0%	0%
<b>Informal Settlements</b>			
Total households		493	493
Households below minimum service level		0	0
Proportion of households below minimum service level		0%	0%

## Actual performance against the predetermined objectives and targets

### TECHNICAL SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-2021	Annual Target	Actual Results	Actual performance	R
TL1	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage on progress made on the refurbishment of WWTW at Petrusburg by 30 June 2022	Percentage	Progress Report, Completion Certificate and Closeout Report	0	100% Completion of the refurbishment of WWTW at Petrusburg by 30 June 2022	Not achieved	Only 88% of Progress was obtained for the 2021/22 financial year	P
TL2	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage on progress made on the refurbishment of Sport Complex Phase 2 at Sonwabile by 30 June 2022	Percentage	Progress Report, Completion Certificate and Closeout Report	0	100% Completion of the refurbishment of Sports Complex Phase 2 at Sonwabile by 30 June 2022	Not achieved	0%	T
TL3	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage on progress made on the refurbishment of WTW and construction of 4,7 Ml Reservoir at Koffiefontein by 30 June 2022	Percentage	Progress Report, Completion Certificate and Closeout Report	0	20% Progress made on the refurbishment of WTW and construction of 4.7 Ml Reservoir at Koffiefontein by 30 June 2022	Not achieved	The remaining percentage was not obtained as planned	T
TL4	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of households Electrified and connected Phase 2 at Diamanthoogte by 30 June 2022	Number	Progress Report, Completion certificate and Closeout Report	52	200 Households Electrified and connected Phase 2 at Diamanthoogte by 30 June 2022	Achieved, 200 Households electrified and connected	48 Households Electrified and connected in the first quarter and 153 households electrified and connected in the fourth quarter	N
TL5	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of Households Electrified and connected Phase 2 at Jacobsdal, by 30 June 2022	Number	Progress Report, Completion Certificate and Closeout Report	0	190 Households Electrified and connected Phase 2 at Jacobsdal by 30 June 2022	Achieved	44 Households Electrified and connected in the first quarter and 147 households electrified and connected in the fourth quarter	N

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-2021	Annual Target	Actual Results	Actual performance	R
TL6	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of Business Units Audited at Letsemeng areas on electrical meters by 30 June 2022	Number	Signed Audit Forms	0	50 Business Units audited on Electrical meters at Letsemeng areas by 30 June 2022	Achieved	50 business units audited	N
TL7	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Percentage on progress made on the construction of new pipeline from boreholes 14 & 15 at Petrusburg to reservoir at Bolokanang by 30 June 2022	Percentage	Progress Report, Completion certificate and Closeout Report	99%	100% Completion of the construction of new pipeline from boreholes 14 & 15 at Petrusburg to reservoir at Bolokanang by 30 June 2022	Not Achieved,	Contractor Failed to complete the remaining 1% in the first (1 <sup>st</sup> ) quarter	In

## COMMUNITY SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual performance	R
TL8	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of progress made on the renovation of the Community halls, 1x Relebohile, 1x Bolokanang Hall and 1x Jacobsdal Town Hall by 30 June 2022	Number	Progress Report, Completion certificate and Closeout Report	0	3 Community halls renovated, 1x Relebohile, 1x Bolokanang Hall and 1x Jacobsdal Town Hall by 30 June 2022	Not Achieved,	Halls not renovated in all three (3) towns	N
TL9	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of progress made on the renovations of the municipal buildings at Petrusburg, and Jacobsdal by 30 June 2022	Number	Progress Report, Completion certificate and Closeout Report	0	2 Municipal Buildings renovated at Petrusburg and Jacobsdal by 30 June 2022	Not Achieved,	KPI could not be achieved due to Budgetary Constraints	TL re bu re ex lo

TL10	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of sites pegged at Koffiefontein by 30 June 2022	Number	Council resolution, Progress report, and Final layout plan	0	70 Sites pegged at Koffiefontein by 30 June 2022	Not achieved.	The Draft Layout Plans were presented before the Section 80 Committee, subsequently to the EXCO. No Ordinary Council Meeting was held to approve layout plans.	TL10
TL11	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of stadiums refurbished at Jacobsdal by 30 June 2022	Number	Progress Report, Completion Certificate and Closeout Report	0	1 Stadium refurbished at Jacobsdal by 30 June 2022	Not achieved	Stadium not done	TL11
TL12	Basic Service delivery	Eradicate backlogs in order to improve access to services and ensure proper operations and maintenance	Number of refurbishment of cemeteries at Koffiefontein town by 30 June 2022	Number	Progress Report, Completion Certificate and Closeout Report	0	1 Cemetery refurbished at Koffiefontein by 30 June 2022	Not achieved,	Cemetery not refurbished	TL12

## LOCAL ECONOMIC DEVELOPMENT

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual performance	R
TL 13	Local Economic Development	Inclusive Economic growth and sustainable job creation	Number of LED forums established in the municipality by 30 June 2022	Number	TOR, Progress Report and attendance register.	0	1 LED Forum Established in the municipality by 31 December 2021	Not Achieved	Forum could not be established due to financial constraints	W 20 bu
TL 14	Local Economic Development	Inclusive Economic growth and sustainable job creation	Number of LED Strategies approved by Council by 30 June 2022	Number	Approved Strategy and Council resolution	0	1 LED Strategy approved by council by 30 June 2022	Not Achieved	strategy could not be tabled in council due to only special council sitting	W 20 bu
TL 15	Local Economic Development	Inclusive Economic growth and sustainable job creation	Number of Commonage Policies approved by Council by 30 June 2022	Number	Commonage policy and Council resolution	0	1 Commonage Policy approved by Council by 30 June 2022	Not Achieved	Commonage policy could not be tabled in council due to only special council sitting	W 20 bu
TL16	Local Economic Development	Inclusive Economic growth and sustainable job creation	Number of Business Licencing policies approved by Council by 30 June 2022	Number	Business licence policy and Council resolution	0	1 Approved Business Licencing Policy by 30 June 2022	Not Achieved	Business licence policy could not be tabled in council due to only special council sitting	W 20 bu

## MUNICIPAL MANAGER'S OFFICE

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual performance	R
TL17	Public participation and good governance	Efficient administration and good governance	Number of established ICT steering committee and appointed members by 30 June 2022	Number	Appointment letters	0	1 established ICT Steering Committee by 30 June 2022	Achieved	One(1) established ICT Steering committee	N
TL18	Public participation and good governance	To promote a culture of participatory and good governance	Percentage on the ICT Infrastructure renovation of site offices, (Jacobsdal, Petrusburg, Luckhoff and Oppermansgronde) by 30 June 2022	Percentage	Project Report	0	100% percent Complete ICT Infrastructure renovation of site offices, (Jacobsdal, Petrusburg, Luckhoff and Oppermansgronde) by 30 June 2022	Not Achieved	Re-cabled remote site infrastructure	TI to cu th iss
TL19	Public participation and good governance	To promote a culture of participatory and good governance	Number on the development of an ICT master plan by 30 June 2022	Number	Approved master plan and Council resolution	0	1 developed ICT master plan by 30 June 2022	Not Achieved	Lack of internal knowledge to draft the plan.	Fi ou pr
TL20	Public participation and good governance	To promote a culture of participatory and good governance	Number of the Procurement of MS Office and Windows Licenses by 30 June 2022	Number	Goods received note	0	Completion of the procurement of MS Office 5 and 10 Windows License by 30 June 2022	Not achieved	Procurement did not take place	Ca
TL21	Public participation and good governance	Efficient administration and good governance	Number of Municipal audit assignments conducted by 30 June 2022	Number	Internal Audit reports	10	15 Municipal Audit assignments conducted by 30 June 2022	Not Achieved	Only 9 audit assignment conducted for the financial year	N fo pr 1. D 2. 3.
TL22	Public participation and good governance	To promote a culture of participatory and good governance	Number of Municipal audit committee meetings to be held by 30 June 2022	Number	Attendance registers and minutes	5	4 Municipal Audit committee meetings held by 30 June 2022	Not Achieved	Only 3 meetings held during the 2021/22 financial year	M no
TL23	Public participation and good governance	To promote a culture of participatory and good governance	Number of approved Municipal Audit Strategic documents for the 2022/23 financial year.	Number	Approved risk based audit plan (RBAP) (MFMA - Section 165(2) (a)) Approved Internal Audit	4	4 Municipal audit strategic documents, risk based audit plan (RBAP) (MFMA - Section 165(2)	Not achieved	Documents were not approved	A ar

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual performance	R
					Charter Approved Audit Committee Charter Approved Audit Methodology		(a) Approved Internal Audit Charter Approved Audit Committee Charter Approved Audit Methodology approved by 30 June 22			
TL24	Public participation and good governance	Efficient administration and good governance	Number of Risk Committee meetings held by 30 June 2022	Number	Minutes of meeting and attendance registers	4	4 Risk Committee meetings held by 30 June 2022 in the 2021/22 financial year	Not achieved,	Only 1 risk committee meeting held in the financial year	D fu ca re
TL25	Public participation and good governance	Efficient administration and good governance	Number of reviewed and approved risk management strategic documents by 30 June 2022 <ul style="list-style-type: none"> <li>• 1 Risk management strategy</li> <li>• 1 anti-fraud and corruption strategy</li> <li>• 1 Risk committee charter</li> <li>• 1 risk</li> </ul>	Number	Approved strategic documents and Council resolution	5	7 approved risk managements strategic documents by 30 June 2022	Not achieved	Documents were compiled but required committee approval	D fu ca re



Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual performance	R
			management implementation plan <ul style="list-style-type: none"> <li>1 strategic and operational risk register</li> </ul>							
TL26	Public participation and good governance	Efficient administration and good governance	Number of Risk management policy approved by council by 30 June 2022	Number	Council resolution and Approved risk management policy	1	1 Approved risk management policy by 30 June 2022	Not achieved	Policy is still Draft	Public participation and good governance
TL27	Public participation and good governance	Efficient administration and good governance	Number of anti-fraud and corruption policy approved by council by 30 June 2022	Number	Council resolution and anti-corruption policy	2	1 Approved anti-corruption policy by 30 June 2022	Not achieved	Policy is still Draft	Public participation and good governance
TL28	Public participation and good governance	To promote a culture of participatory and good governance	Number of quarterly Risk Management reports compiled by 30 June 2022	Number	Risk Management report.	7	4 Risk Management Reports by 30 June 2022	Not achieved	Only 3 risk management report achieved instead of all four (4)	Public participation and good governance
TL29	Public participation and good governance	To promote a culture of participatory and good governance	Number of workshop conducted to employees by 30 June 2022, on the approved: <ul style="list-style-type: none"> <li>Risk Management Policy</li> </ul>	Number	Attendance registers	1	1 Workshops conducted by 31 December 2021	Not achieved	No workshop was conducted in the financial year	Public participation and good governance

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual performance	R
			<ul style="list-style-type: none"> <li>Anti-fraud and anti-corruption Policy</li> </ul>							
TL30	Public participation and good governance	To promote a culture of participatory and good governance	Number of fraud Awareness workshops conducted to inculcate a culture of Risk Management by 30 June 2022	Number	Attendance registers	1	1 Workshop conducted by 30 June 2022	Not achieved	No workshop was conducted in the financial year	TL by an im m
TL31	Public participation and good governance	To promote a culture of participatory and good governance	Number of cumulative updates on the annual risk register per quarter, per department by 30 June 2022	Number	Updated risk register per quarter.	4	3 risk assessments working sessions facilitated per department per quarter by 30 June 2022	Achieved	All 3 risk assessment working sessions facilitated per department	N
TL32	Public participation and good governance	To promote a culture of participatory and good governance	Number of Municipal Process plans approved by Council for 2022/23 Financial year by 30 September 2021	Number	Approved process plan and Council resolution	1	1 Approved Municipal process plan for the 2022/23 financial year by 30 September 2021	Achieved	Process Plan was adopted	N
TL33	Public participation and good governance	To promote a culture of participatory and good governance	Number of integrated Development Plan Community Representative forums held by 30 June 2022	Number	attendance register and report	0	2 integrated Development Plan Community Representative forums held by 30 June 2022	Not achieved	No representative forums were conducted in the financial year	N co te
TL34	Public participation and good governance	To promote a culture of participatory and good governance	No. of Integrated Development Plans(IDP) adopted by Council for the 2022/23 financial year	Number	2022/23 IDP and Council resolution	1	1 Integrated Development Plan(IDP) approved by Council by 30 June 2022	Achieved	Integrated Development Plan was adopted with amendment, by council	N

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual performance	R
TL35	Public participation and good governance	To promote a culture of participatory and good governance	Number of SDBIP's approved by the Mayor and submitted to Cogta, PT and NT by 30 June 2022	Number	Proof of submission	1	1 Approved SDBIP for the 2021/22 financial year by 30 September 2021	Achieved	1 SDBIP submitted to Cogta, PT and NT for the 2021/22 financial year	N
TL36	Public participation and good governance	To promote a culture of participatory and good governance	Number of SDBIP 2021/22 financial year published on the website, notice boards within 14days after approval of the Mayor by 30 September 2021	Number	screen dump of publication on website, notice	1	1 2021/22 financial year SDBIP published on the website, notice boards within 14days after approval of the Mayor by 30 September 2021	Achieved	SDBIP for 2021/22 FY was Uploaded on municipal website	N
TL37	Public participation and good governance	To promote a culture of participatory and good governance	Number of performance agreements signed by relevant officials and submitted to the department of Cogta for the 2021/22 financial year by 30 September 2021	Number	Signed Performance agreements and Proof of submission	5	5 signed performance agreements for the 2021/22 financial year by 30 September 2021	Achieved	All 5 Performance Agreements signed by relevant officials and submitted to Cogta for the 2021/22 FY	N
TL38	Public participation and good governance	To promote a culture of participatory and good governance	Number of the Annual Performance Report for 2020/21 financial year submitted to AGSA in the 2021/22 financial year by 30 September 2021	Number	Annual Performance Report and proof of submission.	1	1 Annual Performance Report for 2020/21 financial year by 30 September 2021	Achieved	Annual Performance Report submitted	N
TL39	Public participation and good governance	To promote a culture of participatory and good governance	Number of Draft Annual Reports for 2020/21 financial year submitted to	Number	Council resolution, proof of submission to Cogta, AG, NT, PT	0	1 Draft Annual Report for 2020/21 financial year submitted to Council in the	Achieved	Draft Annual Report was submitted to council	N

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual performance	R
			Council by 31 January 2022				2021/22 financial year by 31 January 22			
TL40	Public participation and good governance	To promote a culture of participatory and good governance	Number of approved Oversight Reports and Final Annual Reports for the 2020/21 financial year submitted to Cogta, NT, PT and FS Legislature by 30 June 2022	Number	Council Resolution, Oversight Report and proof of submission to NT, PT, Cogta and Legislature	0	1 Approved Oversight Report and Final Annual Report for the 2020/21 financial year submitted to NT, PT and FS Legislature in the 2021/22 financial year by 31 March 2022	Not achieved	Oversight report is not yet approved or submitted	M be ch th
TL41	Public participation and good governance	To promote a culture of participatory and good governance	Number of Bid committee members appointed by the Municipal Manager by 30 June 2022	Number	Proof of appointment letters	13	13 Bid committee members appointed by the Municipal Manager in the 2021/22 financial year by 30 June 2022	Not Achieved.	13 Bid Committee members were appointed but not within the required time.	TI w de M
TL42	Public participation and good governance	To promote a culture of participatory and good governance	Number of approved PMS Policies by 30 June 2022	Number	Approved PMS Policy and Council Resolution	1	1 Approved PMS Policy in the 2021/22 financial year by 30 June 2022	Not Achieved	PMS policy still a Draft	TI pr to ne re to

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual performance	R
TL43	Public participation and good governance	To promote a culture of participatory and good governance	Number of Communication Strategy approved by Council by 30 June 2022	Number	Approved Communication Strategy and Council resolution	0	1 Communication Strategy approved by Council in the 2021/22 financial year by 30 June 2022	Not achieved	The responsible department has not developed Communication Strategy for the financial year under review.	TL43
TL44	Public participation and good governance	To promote a culture of participatory and good governance	No. of Local Communicator's forum meetings held by 30 June 2022	Number	Invitations, attendance register and minutes	0	1 Local Communicator's forum meeting to be held by 30 June 2022	Not achieved	Forum meeting were not conducted in the financial year	TL44

## CORPORATE SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual Performance	R
TL45	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of Ordinary Council meetings of the municipality held by 30 June 2022	Number	Attendance registers and Council minutes	2	4 Ordinary Council meetings of the municipality held by 30 June 2022	Not Achieved	Only Special council meetings were conducted	TL45
TL46	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of the Municipal LLF meetings held by 30 June 2022	Number	Attendance registers, minutes of LLF meetings	1	2 LLF meetings held by 30 June 2022	Not achieved	LLF held one (1) meeting in the fourth quarter.	TL46
TL47	Municipal Transformation and Institutional Development	An effective administration capable of sustainable service delivery	Number of progress reports on the Municipal Council resolutions	Number	Resolution register and Council resolution.	4	4 progress reports on the Municipal Council resolutions submitted to	Not Achieved	Only Special council meetings were conducted	TL47

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual Performance	R
			submitted to Council by 30 June 2022				Council by 30 June 2022			
TL48	Municipal Transformation and Institutional Development	Efficient administration and good governance	Number of WSP developed and submitted to LGSETA by 30 June 2022	Number	WSP and proof of submission to LGSETA	0	1 WSP developed and submitted to LGSETA by 30 June 2022	Achieved	WSP was developed and submitted to LGSETA in the fourth quarter	N

## FINANCIAL SERVICES

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual Performance	R
TL 49	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	No. of indigent households registered in all 6 Wards by 30 June 2022	Number	Indigent register and indigent forms	0	2100 indigent households registered in all 6 Wards by 30 June 2022	Achieved 2830 registered indigent households	524 were registered in the second quarter and another 2306 in the fourth quarter.	
TL 50	Financial Viability and Management	Efficient administration and good governance	Number of Asset Registers by 30 June 2022	Number	Quarterly updates on the asset register	0	3 Asset Register updated by 30 June 2022	Achieved	3 Asset register updated for the 2021/22 financial year	
TL51	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of Budgets and related policies reviewed and adopted by Council by 30 June 2022	Number	Council resolution	0	1 Approved budget and related policies by 30 June 2022	Achieved	Council resolution submitted	
TL52	Financial Viability and Management	Efficient administration and good governance	Number of Section 72 reports submitted to the PT, NT and the Mayor on or before the 25 <sup>th</sup> of January 2022	Number	Section 72 reports and proof of submission to PT, NT and the Mayor	0	1 Section 72 report submitted to the PT, NT and the Mayor on or before the 25 <sup>th</sup> of January 2022	Achieved	Report was submitted	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual Performance	Remarks
			for the 2021/22 financial year				of 2021/22 financial year			
TL53	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of Section 52d reports submitted to Council within 30 days after end of each quarter by 30 June 2022	Number	Section 52d reports and Council resolution	0	3 Section 52d reports submitted to Council within 30 days after end of each quarter by 30 June 2022	Not achieved	The responsible department submitted two (2) Section 52d reports and reported in the second and fourth quarters.	
TL 54	Financial Viability and Management	Efficient administration and good governance	Number of Section 66 reports submitted to Council per quarter by 30 June 2022	Number	Section 66 reports and Council resolution	0	12 Section 66 reports submitted to Council per quarter by 30 June 2022	Not achieved	The KPI was only achieved in the third quarter	
TL55	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of Section 71 reports submitted to the Mayor, PT and NT within 10 days after the end of the month by 30 June 2022	Number	Section 71 reports and proof of submission	0	12 Section 71 reports submitted to the Mayor, PT and NT within 10 days after the end of the month in the 2021/22 financial year	Achieved	All 12 reports were submitted in each quarter for the 2021/22 financial year	
TL56	Financial Viability and Management	Efficient administration and good governance	Number of GRAP compliant AFS submitted to the AGSA on or before 31 August 2021 by 30 June 2022	Number	AFS and proof of submission	0	1 GRAP compliant AFS submitted to the AGSA on or before 31 August 2021 for the 2020/21 financial year by 30 June 2022	Achieved	1 GRAP compliant AFS submitted in the first (1st) quarter	
TL57	Financial viability and management	To improve overall financial management in the municipality by developing and implementing	Number of SCM implementation reports submitted to the Mayor and PT by 30 June 2022	Number	SCM reports and proof of submission	0	4 SCM implementation reports submitted to the Mayor and PT by 30 June 2022	Not achieved	The responsible department submitted (3) SCM reports for the entire financial year.	

Ref	KPA	Strategic Objective	KPI	Unit of Measurement	Evidence	Baseline 2020-21	Annual Target	Actual Results	Actual Performance	R
		appropriate financial management policies, procedures and systems								
TL58	Financial viability and management	To improve overall financial management in the municipality by developing and implementing appropriate financial management policies, procedures and systems	Number of billing reports signed off by the CFO by 30 June 2022	Number	Billing reports	0	12 billing reports signed off by the CFO by 30 June 2022	Achieved	All 12 Billing reports were signed off for the 2021/22 financial year	



Table 23: Employees Water Service

Employees: Water Services					
Job Level	2019-20	2020-21			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
0 – 3	0	0	0	0	0%
4 – 6	11	20	11	9	45%
7 – 9	2	0	2	0	0%
10 – 12	0	0	0	0	0%
<b>Total</b>	<b>13</b>	<b>20</b>	<b>13</b>	<b>2</b>	<b>40%</b>

Table 24: Financial Performance Water Service

Financial Performance : Water Services					
Details	2020-21	2021-2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	10055	25 532 000	25 532 000	11 520 807	14 011 193
Expenditure:					
Employees	3917	439 144	439 144	0	439 144
Repairs and Maintenance	0	1 900 000	2 420 000	1 403 270	1 016 730
Other	691	1 150 000	1 530 000	3 042 631	-1 512 631
<b>Total Operational Expenditure</b>	4608	3 489 144	4 389 144	4 445 901	-56 757
Net Operational Expenditure	-5447	22 042 856	21 142 856	12 220 850	8 922 006

Table 25: Capital Expenditure Water Service

Capital Expenditure 2021-22 Water Services					
R' 000					
Capital Projects	2021-22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All				0	
Upgrading of Jacobsdal Water Treatment Works	R 20 000 000	R 20 000 000	R 5 568 295		R 64 039 917.29
Koffiefontein Bulk Water and Reservoir	R 48 145 473.00		R 2 486 478		R 48 145 473.00

Refurbish & Equipping of Boreholes And Connect Into the Existing Water Supply Scheme in Petrusburg	R 13 800 000.00	0	2 615 639		R 13 800 000.00
Koffiefontein/Ditlhake/Diamanthoogte: Installation of 340 new domestic water meters and refurbishment of 432 domestic water meters (MIS:321576)	R 3,821,560.14	0			R 3,821,560.14
Jacobsdal/Ratanang: Installation of 232 new domestic water meters, bulk water meters, 296 refurbishment of domestic meters (MIS:321605)	R 2,473,334.36	0	R 125,226.88		R 2,473,334.36
Luckhoff/Relebohile: Installation of 308 new domestic water meters and refurbishment of 46 domestic water meters (MIS:321628)	R 1,989,624.45	0	R 125,462.44		R 1,989,624.45
Petrusburg/Bolokanang: Installation of 231 domestic water meters and refurbishment of 134 domestic water meters (MIS:321618)	R 1,491,661.57	0	R 86,865.58		R 1,491,661.57
Petrusburg/Bolokanang: Construction of new pipeline from Boreholes 14 & 15 to reservoir (MIS:325184)	R 6,329,554.00	0	R 848,163.15		R 6,329,554.00
<i>T 3.1.9</i>					

## COMMENT ON WATER SERVICES PERFORMANCE OVERALL:

The Department of Water & Sanitation has been the main source of funds for upgrading the WTW's, even though progress has been made by completing Jacobsdal WTW, it has not yet made an immediate impact to all communities, however, the following are Municipality Interventions: Construction of the 5Ml Reservoir in Oppermansgronde catered for additional Raw Water storage for Koffiefontein and Oppermansgronde. LLM currently completed refurbishment and equipping of 13 boreholes in Petrusburg to augment water supply and, this will act as additional water supply for Petrusburg.

All the future projects will be based on upgrading and looking for alternative surface water from other available sources. This will be a long-term solution since Petrusburg does not have any alternative water source except the ground water. The Department of Water and Sanitation is conducting a feasibility study for an alternative water source in Petrusburg.

## 6.3. WASTE WATER (SANITATION) PROVISION

### INTRODUCTION TO SANITATION PROVISION

LLM is a Water Service Authority (WSA) and a Water Service Provider, this means that LLM has a responsibility to authorise water & sanitation usage and also provide the services, it is the role of the Municipality to provide acceptable form of sanitation. Through programmes like Accelerated Community Infrastructure Programme (ACIP), Municipal Infrastructure Grant (MIG) and Water Service Infrastructure Grant (WSIG), LLM has been engaged in a number of projects upgrading and refurbishing the WWTW and the Sewer pump stations.

There are however prolonged challenges within the municipality that requires long term redress like the bucket toilets, VIP toilets, the vandalism & theft of pumps and cables in the pump stations. This problem persisted for more than 5 years without a proper redress, the LLM always replaced and fixed the stolen and damaged goods out of its own funds. In some cases, there would be spillages in to the river for months because of the above said challenge. The Koffiefontein and Jacobsdal WWTW has not been fully operational due to lack of maintenance and the stolen cables, pumps & motors. A project for refurbishment was registered with ACIP and it was able to get the plant to 90% operational.

One of the major challenges as outlined in the Sewer Master Plan is the location of the plant. It is indicated that the plant requires 80% of the sewer to be pumped upstream where the current plant is. A new conventional plant should be located at an area lower than the existing and the future planned settlements, which will eliminate all the current pump stations from the system.

Table 26: Sanitation Service Delivery

*Households				
Description			2020-21	2021/22
			Outcome No.	Actual No.
<b><u>Sanitation/sewerage: (above minimum level)</u></b>				
Flush toilet (connected to sewerage)			8 021	8 021
Flush toilet (with septic tank)			250	250
Chemical toilet			0	0
Pit toilet (ventilated)			354	354
Other toilet provisions (above min. service level)				
<i>Minimum Service Level and Above sub-total</i>			8 625	8 625
<i>Minimum Service Level and Above Percentage</i>			90.6%	90.6%
<b><u>Sanitation/sewerage: (below minimum level)</u></b>				
Bucket toilet			452	452
Other toilet provisions (below min. service level)			443	443
No toilet provisions				
<i>Below Minimum Service Level sub-total</i>			895	895
<i>Below Minimum Service Level Percentage</i>			9.4%	9.4%
<b>Total households</b>			<b>9 520</b>	<b>9 520</b>
<b>*Total number of households including informal settlements</b>				<b>T 3.2.3</b>

Table 27: Sanitation Service Delivery Levels below the minimum

Description			Households	
			2020-21 Actual No.	2021-22 Actual No.
<b>Formal Settlements</b>				
Total households			8 625	8 625

Households below minimum service level			202	202
Proportion of households below minimum service level			2%	2%
<b>Informal Settlements</b>				
Total households			480	480
Households below minimum service level			480	480
Proportion of households below minimum service level			100%	100%
<i>T 3.2.4</i>				

Table 28: Employees: Sanitation Service

Employees: Sanitation Services					
Job Level	2020-21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0%
4 – 6	1	1	1	0	0%
7 – 9	0	0	0	0	0%
10 - 12	16	16	16	0	0%
Total	17	17	17	0	0%
<i>T 3.2.7</i>					

Table 29: Financial Performance 2021/22: Sanitation Service

Financial Performance : Sanitation Services					
R'000					
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	9180				
Expenditure:					
Employees	0	8 293 329	8 293 329	9 465 173	-1 171 844
Repairs and Maintenance	0	920 000	620 000	471 606	148 394
Other	155	25 000	56 000	1 19 503	-63 503
Total Operational Expenditure	155	9 238 329	8 969 329	10 056 282	-1 086 953
Net Operational Expenditure	155	9 238 329	8 969 329	10 056 282	-1 086 953
<i>T 3.2.8</i>					

Table 30: Capital Expenditure 2021/22: Sanitation Service

Capital Expenditure 2021/22: Sanitation Services
R' 000

Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Petrusburg: Refurbishment of waste water treatment works (MIS:325185)	R 8,111,686.00	0	R 5,052,866.56	R 2,332,091.18	R 8,111,686.00
					<i>T 3.2.9</i>

#### 6.3.1 COMMENT ON SANITATION SERVICES PERFORMANCE OVERALL:

LLM has not been compliant with the required legislative Water Acts for various reasons, including continuous spillages into the river, non-compliant final effluent from plants and many other areas. Ensuring Security availability at all the WWTW will guarantee continued reliable sanitation to the LLM constituencies and ensure compliance with the required laws and acts. The municipality has refurbished four sewer pump stations in Koffiefontein, and the pump stations are monitored and maintained by the water and sanitation teams. The Koffiefontein and Jacobsdal WWTW are the only WWTW that are discharging effluent into the river. The Luckhoff, Oppermansgronde and Petrusburg WWTW consists of oxidation ponds system, which do not discharge effluent. These pond systems, sewage is processed in shallow earth dams and go through the biological process of treating domestic wastewater and some industrial effluents, guided by the general authorization limits from the Department of Water and Sanitation and By-Laws.

Inadequate operation and maintenance budget also impact the poor service experience, resulting in pump stations not having attendants at all times, shortage of process controllers at WWTW. If this aspect can be addressed or prioritized, the municipality can experience a positive change in attitude by the consumers regarding revenue collection and other positive outcomes. LLM is implementing the refurbishment of Petrusburg WWTW through funding from MIG, which will improve the infrastructure and the overall Green Drop status. LLM's Green Drop Score is currently 33% according to the Green Drop Assessment conducted in 2021 due to the aforementioned challenges.

## 6.4 ELECTRICITY

### INTRODUCTION TO ELECTRICITY

LLM is licenced for electrical distribution and shares the supply of electricity with Eskom within the municipality; there is about 50% for LLM and 50% for Eskom; LLM has secured and improved the technical capacity. LLM has strategic documents like the Electrical Master Plan, Operations and Maintenance plan that should be submitted to Council for approval and endorsement.

One most significant challenge in the LLM supply area is the ageing and dilapidated infrastructure, requiring maintenance on a regular basis. LLM through the funding from the Department of Mineral Resources and Energy upgraded and refurbished the main switching station and bulk feeder lines. LLM has completed the project and is fully operational. DMRE also made funds available for LLM for electrification of households in Jacobsdal and Koffiefontein. Even though LLM is struggling with ageing and unreliable infrastructure, it always makes sure that

there is electricity available at all times. Some shutdowns were experienced during this year. However, they were attended to immediately. LLM is determined to supply safe, reliable and quality power supply to the communities.

Challenges are experienced with meters tampered with; however, the municipality has embarked on a systematic field assessment looking for irregular connections, damaged consumption meters and unmetered consumers. The shortage of vehicles (Electrically equipped) is also a challenge in this regard. The frequent theft and vandalism of equipment and cables also negatively impacted the financial and operational effectiveness of the section because materials and equipment stolen must be replaced as soon as possible.

Besides, the network's damage extends much further than only the piece of cable or equipment that was damaged and, in some cases, requires specialised repairs or specific material. Vandalism and cable theft also pose a danger to the community and the culprits stealing the equipment due to exposed live conductor and consequent dangerous situations.

The constraints mentioned above all negatively impacted service delivery due to an additional workload. Unproductive standing time, the long waiting period for spares and equipment, limited preventative maintenance, and unnecessary and avoidable damage to the infrastructure.

Table 31: Electricity Service Delivery Levels

Electricity Service Delivery Levels					Households
Description				2020/21 Actual No.	2021/22 Actual No.
<b>Energy: (above minimum level)</b>					
Electricity (at least min.service level)				8369	8669
Electricity - prepaid (min.service level)					
<i>Minimum Service Level and Above sub-total</i>				8369	8669
<i>Minimum Service Level and Above Percentage</i>				100.0%	100.0%
<b>Energy: (below minimum level)</b>					
Electricity (< min.service level)				–	
Electricity - prepaid (< min. service level)					
Other energy sources					
<i>Below Minimum Service Level sub-total</i>				–	
<i>Below Minimum Service Level Percentage</i>				0.0%	0.0%
<b>Total number of households</b>				8369	8669
					<i>T 3.3.3</i>

Table 32: Households - Electricity Service Delivery Levels below the minimum

Households - Electricity Service Delivery Levels below the minimum				
Description			2020/21	Households
			Actual	2021/22
			No.	Actual
<b>Formal Settlements</b>				
Total households			8369	8669
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0%

<b>Informal Settlements</b>				
Total households			0	52
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0
				<i>T 3.3.4</i>

Table 33: Employees: Electricity Services

<b>Employees: Electricity Services</b>					
<b>Job Level</b>	<b>2020/21</b>	<b>2021/22</b>			
	<b>Employees</b>	<b>Posts</b>	<b>Employees</b>	<b>Vacancies (fulltime equivalents)</b>	<b>Vacancies (as a % of total posts)</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>%</b>
0 - 3	5	6	5	1	16.67%
4 - 6	0	0	0	0	0%
7 - 9	3	3	3	0	0%
10 - 12	0	0	0	0	0%
Total	8	9	8	1	11.11%
					<i>T 3.3.6</i>

Table 34: Financial Performance: Electricity Services

<b>Details</b>	<b>2020/21</b>	<b>2021/22</b>			
	<b>Actual</b>	<b>Original Budget</b>	<b>Adjustment Budget</b>	<b>Actual</b>	<b>Variance to Budget</b>
<b>Total Operational Revenue</b>	1391	5 882 000	5 882 000	5 882 000	0
Expenditure:					
Employees	2319	5 645 224	5 645 224	4 866 025	779 199
Repairs and Maintenance	0	880 000	700 000	258 084	441 916
Other	2318	400 000	300 000	1 499 659	-1 199 659
<b>Total Operational Expenditure</b>	4637	6 925 224	6 645 224	6 623 768	21 456
<b>Net Operational Expenditure</b>	-3246	-1 043 224	-763 224	-741 768	21 456

Table 35: Capital Expenditure: Electricity Services

<b>Capital Expenditure 2021/22</b>					
<b>R' 000</b>					
<b>Capital Projects</b>	<b>2021/22</b>				
	<b>Budget</b>	<b>Adjustment Budget</b>	<b>Actual Expenditure</b>	<b>Variance from original budget</b>	<b>Total Project Value</b>
Total All					
Project A: Electrification of 148 Households Point/Jacobsdal P2	R 3 298 000.00	R 2 516 000.00	R 2 516 000.00	R782 000.00	R2 516 000.00
Project B: Electrification of 152 Households Connections in Ratanang/Jacobsdal P1	R2 584 000.00	-	R2 584 000.00	R0	R2 584 000.00
					<i>T 3.3.8</i>

### 6.4.1 COMMENT ON ELECTRICITY SERVICES PERFORMANCE OVERALL

LLM has successfully completed the Upgrading of Koffiefontein Substation and bulk feeder lines project, Electrification of 346 households' connections was completed throughout Letsemeng Vicinity. Letsemeng has improved reliability, safety and quality of power supply, thus enhancing social economic activities. Long term plans will be included in the next IDP for the implementation of these projects. LLM has prioritized the following projects to address backlogs and infrastructure challenges for the current financial year 2022/23:

- ❖ Electrification of 1000 sites in Bolokanang Extension 7/Petrusburg
- ❖ Retrofitting of Public lighting throughout Letsemeng Municipality to reduce power consumption
- ❖ Enhance power supply and increase capacity
- ❖ Replacement of existing meters with split meters revenue enhancement and reduction of of technical and commercial losses

## 6.5 WASTE MANAGEMENT

### INTRODUCTION TO WASTE MANAGEMENT

Waste Management is a core function of local government and a basic service delivered by Letsemeng Municipality. It is also a major generator of revenue for the municipality and therefor the Municipality has to put mechanisms in place to deliver this service on a sustainable basis in the most cost-effective way. Section 11.4 of the Waste Act (59 of 2008) requires local municipalities to Develop Integrated Waste Management Plans. The IWMP of Letsemeng Municipality was adopted in 2015 and serves as an effective institutional framework for the following purpose:

- Pollution and waste minimization;
- Impact management and remediation;
- Holistic and integrated planning with the intention to develop mechanisms to ensure that integrated pollution and waste management considerations are integrated into the development of government policies, strategies and programmes; and

Table 36: Solid Waste Service Delivery Levels

Solid Waste Service Delivery Levels				
Description			2020/21	Households
			Actual No.	2021/22 Actual No.
<b><i>Solid Waste Removal: (Minimum level)</i></b>				
Removed at least once a week			8369	8369
<i>Minimum Service Level and Above sub-total</i>			8369	
<i>Minimum Service Level and Above percentage</i>			100.0%	100%
<b><i>Solid Waste Removal: (Below minimum level)</i></b>				
Removed less frequently than once a week			0	0
Using communal refuse dump			0	0
Using own refuse dump			0	0



Other rubbish disposal			0	0
No rubbish disposal			0	0
<i>Below Minimum Service Level sub-total</i>			0	0
<i>Below Minimum Service Level percentage</i>		0.0%	0.0%	0%
<b>Total number of households</b>		<b>9 319</b>	<b>8369</b>	<b>8369</b>
<i>T 3.4.2</i>				

Table 37: Households - Solid Waste Service Delivery Levels

Households - Solid Waste Service Delivery Levels below the minimum				
Description			2020/21	Households
			Actual No.	Actual No.
<b>Formal Settlements</b>				
Total households			8369	8369
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0%
<b>Informal Settlements</b>				
Total households			0	0
Households below minimum service level			0	0
Proportion of households below minimum service level			0%	0%
<i>T 3.4.3</i>				

Table 38: Employee: Waste Management Services

Employees: Waste Management Services					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
7 - 9	0				100%
10 - 12	6				%
13 - 15	5				0%
Total	11				15%
<i>T 3.4.5</i>					

Table 39: Employee: Waste Disposal and other services

Employees: Waste Management Services					
Job Level	2019/20	2020/21			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	0	1	0	1	100%
13 - 15	34	34	34	0	0%
Total	34	35	34	1	2.9%
<i>T 3.4.5</i>					

Table 40: Financial Performance 2021/22: Waste Management Services

Financial Performance 2020/21: Waste Management Services
--

R'000					
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	10175	0	0	0	0
Expenditure:					
Employees	370	0	0	0	0
Repairs and Maintenance	3376	0	0	0	0
Other	1321	20 000	40 000	22 110	17 890
Total Operational Expenditure	5067	20 000	40 000	22 110	17 890
Net Operational Expenditure	5108	20 000	40 000	22 110	17 890
T 3.4.7					

Table 41: Capital Expenditure – Solid Waste

Capital Expenditure 2021/22: Solid Waste					
R' 000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Project A: Luckhoff: Closure of existing solid waste site and construction of a new solid waste facility (MIS:285464)	R 6,022,665.00	0	R 345,172.39	R 5,677,492.61	R 6,022,665.00
Project B: Koffiefontein: Upgrading of existing solid waste disposal site (MIS:207907)	R 6,674,700.00	0	R 244,718.90	R 5,469,700.00	R 6,674,700.00
T 3.7.9					

## 6.6 HOUSING

### INTRODUCTION TO HOUSING

The biggest challenge is that the demand for housing grows annually out of proportion in correlation with the funding resources that are available. With budgetary constraints it is difficult to install bulk services and infrastructure for housing development and the construction of top structures.

Some of the other fundamental challenges that influence housing delivery in Letsemeng Municipality include:

- Inadequate funding allocations for human settlement development;
- Limited availability of suitable land;
- Inadequate capacity of existing bulk infrastructure;
- Lengthy environmental and other statutory approval processes; and
- Alignment of identified pipeline projects

**Allocated sites 2021/22 financial year**

<b>Town</b>	<b>Status</b>
<b>Ditlhake</b>	2 Crèches PTO letters issued
	70 Residential PTO letters issued
	3 Business PTO letters issued
	0 Church
	7 RDPs houses were planned for the first phase and 3 are pending completion due to constructors challenges
<b>Bolokanang</b>	1 crèche
	519 Residential PTO letters issued
	1 business PTO letter issued
	0 Church
	7 out of 24 RDPs houses built are outstanding for completion (due to Constructors challenges and beneficiary selling their sites)
<b>Ratanang</b>	0 Crèche
	347 Residential PTO letters issued
	6 out of the 32 RDPs houses built are outstanding for completion (due to Constructors challenges)
<b>Relebohile</b>	1 Crèche PTO letter issued
	0 Residential Erf
	0 Business erf

Oppermansgronde	0 crèche
	0 Residential Erf
	0 Church

Table 42: Households - Access to basic housing

Percentage of households with access to basic housing			
Year end	Total households (including formal and informal settlements)	Households informal settlements	Percentage of HHs in formal settlements
2021/22	11 807	6,27	2,59
T 3.5.2			

Table 43: Employees: Housing

Employees: Housing					
Job Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	100%
4 – 6	1	1	1	0	0%
7 – 9	1	1	1	0	0%
10 – 12	0	0	0	0	0%
Total	2	2	0	0	0%
T 3.5.4					

Table 44: Financial Performance: Housing

Financial Performance 2020/21: Housing					
R'000					
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	465	0	0	0	0
Expenditure:					
Employees	524	0	0	0	0
Repairs and Maintenance	0	300 000	200 000	0	200 000
Other	0				
<b>Total Operational Expenditure</b>	524	300 000	200 000	0	200 000
<b>Net Operational Expenditure</b>	465	300 000	200 000	0	200 000
T 3.5.5					

Table 45: Capital Expenditure: Housing

Capital Expenditure 2020/21: Housing	
R' 000	
Capital Projects	2020/21

	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No capital projects for the financial year.					

## 6.7 COMPONENT B: FREE BASIC SERVICES AND INDIGENT SUPPORT

### INTRODUCTION TO FREE BASIC SERVICES AND INDIGENT SUPPORT

Section 97(1)(c) of the Municipal Systems Act requires municipalities to formulate an Indigent Policy that is consistent with Council's rate and tariff policies and also meets the requirements of S152 of the Constitution. The policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt. Adequate provision has to be made in the budget for provision of bad debts based on assumptions on collection rates. The municipality has an indigent register for 2021/2022 financial year. The municipality provides indigent households with free 6kl of water per month, free sanitation and refuse removal per month, 50 units of electricity per indigent household per month and exemption on Property Rates for properties valued at R70 000.

The policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt. Adequate provision has to be made in the budget for provision of bad debts based on assumptions on collection rates. The municipality has an indigent register for 2021/2022 financial year. The municipality provides indigent households with free 6kl of water per month, free sanitation and refuse removal per month, 50 units of electricity per indigent household per month and exemption on Property Rates for properties valued at R70 000.

Table 46: Free Basic Services

Free Basic Services To Low Income Households										
	Number of households									
	Total	Households earning less than 3580 per month								
		Free Basic Water		Free Basic Sanitation		Free Basic Electricity		Free Basic Refuse		
		Total	Access	%	Access	%	Access	%	Access	%
2020/21	10 024	1 700	1 700	20%	1 700	20%	1 700	20%	1 700	20%
2021/22	11 293	2 439	2 439	22%	2 439	22%	1 537	14%	2 439	22%
T 3.6.3										

Table 47: Financial Performance: Free Basic Services

Financial Performance 2021/22: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2020/21	2021/22			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	5668	3 980 000	3 980 000	6 200 100	-5 802 100
Waste Water (Sanitation)	1854	2 000 000	2 000 000	2 200 100	-200 100
Electricity	1877	2 500 000	2 500 000	2 100 200	399 800
Waste Management (Solid Waste)	1821	4 000 000	4 000 000	2 100 000	1 900 000
Total	11220	12 480 000	12 480 000	12 600 400	-120 400
					T 3.6.4

### 6.7.1 COMMENT ON FREE BASIC SERVICES AND INDIGENT SUPPORT

The municipality allocates free basic water to all households including indigents households only in terms of the national norms.

The objective of Indigent Support is to ensure the following:

- The provision of basic services to the community in a sustainable manner, within the financial and administrative capacity of the Council;
- To provide procedures and guidelines for the subsidisation of rates and basic service charges to its indigent households, using the Council's budgetary provisions received from National Government, according to prescribed policy guidelines;
- That Council recognises that many of the residents can simply not afford the cost of full provision and for this reason Council will endeavour to ensure affordability through:
- To set rates and tariffs in terms of the Council's Rates and Tariff Policy, which will balance the economic viability of continued service delivery; and
- To determine appropriate service levels.

## 6.8 COMPONENT C: ROADS AND TRANSPORT

### INTRODUCTION TO ROADS

Letsemeng Local Municipality has about 189km of roads or streets in five (5) towns. The table below shows the length of the existing roads per Town. Out of the 58km paved roads, 70% of them are in a poor condition if not very poor. This is as a result of poor or no maintenance at all. The condition is deteriorating in a fast pace since the existing potholes and cracks are not being attended as soon as they surfaces.

TOWN	PAVED ROADS (KM'S)	GRAVEL ROADS (KM'S)
------	--------------------	---------------------

Jacobsdal	9.539	22.6
Luckhoff	3.536	20.6
Petrusburg	10.942	47,249
Oppermans	4.306	16.2
Koffiefontein	24.365	24.1
<b>TOTALS</b>	<b>52.688</b>	<b>130.7</b>
Koffiefontein	23.7	24.1

## 6.9 ROADS

Table 48: Gravel Road Infrastructure

Gravel Road Infrastructure				
	Total gravel roads	New gravel roads constructed	Gravel roads upgraded to pave	Kilometres Gravel roads graded/maintained
2021/22	130	0	1	0
T 3.7.2				

Table 49: Paved Road Infrastructure

Paved Road Infrastructure					
	Total paved roads	New paved roads	Existing paved roads re-paved	Existing pave roads re-sheeted	Kilometres Pave roads maintained
2021/22	54.8	2.2	0	0	0
T 3.7.3					

Table 50: Employees: Road Services

Employees: Road Services					
Job Level	2020/21	2021/22			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
10 - 12	0	1	0	1	100%
13 - 15	0	5	0	5	100%
Total	0	6	0	6	100%

Table 51: Financial Performance: Road Services

Financial Performance 2021/22: Road Services	R'000
--	-------

Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0
Expenditure:					
Employees	4105	8 348 729	8 349 729	8 121 460	228 269
Repairs and Maintenance	0	0	0	0	0
Other	0	69 287	0	0	0
<b>Total Operational Expenditure</b>	4105	8 418 016	8 349 729	8 121 460	228 269
<b>Net Operational Expenditure</b>	4105	8 418 016	8 349 729	8 121 460	228 269
<i>T 3.7.8</i>					

Table 52: Capital Expenditure: Road Services

Capital Expenditure 2021/22: Road Services					
R' 000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
Project A: Petrusburg/Bolokanang: Upgrading of 1.72km access paved road and storm water (MIS:412513)	11,845,267.94	0	1,547,022.82	10,298,245.12	11,845,267.94
<i>T 3.7.9</i>					

### 6.9.1 COMMENT ON THE PERFORMANCE OF ROADS OVERALL

LLM does not have any dedicated roads maintenance teams in place, a new organogram clearly indicates that there must be a maintenance team, no additional employees were appointed to address this matter. LLM has little road maintenance equipment available, this will assist the new team to **Start and Go**; the only obstacle will be their Vehicle, PPE and minor tools.

## 6.10 TRANSPORT

The municipality does not perform this function.

## 6.11 COMPONENT D: WASTE WATER (STORMWATER DRAINAGE)



## INTRODUCTION TO STORMWATER DRAINAGE

The storm water of LLM is also one of the infrastructure that is neglected. This is due to the unavailability of staff, the above team mentioned in Roads section will also be tasked with maintaining the storm water drainage and unblocking them. Currently most of the storm water V-drains and canals are filled with debris if not blocked, this is a challenge during heavy rains because people housed get flooded where as they are not supposed to.

LLM is faced with a paramount challenge of controlling storm water in the entire municipality, areas like Petrusburg, Jacobsdal and Koffiefontein get flooded by occasional floods which affects the streets in Bolokanang. There is also historical records of floods in these areas, and the matter has been neglected for years. A Storm Water Wasterplan, O&M manuals and plans are the highest priority in this case. As LLM is likely a flat area, a full study must be made to control this storm water, all the aforesaid flags require budget which can be able to address them one at a time for a period of 5 years.

Table 53: Storm water Infrastructure

Storm water Infrastructure				
	Total Storm water measures	New storm water measures	Storm water measures upgraded	Kilometres Storm water measures maintained
2021/22	0			
				T 3,9,2

Table 54: Employees: Storm water Services

Employees: Road Services					
Job Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
10 - 12	7	7	7	0	0%
13 - 15	3	6	3	3	50%
Total	10	13	10	3	23%
					T3,7,7

Table 55: Financial Performance: Storm water Services

Financial Performance 2021/22: Storm water Services					
R'000					
Details	2021/22				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	Included in roads table above				
Expenditure:					
Employees					

Repairs and Maintenance					
Other					
<b>Total Operational Expenditure</b>					
<b>Net Operational Expenditure</b>					
<i>T 3.9.7</i>					

#### 6.11.1 COMMENT ON PERFORMANCE OF STORMWATER DRAINAGE OVERALL

LLM currently does not have any sector plans for Storm water, it is however part of the procurement plan to appoint service providers to develop a Master plan for the entire municipality. The priorities of Storm water projects are as the list below:

- ❖ Petrusburg Bolokanang – the entire Bolokanang require an urgent attention with regards to storm water flooding from the N8 National Road to the Bolokanang area, the road is collecting water from downstream ( Bloemfontein), acting as a barrier, it channels water to the Bolokanang houses and streets.
- ❖ Jacobsdal – Occasional floods has been recorded, this Storm water does not have any channelling, internal streets get flooded as and when it rains heavy.
- ❖ Koffiefontein – no proper Storm water channels, the elevation of Koffiefontein is close to a flat surface, some of the houses in Khayelitsha get flooded as and when it heavily rains.

### 6.12 COMPONENT E: PLANNING AND DEVELOPMENT

#### INTRODUCTION TO PLANNING AND DEVELOPMENT

This component includes planning and local economic development.

### 6.13 PLANNING

#### INTRODUCTION TO PLANNING

Table 56: Applications for Land Use Development

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
Planning application received	0	0	2	0	15	0
Determination made in year of receipt	0	0	0	2	0	15
Determination made in following year	0	0	0	0	0	0
Applications withdrawn	0	0	0	0	0	0
Applications outstanding at year end	0	0	0	0	0	0
<i>T 3.10.2</i>						

Table 57: Employees: Urban Planning & Property Management

Employees: Urban Planning & Property Management		
Job Level	2019/20	2020/21

	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
10 - 12	0	0	0	0	0
13 - 15	0	0	0	0	0
Total	0	0	0	0	0
<i>T 3.10.4</i>					

Table 58: Financial Performance: Urban Planning & Property Management

Financial Performance 2020/21: Urban Planning & Property Management					
					R'000
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0
Expenditure:					
Employees	204	2 008 769	2 008 769	1 935 407	73 362
Repairs and Maintenance	0	0	0		0
Other	0	0	0	3 675	-3675
<b>Total Operational Expenditure</b>	204	2 008 769	2 008 769	1 939 082	69 687
<b>Net Operational Expenditure</b>	204	2 008 769	2 008 769	1 939 082	69 687
<i>T 3.10.5</i>					

Table 59: Capital Expenditure 2020/21: Urban Planning & Property Management

Capital Expenditure 2021/22 Urban Planning					
					R' 000
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No projects for the financial year					

## 6.14 LOCAL ECONOMIC DEVELOPMENT

### INTRODUCTION TO ECONOMIC DEVELOPMENT

The growth of our local economy remains key priority to unlocking the employment opportunities for our people, thereby fighting head-on the socio-economic challenges facing our communities. The municipality is duty bound to create an environment that promotes the development of the local economy and create jobs.

In this regard, the municipality continue to strive to maximise our natural resources with the aim of attracting investors to unlock employment opportunities for our community and thereby helping to tackle the socio-economic challenges faced by our communities.

The municipality remain positive and hopeful that due to our stable political environment and our rich natural resources we will attract positive investment which will benefit our community in the long term.

The development of local SMME's also remains our responsibility to ensure that they are developed and assisted to grow into self-sustainable businesses that will continue to invest and contribute to the local economic growth.

Expanded Public Works Programme and Community Works Programme have contributed positively in keeping our towns clean and also created jobs.

#### 6.14.1 COMMENT ON LOCAL JOB OPPORTUNITIES:

Creation of long-term sustainable jobs remains a key challenge, majority of jobs created are short term and only in the main alleviate key challenges such as unemployment for a short period. There is a much broader need to identify and source funding for bigger projects with the aim of creating long term sustainable employment opportunities for our people.

The majority of our youth are unemployed due to shortage of skills in order to qualify for some of the identified opportunities that end up being sourced elsewhere. To curb this, the municipality has partnered with the key local stakeholders such as Motheo and Petra Mine to ensure that some of the youth are given opportunities to be skilled in order to access better employment opportunities as they become available.

Table 60: Jobs Created during 2021/22 by LED Initiatives

Jobs Created during 2021/22 by 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.	
Total (all initiatives)				
Top initiatives				
Contractor Development through subcontracting In projects implemented	Planned Job creation -30	0	20	MIG non-financial report.

Table 61: Jobs Created through EPWP projects

Job creation through EPWP* projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2020/21	3 Projects: Infrastructure Sector-50(Roads) Environmental Sector-50(Cleaning) Social Sector-10(Securities)	110
2021/22	3 Projects:	Target set for FY21/22 – 196
	Infrastructure Sector-91(Roads)	33

	Environmental Sector-95(Cleaning)	31
	Social Sector-10(Securities)	10
* - Extended Public Works Programme		

Table 62: Employees: LED Services

Employees: Local Economic Development Services					
Job Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
4 - 6	1	1	1	0	0%
Total	1	1	1	0	0%
T 3.11.8					

Table 63: Financial Performance 2021/22: LED Services

Financial Performance 2021/22: Local Economic Development Services					
R'000					
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	0
Expenditure:					
Employees	336	1 436 906	1 436 906	69 304	1 367 602
Repairs and Maintenance	808	550 000	15 000	0	15 000
Other	56	208 800	511 500	94 655	416 845
Total Operational Expenditure	1200	2 195 706	1 963 406	16 396	1 947 010
Net Operational Expenditure	1200	2 195 706	1 963 406	16 396	1 947 010

Table 64: Capital Expenditure 21/22 LED Services

Capital Expenditure 2021/21 Economic Development Services					
R' 000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No capital projects					
T 3.11.10					

#### **6.14.2 COMMENT ON LOCAL ECONOMIC DEVELOPMENT PERFORMANCE OVERALL:**

The ever increasing poverty and unemployment rate in all our 5 towns remains a huge impediment to the growth of the local economy. The municipality is still seized with the difficult task of making the environment to be conducive for local development that will result in job creation and poverty eradication.

As a municipality we remain committed to assisting our local SMMEs, formal and informal businesses to can conduct their business in a way that is sustainable and efficient for the local economy to can grow.

For the year under review, the LED unit has implemented the following successfully:

- The municipality applied for and managed to get funding assistance of equipment and tools to the value of just over R350 000.00 from the Department of Small Business Development which managed to benefit 37 informal traders in our municipality. This equipment was handed over on the 31 January 2022.
- Coordinated the Empowerment of Women Owned Businesses in Public Procurement session that was held in May 2022 in Koffiefontein which saw over 100 women entrepreneurs across all 5 of towns participating in the event. This was done in partnership with the Presidency, Free State Premiers Office, National Treasury, DTIC, SARS, BBBEE Commission, SABS, SEDA, SEFA, DWYPD, UN Women SA, DARLD, Absa Group, NEF, IDC, Old Mutual Masisizane Fund, Standard Bank and other stakeholders.
- A compliance workshop for Small businesses was held in Oppermansgronde in May 2022 facilitated by the DESTEA.
- Technical Skills workshops for those in the Automotive Industry and including the Salon Owners.
- The municipality was able to launch and introduce Letsemeng Pop up Market in June 2022 which is aimed at encouraging and promoting the products of local SMMEs, this was done in collaboration of government department and private external stakeholders. The municipality aims to roll out this Pop up Markets across all our 5 towns.
- The unit also forms part of multi-disciplinary intergovernmental team that conducts quarterly raids on businesses operating in our towns to ensure compliance with applicable by laws and other relevant legislation of our country.
- The office still assists with registration of companies, assistance with legal compliance requirements.

As the municipality was having financial constraints to can fund some of our activities, we leveraged on our good partnerships with various stakeholders including other government departments and agencies as well as the private sector particularly Petra Diamonds Mine who came on board and ensured that some of our activities could take place without any hindrance.

The municipality is in the process of finalising the key policies which will assist with the direction the municipality should take in tackling the economic development challenges. These policies are;

- Commonage Management Policy

- Business Licence Policy

These policies are expected to be finalised during the coming financial year.

## **6.15 COMPONENT F: COMMUNITY & SOCIAL SERVICES**

This component includes: libraries and archives; museums arts and galleries; community halls; cemeteries and crematoria; child care; aged care; social programmes, theatres.

### **INTRODUCTION TO COMMUNITY AND SOCIAL SERVICES**

The libraries function has been transferred to the Provincial Government.

## **6.16 LIBRARIES, ARTS AND CULTURE**

### **INTRODUCTION TO CIVIC THEATRE, ARTS AND CULTURE**

The municipality does not perform this function.

## **6.17 PARKS AND CEMETERIES**

### **INTRODUCTION TO PARKS AND CEMETERIES**

#### **OVERVIEW**

It is the responsibility of the Community services division to provide a healthy and a conducive environment to the public, to upgrade the current developed parks and to develop new parks for informal recreation. It is of paramount importance to maintain cemeteries and to provide graves for funerals.

#### **CORE AREAS OF RESPONSIBILITY**

- Public Parks and open spaces
- Cemeteries

#### **LOCAL JOB OPPORTUNITIES**

The municipality is making use of EPWP and CWP employees for the cleaning of the cemeteries.

Table 65: Employees: Parks and Cemeteries

Employees: Parks and Cemeteries		
Job Level	2020/21	2021/22

	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	0%
Total	0	0	0	0	0
<i>T 3.13.4</i>					

Table 66: Financial Performance: Parks and Cemeteries

Financial Performance 2021/22: Parks and Cemeteries					
R'000					
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	0	0	0	0	
Expenditure:					
Employees	0	0	0	0	
Repairs and Maintenance	0	500 000	500 000	0	500 000
Other	192	0	0	12 500	-12 500
Total Operational Expenditure	192	500 000	500 000	12 500	487 500
Net Operational Expenditure	192	500 000	500 000	12 500	487 500
<i>T 3.13.5</i>					

Table 67: Capital Expenditure: Parks and Cemeteries

Capital Expenditure 2021/22: Parks and Cemeteries					
R' 000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
No capital project for the Financial year					
<i>T 3.13.6</i>					

## 6.18 SPECIAL PROGRAMMES

### INTRODUCTION TO SPECIAL PROGRAMMES

Special programmes are located in the Office of the Mayor and include the youth, women, disabled, aged, children and HIV/AIDS. The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

### COMMENT ON THE PERFORMANCE OF SPECIAL PROGRAMMES OVERALL



The majority of the programmes and projects are implemented in partnership with other government departments, NGOs, CBO's and other external stakeholders.

## **6.19 COMPONENT G: ENVIRONMENTAL PROTECTION**

### **INTRODUCTION TO ENVIRONMENTAL PROTECTION**

Top priority of the municipality is to formulate policies and procedures aimed at conserving the natural resources, preserving the current state of natural environment and where possible, reversing its degradation.

### **SERVICE STATISTICS FOR ENVIRONMENTAL PROTECTION**

Environmental master plan to be designed with the assistance of the Department of Economic, Small Business Development, Tourism and Environmental Affairs.

## **6.20 OTHER (DISASTER MANAGEMENT & OTHER)**

### **INTRODUCTION TO DISASTER MANAGEMENT**

As per Section 53 (1) of the Disaster Management Act, 57 of 2005 each municipality must:

- prepare a disaster management plan for its area according to the circumstances prevailing in the area;
- co-ordinate and align the implementation of its plan with those of other organs of state and institutional role-players; and
- regularly review and update its plan; and through appropriate mechanisms, processes and procedures established in terms of Chapter 4 of the Local Government Systems Act, 2000 (Act No. 32 of 2000), consult the local community on the preparation or amendment of its plan.

Letsemeng Municipality has mostly partnered with the Xhariep District Municipality to develop a disaster management plan for its area of jurisdiction since. Disaster management function is not functional due lack of equipment. LLM has developed a Disaster Management Plan locally and it was approved by Council for the year under review.

## **6.21 SPORT AND RECREATION**

### **INTRODUCTION TO SPORT AND RECREATION**

The Municipality's core function is to maintain all sport and recreation facilities within its jurisdiction. The municipality also supports sports programmes such as the O.R Tambo regional games by assisting with transport through the office of Mayor.

Table 68: Employees: Sport and Recreation

<b>Employees: Sport and Recreation</b>
--

Job Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	0	0	0	0	
Total	0	0	0	0	
T 3.23.3					

Table 69: Financial Performance: Sport and Recreation

Financial Performance 2021/22: Sport and Recreation R'00/0					
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	0
Expenditure:					
Employees	0	0	0	0	0
Repairs and Maintenance	0	0	0	0	0
Other	0	0	0	0	0
<b>Total Operational Expenditure</b>	0	0	0	0	0
<b>Net Operational Expenditure</b>	0	0	0	0	0

Table 70: Capital Expenditure: Sport and Recreation

Capital Expenditure 2021/22: Sport and Recreation R' 000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All					
No project for sports and recreation	0	0	0	0%	0
T 3.23.5					

## 7. CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE (PERFORMANCE REPORT PART II)

### 7.1. INTRODUCTION TO THE OFFICE OF THE MUNICIPAL MANAGER

The Municipal Manager is the Accounting Officer of the Municipality. As Accounting Officer he/she may delegate certain duties to the Chief Financial Officer, who will be accountable to him. The Municipal Manager is therefore accountable for all transactions entered into by his designates.

The Office of the Municipal Manager consists of the following administrative units:

- Internal Audit and Risk Management
- Integrated Development Planning and Performance Management
- ICT

The Municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The top three service delivery priorities are as follows:

- Provision of new infrastructure in terms of planning and implementation.
- Operating, maintenance and refurbishment/rehabilitation of existing infrastructure.
- Provision of basic services such as water, electricity and roads

#### SERVICE STATISTICS FOR THE OFFICE OF THE MUNICIPAL MANAGER

Table 71: Service Statistics: Office of the Municipal Manager

Service Activity	Service Results
Number of senior management meetings held:	8
Number of management meetings held:	5
Number of quarterly stakeholder meetings convened:	0

Table 72: Employees: Office of the Municipal Manager

Employees: Executive and Council					
Job Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	0	0	0	0	0%
4 – 6	0	1	0	1	100%
7 – 9	3	4	3	1	25%
10 - 12	2	2	2	0	0%
13-15	0	0	0	0	
Total	5	7	5	2	
					T 3.24.4

Table 73: Financial performance: Office of the MM

Financial Performance 2021/22: Office of the MM					R'000
Details	2020/21	2021/2022			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>	0	0	0	0	
Expenditure:					
Employees	2648	5 529 601	5 529 601	4 161 314	1 368 287
Repairs and Maintenance	0	1 098 000	1 118 000	2 562 115	-1 444 115
Other	10520	2 206 000	5 120 500	5 106 667	13 833
<b>Total Operational Expenditure</b>	<b>13168</b>	<b>8 833 601</b>	<b>11 768 101</b>	<b>11 830 096</b>	<b>-61 995</b>
<b>Net Operational Expenditure</b>	<b>13168</b>	<b>8 833 601</b>	<b>11 768 101</b>	<b>11 830 096</b>	<b>-61 995</b>
					<i>T 3,24,5</i>

## 7.2 FINANCIAL SERVICES

### INTRODUCTION TO FINANCIAL SERVICES

Debt recovery has been a serious concern over the past years. The municipality struggles to collect 100% of what is billed on monthly basis. The arrears are not really serviced. Write-offs have been implemented on irrecoverable inactive accounts older than 3 years and cut offs were not performed regularly due to COVID. The municipality has put its focus on debt collection supporting Revenue Division under those circumstances.

There is a challenge of low revenue collection due to non-payment of accounts. . Cut-off processes are performed on regular basis to address revenue losses from electricity, water services and other services. Faulty meters both water and electrical are being replaced as much as the supply of manpower allows to improve the collection rate.

Table 74: Capital Expenditure: Office of the MM

Capital Expenditure 2021/22: Office of the MM					R' 000
Capital Projects	2021/2022				Total Project Value
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	
Total All	0	0	0	0%	
No capital expenditure for the financial year					

Table 75: Employees: Financial Services

Employees: Financial Services					
Job Level	2020/21	2021/22			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 – 3	15	19	15	4	21.05%
4 – 6	16	24	16	8	33.33%
7 – 9	4	6	4	2	33.33%
10 - 12	3	3	3	3	0%
13 - 15	0	0	0	0	0
Total	38	52	38	17	27%
					T 3.25.4

Table 76: Financial Performance: Financial Services

Financial Performance 2021/22: Financial Services					
R'000					
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	82673	73 159 015	73 159 015	73 159 015	0
Expenditure:					
Employees	6600	2 060 191	2 060 191	8 942 841	-6 882 650
Repairs and Maintenance	0	3 700 000	4 800 000	3 927 553	872 447
Other	12929	1 615 000	2 010 000	45 882 235	-43 872 235
Total Operational Expenditure	19529	7 375 191	8 870 191	58 752 629	-49 882 438
Net Operational Expenditure	63144	65 783 824	64 288 824	14 406 386	78 695 210
					T 3.25.5

Table 77: Capital expenditure: Financial Services

Capital Expenditure 2021/22: Financial Services					
R' 000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No capital expenditure for the financial year					

## 7.3 HUMAN RESOURCE SERVICES

### INTRODUCTION TO HUMAN RESOURCE SERVICES

Human Resources is one of the supporting function in Corporate Services Department, its main functions are as follows: Leave Administration, Recruitment, Benefits and Terminations.

**Priority: Institutional Performance Capacity and staff provision**

To improve performance the Council approved Performance Management Policy and the Institutional Performance Management Framework that will provide guidance in measuring, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

### SERVICE STATISTICS FOR HUMAN RESOURCE SERVICES

The Municipality is currently standing with a total staff component of 217 employees as at end June 2022. The Municipality filled a total number of 50 positions, during the financial year 2021/22. A total of 7 terminations were recorded due to different types of terminations e.g. Death, retirement, ill health and resignations.

A total number of 3 training interventions were implemented with 33 employees being trained and 7 unemployed youth..

Table 78: Employees: Human Resource Services

Employees: Human Resource Services					
Job Level	2020/21	2021/22			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 – 3	8	10	8	2	20%
4 – 6	8	9	8	1	11.11%
7 – 9	1	5	1	4	80%
10 - 12	2	2	2	0	0%
Total	19	26	19	7	111.11%
					T3.26.4

Table 79: Financial Performance: Human Resource Services

Financial Performance 2021/22: Human Resource Services					
R'000					
Details	2020/21	2021/22			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
<b>Total Operational Revenue</b>					
Expenditure:	0				
0	4928	6 453 478	6 453 478	6 203 031	250 447
Repairs and Maintenance	33	0	0	1 049 773	1 049 773
Other	2108	0	0	0	0
<b>Total Operational Expenditure</b>	7069	6 453 478	6 453 478	7 252 804	-799 326
<b>Net Operational Expenditure</b>	7069	6 453 478	6 453 478	5 153 258	1 300 220
<i>T 3,26,5</i>					

Table 80: Capital Expenditure: Human Resource Services

Capital Expenditure 2021/22: Human Resource Services					
R' 000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0%	
No projects for the financial year					

## 7.4 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

This component includes: Information and Communication Technology (ICT) services.

### INTRODUCTION TO INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

Our 3 primary objectives in ICT are:

- To minimize IT downtime;
- To ensure that our financial system data is backed-up on a regular basis; and
- To ensure all IT queries are addressed within 48 hours depending on the nature of the query and availability of resources .

Table 81: Employees: ICT Services

Employees: ICT Services					
Job Level	2020/21	2021/22			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	0	0	0	0	0%
7 - 9	1	2	1	1	50%
Total	1	2	1	1	50%
					<i>T3.27.4</i>

Table 82: Capital Expenditure: ICT Services

Capital Expenditure 2021/22: ICT Services R' 000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	0
No capital project for this year					

## 7.5 LEGAL AND COUNCIL SUPPORT SERVICES

### INTRODUCTION TO LEGAL AND COUNCIL SUPPORT SERVICES

The primary function of this division is to:

- Provide administrative support to Council.
- To attend to all legal related matters on behalf of the Municipality.
- To provide auxiliary services to the administration.
- To spearhead Batho Pele Principles and Back to Basics.
- To attend to all customer care related issues.



Table 83: Employees: Legal and Council Support Services

Employees: Legal and Council Support Services					
Job Level	2020/21	2021/22			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	0			0	0%
4 - 6	0	0	0	0	0%
10 - 12	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	0	0	0	0	0%
					T 3.28.4

Table 84 Financial Performance: Legal and Council Support Services

Financial Performance 2021/22: Legal and Council Support Services R'000					
Details	2021/22				
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue					
Expenditure:					
Employees		0	0		
Repairs and Maintenance					
Other					
Total Operational Expenditure		0	0		
Net Operational Expenditure					
					T 3.28.5

Table 85: Capital Expenditure: Legal and Council Support Services

Capital Expenditure 2021/22: Legal and Council Support Services R' 000					
Capital Projects	2021/22				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	0	0	0	0	
No capital project for this year					
Polishers	0	0	0	0	
Space saving cabinets	0	0	0	0	
					T 3.28.6

## COMMENT ON LEGAL AND COUNCIL SUPPORT SERVICE PERFORMANCE OVERALL

The Legal and Support Services Division perform exceptionally well for the period in review. It ensured that the Municipal Council sits as required by the Municipal Systems Act and the Standard Rules and Orders and make

necessary preparations for community consultation. It further provided administrative support to the entire institution.

## 7.6 COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

### EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Table 86: Total Number of Employees

Description	Employees				
	2020/21	2021/22			
	Employees No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water	09	20	11	9	
Waste Water (Sanitation)	16	19	19	0	
Electricity	07	15	07	8	
Waste Management	35	39	39	4	
Housing	02	08	02	6	
Waste Water (Storm water Drainage)	11	16	11	5	
Roads	-				
Transport	-				
Planning	01	01	01	0	
Planning (Strategic & Regulatory)	0				
Community & Social Services	0				
Environmental Protection	0				
Health	0				
Security and Safety	0				
Sport and Recreation	0				
Corporate Policy Offices and Other	0				
<b>Totals</b>	<b>81</b>	<b>118</b>	<b>90</b>	<b>32</b>	
T 4.1.1					

Table 87: Vacancy Rate

Vacancy Rate: 2021/22			
Designations	*Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	100%
CFO	1	0	100%
Other S57 Managers (excluding Finance Posts)	2	1	50%
Other S57 Managers (Finance posts)	0	0	0%
Police officers	0	0	0%
Fire fighters	0	0	0%
Senior management: Levels 13-15 (excluding Finance Posts)	2	2	100%
Senior management: Levels 13-15 (Finance posts)	3	0	100%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	4	3	25%
Highly skilled supervision: levels 9-12 (Finance posts)	2	2	100%
<b>Total</b>	<b>15</b>	<b>8</b>	

T 4.1.2

A high turnover rate may be costly to a Municipality and might negatively affect productivity, service delivery and institutional memory/Organizational knowledge. Below is a table that shows the turnover rate within the Municipality.

The table below indicates the turn-over rate over the last two years:

Table 88: Turn-over rate

Turn-over Rate			
Details	Total Appointments as of beginning of Financial Year No.	Terminations during the Financial Year No.	Turn-over Rate*
2020/21	0	0	
2021/22	0	0	

T 4.1.3

#### COMMENT ON VACANCIES AND TURNOVER:

The Council approved the organizational structure in January 2020. Some critical positions that needed to be filled have been filled and recruitment processes are underway to accommodate other critical positions. Turnover is mainly as a result of terminations e.g. death, resignation, retirements and ending of fixed term contracts.

## 7.7 COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

### INTRODUCTION TO MUNICIPAL WORKFORCE MANAGEMENT

The Municipality is constituted of five departments, Office of the Municipal Manager, Department of Corporate Services, Department of Finance, Department of Community Services and the Department of Technical Services of which each head of department is responsible for the management of the workforce in its department. Furthermore, each department is divided into divisions that are headed by managers who responsible for the discipline and work of employees in their divisions.

#### COMMENT ON WORKFORCE POLICY DEVELOPMENT:

The Human Resource Policies Manual was not reviewed for the period under review.

## 7.8 POLICIES

Table 89: HR Policies and Plans

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
1	Affirmative Action		95.0%	Not available
2	Attraction and Retention	100%		Part of HR Policy Manual/ 29 August 2019
3	Code of Conduct for employees		100%	Collective Bargaining Council matter
4	Delegations, Authorisation & Responsibility		95.0%	Avail, needs to be reviewed
5	Disciplinary Code and Procedures	100%		Collective Bargaining Council
6	Essential Services		95.0%	Discussed at the level of the Local Labour Forum
7	Employee Assistance / Wellness	100%		Part of HR policy Manual/ 29 August 2019
8	Employment Equity		95.0%	Not available
9	Exit Management		00.0%	Policy not yet developed
10	Grievance Procedures		100.0%	Collective Bargaining Council matter
11	HIV/Aids		95.0%	Part of HR Policy Manual/ 29 August 2019
12	Human Resource and Development	100%		Part of HR Policy Manual/ 29 August 2019
13	Information Technology	100%		In the process of developing IT policies
14	Job Evaluation		0%	No job evaluation
15	Leave	100%		Part of HR Policy manual/ 29 August 2019
16	Occupational Health and Safety	100%		Part of HR Policy Manual/ 29 August 2019
17	Official Housing	100%		Part of HR Policy Manual/ 29 August 2019
18	Official Journeys		95.0%	Available
19	Official transport to attend Funerals		95.0%	A draft has been developed, still to be tabled before the LLF.

HR Policies and Plans				
	Name of Policy	Completed %	Reviewed %	Date adopted by council or comment on failure to adopt
20	Official Working Hours and Overtime	100%		Part of HR Policy Manual/29 August 2019
21	Organisational Rights		95.0%	Collective Bargaining Council matter
22	Payroll Deductions		95.0%	Referred back to the section 79 Committee to further refinement.
23	Performance Management and Development		95%	Awaiting workshop to be conducted.
24	Recruitment, Selection and Appointments	100%		Part of HR Policy Manual/29 August 2019
25	Remuneration Scales and Allowances		95.0%	Available
26	Resettlement		95.0%	Available
27	Sexual Harassment	100%		Part of HR Policy Manual/29 August 2019
28	Skills Development	100%		Part of HR Policy Manual/ 29 August 2019
T 4.2.1				

## 7.9 INJURIES, SICKNESS AND SUSPENSIONS

Table 90: Number and Cost of Injuries on Duty 2021-2022

Number and Cost of Injuries on Duty					
Type of injury	Injury Leave Taken Days	Employees using injury leave No.	Proportion employees using sick leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required basic medical attention only	16	2	0	0	0
Temporary total disablement	-				
Permanent disablement	-				
Fatal	-				
Total	0	0	0	0	0
T 4.3.1					

### COMMENT ON INJURY AND SICK LEAVE:

The Municipality has put necessary precautions in place to mitigate the injuries from happening. The rate of employees who take sick leave is very minimal and it does not affect the smooth running of the operations.

Table 91: Number and Period of Suspensions

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
NONE				

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
T 4.3.5				

Table 92: Disciplinary Action Taken on Cases of Financial Misconduct

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			
T 4.3.6			

## COMMENT ON SUSPENSIONS AND CASES OF FINANCIAL MISCONDUCT

No employee was suspended for negligent of responsibilities under period in review and no cases of financial misconducted were reported or discovered.

### 7.10 PERFORMANCE REWARDS

In terms of regulation 8 of the Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 R.805 a bonus may only be paid after the municipal council has adopted the annual report of the year under review.

The majority of Managers (Directors) appointed in terms of Section 56 of the MSA are on fixed-term performance contracts. The Individual Performance Management System has not yet been cascaded down to the second reporting line of managers. Currently no performance bonus system or policy exists to pay bonus to non-section 57 employees. This will be put in place once the organisation achieves the necessary performance management maturity level.

## COMMENT ON PERFORMANCE REWARDS

There were no performances rewards issued to employees during the period under review.

### 7.11 ORGANISATIONAL PERFORMANCE SCORECARD

Performance Management is a process, which measures the implementation of the organisation's strategy. It is also a management tool to plan, monitor, and measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery by the municipality.

At local government level performance management is institutionalized through the legislative requirements on the performance management process for Local Government. Performance management provides the mechanism to measure whether targets meet its strategic goals, set by the organisation and its employees, are met.

The constitution of S.A (1996) section 152 states that, dealing with the objectives of local government paves the way for performance management with the requirements for an “accountable government” The democratic values and principles in terms of section 195 (1) are also linked with the concept of Performance management, with reference to the principles of inter alia:

- the promotion of efficient, economic and effective use of resources,
- accountable public administration
- to be transparent by providing information,
- to be responsive to the needs of the community,
- and to facilitate a culture of public service and accountability amongst staff.

The Municipal Systems Act (MSA), 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) requires the Integrated Development Plan (IDP) to be aligned to the municipal budget and to be monitored for the performance of the budget against the IDP via the Service Delivery and the Budget Implementation Plan (SDBIP).

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that “A Municipality’s Performance Management System entails a framework that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.”

Section 57 makes the employment of the Municipal Manager and Managers directly accountable to him subject to a separate performance agreement concluded annually before the end of July each year. Section 67 regards the monitoring, measuring and evaluating of performance of staff as a platform to develop human resources and to hold municipal staff accountable to serve the public efficiently and effectively. Performance Management, therefore, is not only relevant to the organisation as a whole, but also to the individuals employed in the organization as well as the external service providers and the Municipal Entities.

## **7.12. COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE**

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

## INTRODUCTION TO WORKFORCE CAPACITY DEVELOPMENT

The local sphere of government falls under Local Government Sector Education and Training Authority and is required to conduct skill audit and thereafter develop Workplace Skill Plan (WSP) which is accompanied by Training Plan. This Training Plan outlines the trainings that would be undertaken in a particular financial year. The employees are being sent to different training courses based on the skills identified in the WSP.

### 7.13 SKILLS DEVELOPMENT AND TRAINING

Table 93: Skills Matrix

SKILLS MATRIX														
Management	Gender	Number of skilled employees required and actual as at June 2022												
			Learnerships			Skills Programmes & other short courses			Other forms of training			Total		
		No.	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22	Actual: End of 2021-22
MM and s57	Male	1	0	0	0	0	0	0	0	0	0	0	0	0
	Male	3	0	0	0	0	3	3	0	3	0	0	3	0
	Female	1	0	0	0	0	1	1	0	1	0	0	1	0
Councilors, senior officials and managers	Female	5	0	0	0	0	0	0	0	5	5	5	5	5
	Male	8	0	0	0	0	0	0	0	8	8	8	8	8
Technicians and associate professionals*	Female	34	0	0	0	0	0	0	0	0	0	0	0	0
	Male	76	0	0	0	0	0	0	0	0	0	0	0	0



Professionals	Female	3	0	0	0	0	0	0	0	0	0	0	0	0
	Male	10	0	0	0	0	0	0	0	0	0	0	0	0
Sub total	Female	0	0	0	0	0	0	0	0	0	0	0	0	0
	Male	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>141</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>17</b>	<b>13</b>	<b>13</b>	<b>17</b>	<b>13</b>
*Registered with professional Associate Body e.g. CA (SA)												T4.5.1		

Table 94: Financial Competency Development: Progress Report

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))	Consolidated: 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))
<i>Accounting officer</i>	1	0	1	1	1	1
<i>Chief financial officer</i>	1	0	1	1	1	1
<i>Senior managers</i>	3	0	3	3	3	3
<i>Any other financial officials</i>	15	0	15	12	0	12
<b>Supply Chain Management Officials</b>	2	0	2	2	0	2
<i>Heads of supply chain management units</i>	1	0	1	1	0	1
<i>Supply chain management senior managers</i>	0	0	0	0	0	0
<b>TOTAL</b>	23	0	23	19	5	19

## **7.14 COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE**

### **INTRODUCTION TO WORKFORCE EXPENDITURE**

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

## **7.15 EMPLOYEE EXPENDITURE**

The success or failure of a municipality depends on the quality of its political leadership, sound governance of its finances, the strength of its institutions and the caliber of staff working for the municipality.

Although sound financial governance is perceived to be most important, without proper personnel management, municipalities are likely to experience difficulty. This has become increasingly evident in a number of large municipalities that have recently found themselves in precarious financial situations, and is certainly true of many smaller municipalities. An analysis of municipal finances suggests that personnel issues lie at the heart of many of the financial problems experienced by municipalities.

At an aggregate level, about 33 per cent of the total municipal operating budget gets spent on the remuneration of personnel.

Municipalities are required to carry out quality services in an effective, efficient and financially sound manner by supporting the principles of ensuring cost-effective and affordable service delivery. Accountability and transparency are, therefore, important when managing workforce expenditure. If the Municipality wants to be effective, it is important to ensure that the Municipality plan properly. To ensure that the Municipality adhere to legislation, only approved and budgeted posts on the structure are advertised. The training and development of internal staff are aimed at ensuring that they are able to perform their duties better.

As can be seen from the graph below the workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

## COMMENT ON WORKFORCE EXPENDITURE:

The Municipal workforce expenditure is on an upward curve since 2011. Demands by Labour have led to a steady increase in workforce expenditure despite a very slow economy. If the trend below continues in the future further pressure will be placed on the municipality's limited resources and will necessitate increases in tariffs that will place a greater burden on the rate payers.

Table 95: Number of Employees Who's Salaries Were Increased Due to Their Positions Being Upgraded

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
There were no salary increases due to upgrading of employee's position on the period under review.		
<i>Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</i>		

Table 96: Employees who's Salary Levels Exceed the Grade Determined by Job Evaluation

Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
None.				

Table 97: Employees appointed to posts not approved

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exist
No appointments were made to posts not approved on the structure.				

## COMMENT ON WORKFORCE EXPENDITURE:

There was no upgrade of positions due to job evaluation for the financial year 2021/22. Some variances are legacy issues that occurred as a result of previous amalgamation.

## **8. CHAPTER 5 – FINANCIAL PERFORMANCE**

### **INTRODUCTION**

Chapter 5 contains information regarding financial performance and highlights specific accomplishments. The chapter comprises of the following three components:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

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

#### **INTRODUCTION TO FINANCIAL STATEMENTS**

The municipality's performance during the year under review has been unsatisfactory, due to financial constraints, municipality experienced decline in revenue.

With the GRAP 24 (Presentation of Budget Information in Financial Statements) now effective, detailed analysis and comments for comparatives of Actual against Budgeted Amounts are shown in the financial statement, which forms part of this report.

The following sections provide an overview of the financial results of the Municipality for the year under review per economic classification compared to the prior year audited results, the original and final adjustments budget.

Total recognised revenue was R 205 486 874, the budgeted figure of R 179 859 759

The highlights of income recognised are as follows:

- Actual service charges amounts to R 57 337 231 against a budget amount of R 63 952 908
- Total expenditure incurred amounted to R 248 658 321 and the budgeted expenditure was R 230 935 868

### 8.1.1 GRANTS

Table 98: Grant Performance

Grants Performance				
Description	2020/21	2021/2022		
	Actual	Budget	Adjustment Budget	Actual
<b><u>Operational Transfers and Grants</u></b>	-			
Equitable Shares	78,873,000	70,309,015	70,309,015	70,309,015
Other Transfers	10 053 686	3 974 000	3 974 000	6 541 813
<b><u>Capital Grants and Transfers</u></b>				
MIG	13,643,332	17,894,000	17,894,000	12 435 089
INEP	9,547,000	5,882,000	5,882,000	5 100 000
WSIG	24 441 310	25,532,000	25,532,000	5 5 68 295

Grants received from sources other than Division of Revenue Act (DoRA)

Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant 2020/21	Actual Grant 2020/21	2020/21 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
<b>Parastatals – No grants received</b>						
<b>Foreign Governments/Development Aid Agencies – No grants received</b>						
<b>Private Sector / Organisations – No grants received</b>						

T 5.2.3

### 8.1.2 COMMENT ON CONDITIONAL GRANTS AND GRANT RECEIVED FROM OTHER SOURCES:

The municipality did not receive any conditional grants from sources other than the DoRA.

### 8.1.3 ASSET MANAGEMENT

Table 99: Treatment of the three largest assets acquired

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED '2021/22				
Asset 1				
Name	Koffiefontein 252 Electrification of 152 Household Connections P2			
Description	Koffiefontein 252 Electrification of 152 Household Connections P2			
Asset Type	Infrastructure asset			
Key Staff Involved	Sizwe Fikizolo			
Staff Responsibilities	Project Management & Oversight			
Asset Value (Spent in 2021/22			2021/22	
			R 2 584 000	
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Improved Service Delivery			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			
Asset 2				
Name	Jacobsdal Electrification of 148 Household Connections P2			
Description	Jacobsdal Electrification of 148 Household Connections P2			
Asset Type	Infrastructure asset			
Key Staff Involved	Sizwe Fikizolo			
Staff Responsibilities	Project Management & Oversight			
Asset Value (Spent in 2021/22			2021/22	
			R 2 516 000	
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Service delivery			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			
Future Purpose of Asset	Sports and Recreation			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			

TREATMENT OF THE THREE LARGEST ASSETS ACQUIRED '2021/22				
Asset 1				
Name	Jacobsdal : Construction of new water treatment works (4.2ml/day)			
Description	Jacobsdal : Construction of new water treatment works (4.2ml/day)			
Asset Type	Infrastructure asset			
Key Staff Involved	Nomalanga Ndaba			
Staff Responsibilities	Project Management & Oversight			
Asset Value (Spent in 2021/22)			2021/22	
			R 5 568 295	
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Improved Service Delivery			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			
Asset 2				
Name	Koffiefontein Bulk Water and Reservoir			
Description	Koffiefontein Bulk Water and Reservoir			
Asset Type	Infrastructure asset			
Key Staff Involved	Nomalanga Ndaba			
Staff Responsibilities	Project Management & Oversight			
Asset Value (Spent in 2021/22)			2021/22	
			R 2 486 478	
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Service delivery			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			
Asset 3				
Name	Refurbish & Equipping of Boreholes and Connect into the existing water supply scheme in Petrusburg			
Description	Refurbish & Equipping of Boreholes and Connect into the existing water supply scheme in Petrusburg			
Asset Type	Infrastructure asset			
Key Staff Involved	Nomalanga Ndaba			
Staff Responsibilities	Project Management & Oversight			
Asset Value (Spent in 2021/22)			2021/22	
			R 2 615 639	
Capital Implications	Service Delivery Asset			
Future Purpose of Asset	Service delivery			
Describe Key Issues				
Policies in Place to Manage Asset	Yes			

## COMMENT ON ASSET MANAGEMENT

Majority of Assets are procured through Grants, the Municipality has an asset management unit, which deals with all asset management issues.

Table 100: Repairs and Maintenance Expenditure

Repair and Maintenance Expenditure: 2021/22				
R' 000				
	Original Budget	Adjustment Budget	Actual	Budget variance
Repairs and Maintenance Expenditure	14 948 000	15 683 370	13 904 056	1 779 314
				<i>T 5.3.4</i>

## 8.2 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

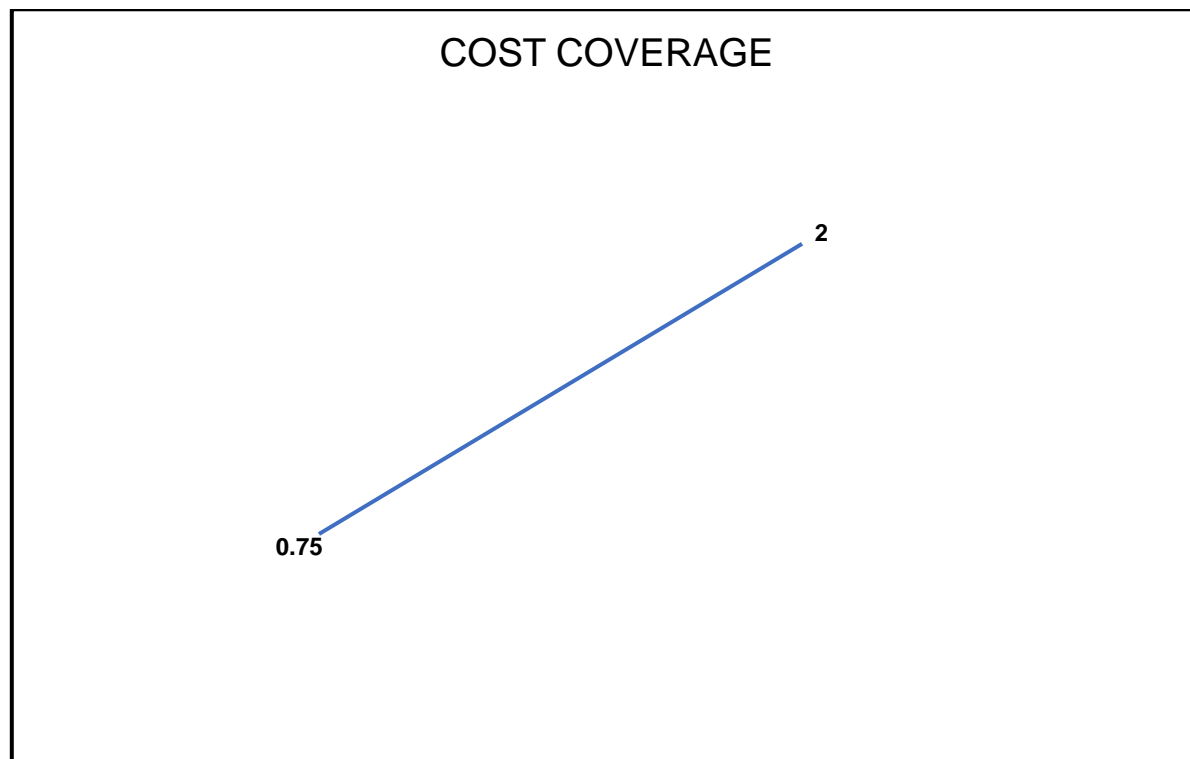


Figure 3: Ratio Cost Coverage



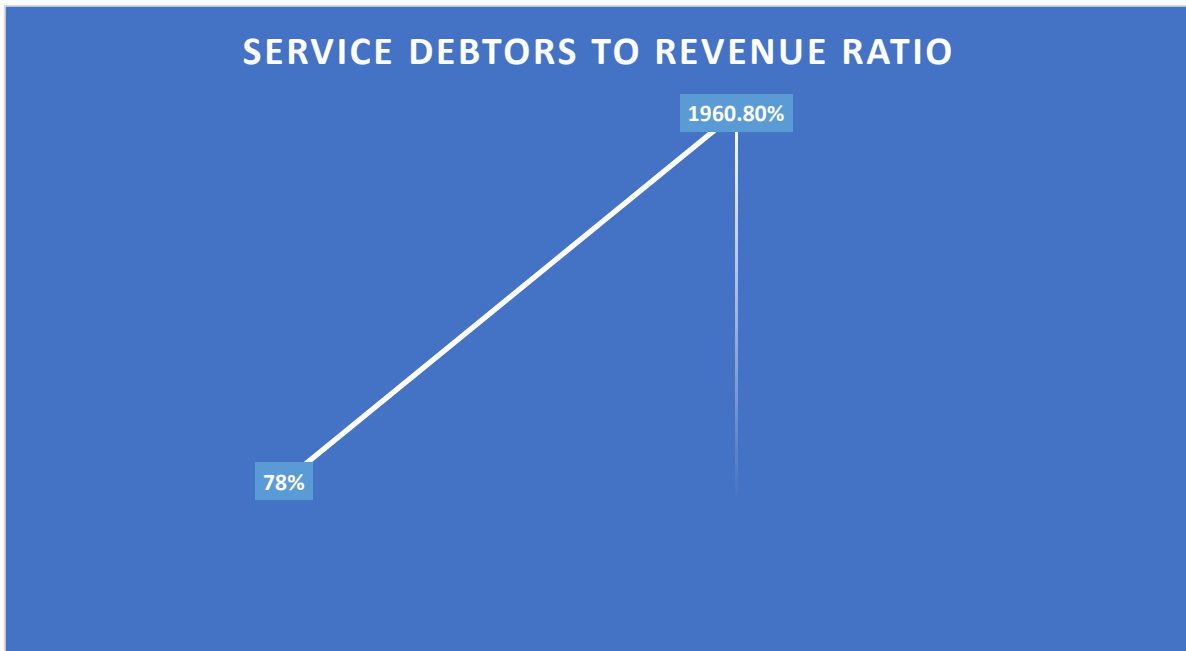


Figure 4: Service Debtors to Revenue Ratio

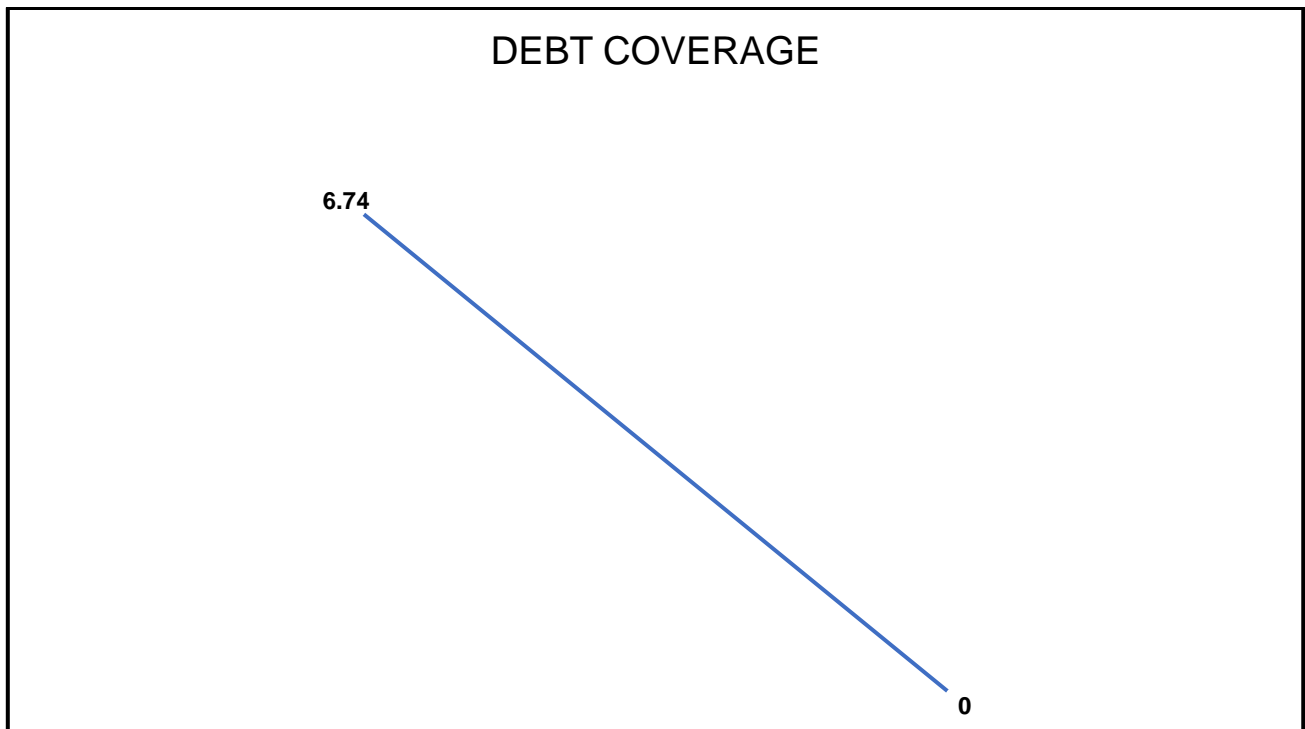


Figure 5: Debt Coverage Ratio

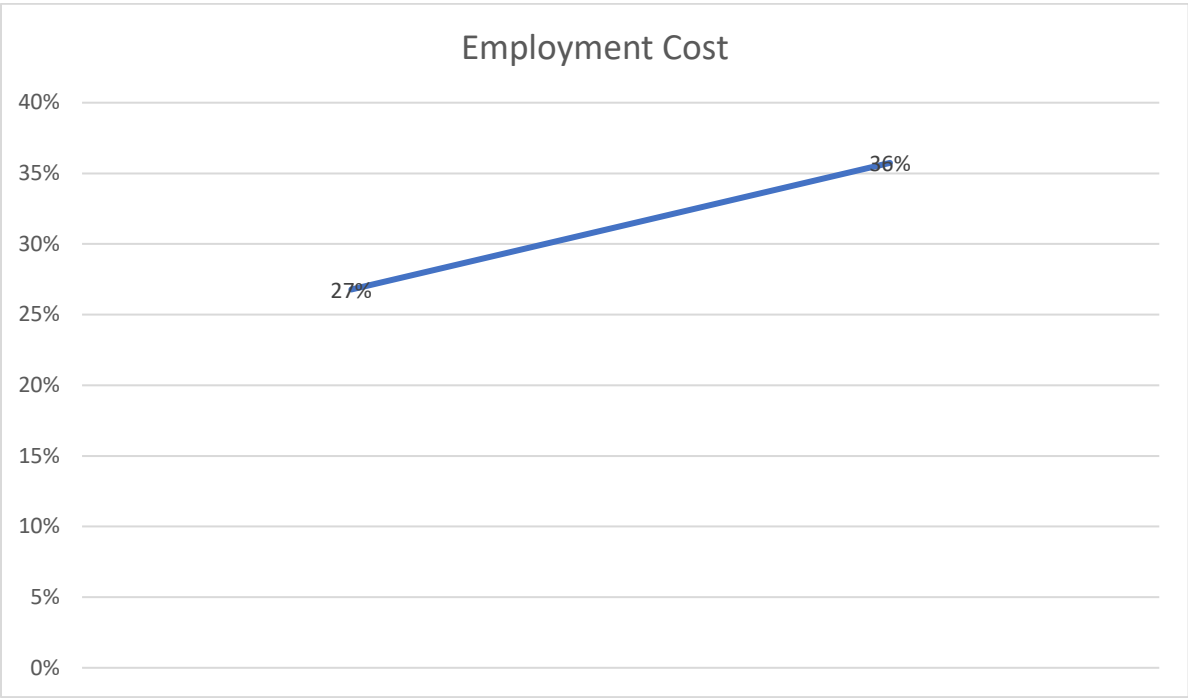


Figure 6: Employee Cost

## 8.3 COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

### INTRODUCTION TO SPENDING AGAINST CAPITAL BUDGET

Capital expenditure relates mainly to construction projects that will have value lasting over many years. Capital expenditure is funded from grants, borrowings and operating expenditures and surpluses. Component B deals with capital spending indicating where the funding comes from and whether Municipalities are able to spend the available funding as planned. In this component it is important to indicate the different sources of funding as well as how these funds are spend.

### CAPITAL EXPENDITURE

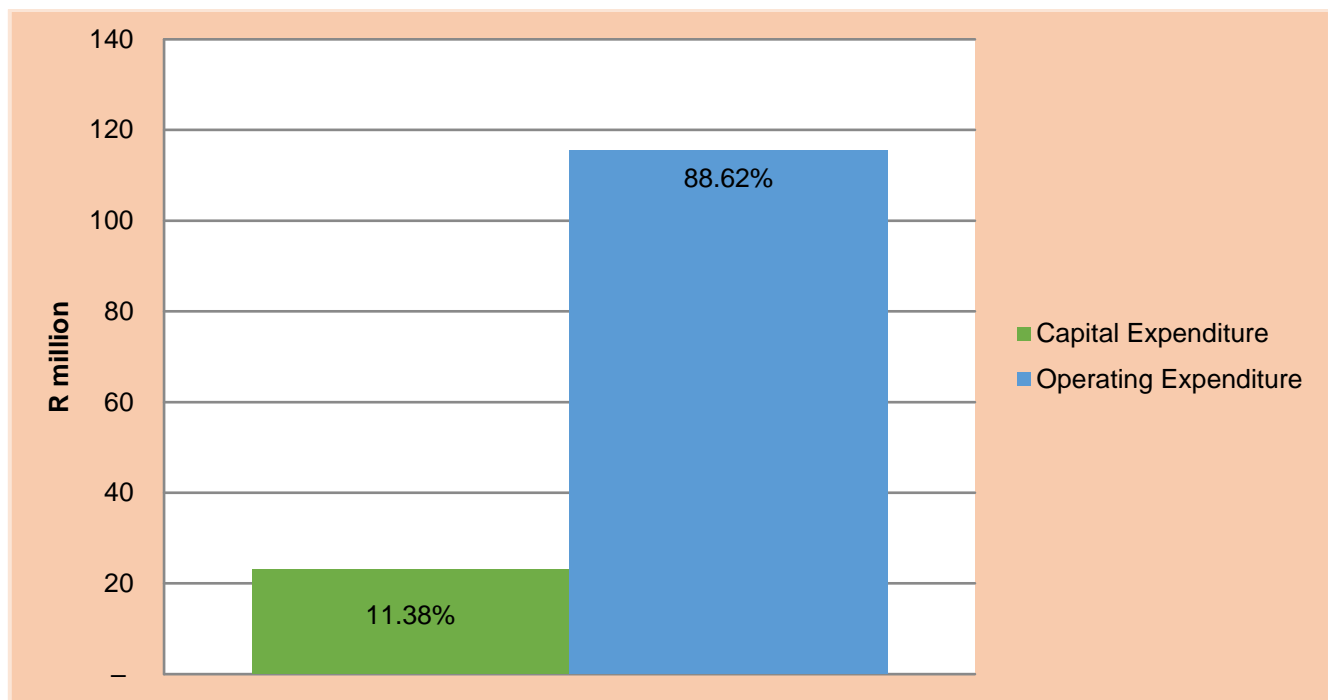


Figure 7: Capital Expenditure

#### 8.4. INDIGENTS HOUSEHOLDS

The municipality embarked on an indigent registration for the period under review. At the end of June 2022 the number was standing at 2830.

#### 8.5. DEBTORS AGE ANALYSIS

The debtors of the municipality arise from the households, government, business and other. These debtors arise from the following services, water, electricity, sewerage and refuse removal.

#### DEBTORS PER SERVICE

The information below shows the total outstanding debtors of the municipality as at 30 June 2022.

Table 101: Debtors Age Analysis by Income Source (Exchange Transactions)

<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	12,366,599	8,805,429
Water	54,676,286	44,712,207
Sewerage	44,260,451	38,007,534
Refuse	41,834,869	35,442,196
Other	887,613	221,439
Housing rental	1,205,091	1,791,904
Interest	126,406,045	110,193,677
	<b>281,636,954</b>	<b>239,174,386</b>

Table 102: Debtors Age Analysis by Income Source (Non- Exchange Transactions)

<b>6. Receivables from non-exchange transactions</b>		
Assessment rates	60,460,498	51,269,614
Provision for impairment	(35,989,260)	(29,643,665)
Other receivables	455,153	455,153
Availability charges	4,981,170	-
Provision for impairment	(3,984,936)	-
	<b>25,922,625</b>	<b>22,081,102</b>

## 8.6. OPERATING EXPENDITURE

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
<b>Expenditure</b>						
Employee costs	(70,204,645)	(225,000)	<b>(70,429,645)</b>	(71,837,039)	<b>(1,407,394)</b>	
Remuneration of councillors	(4,827,983)	-	<b>(4,827,983)</b>	(4,764,305)	<b>63,678</b>	
Depreciation / amortisation and impairment loss	(48,978,097)	-	<b>(48,978,097)</b>	(40,013,952)	<b>8,964,145</b>	
Finance costs	(4,000,000)	(2,280,000)	<b>(6,280,000)</b>	(11,158,847)	<b>(4,878,847)</b>	
Debt Impairment	(25,000,000)	-	<b>(25,000,000)</b>	(31,601,637)	<b>(6,601,637)</b>	
Repairs and maintenance	(7,686,000)	-	<b>(7,686,000)</b>	(6,305,086)	<b>1,380,914</b>	
Bulk purchases	(36,000,000)	2,000,000	<b>(34,000,000)</b>	(43,637,553)	<b>(9,637,553)</b>	
Contracted services	(14,948,000)	(735,370)	<b>(15,683,370)</b>	(11,838,455)	<b>3,844,915</b>	
Transfers and Subsidies	(880,000)	-	<b>(880,000)</b>	-	<b>880,000</b>	
General expenses	(10,697,300)	(6,473,473)	<b>(17,170,773)</b>	(27,501,447)	<b>(10,330,674)</b>	
<b>Total expenditure</b>	<b>(223,222,025)</b>	<b>(7,713,843)</b>	<b>(230,935,868)</b>	<b>(248,658,321)</b>	<b>(17,722,453)</b>	
<b>Operating deficit</b>	<b>(52,886,594)</b>	<b>1,810,485</b>	<b>(51,076,109)</b>	<b>(43,171,447)</b>	<b>7,904,662</b>	
Loss on disposal of assets	-	-	-	(4,047,357)	<b>(4,047,357)</b>	
Fair value adjustments	-	-	-	37,184	<b>37,184</b>	
Actuarial gains/losses	-	-	-	67,000	<b>67,000</b>	
Inventories losses	-	-	-	(761,377)	<b>(761,377)</b>	
	-	-	-	<b>(4,704,550)</b>	<b>(4,704,550)</b>	
<b>Surplus / (Deficit)</b>	<b>(52,886,594)</b>	<b>1,810,485</b>	<b>(51,076,109)</b>	<b>(47,875,997)</b>	<b>3,200,112</b>	

## 8.7 BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

### INTRODUCTION TO BASIC SERVICE AND INFRASTRUCTURE BACKLOGS

Table 103: Service Backlogs

Service Backlogs as at 30 June 2022				
	*Service level above minimum standard		**Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	10127	100%	0	0
Sanitation	9183	100%	0	0
Electricity	7828	100%	0	0
Waste management	9188	100%	0	0
Housing				
T 5.8.2				

## COMMENT ON BACKLOGS:

As can be seen the basic services backlogs are a huge problem for Letsemeng Local Municipality, only few projects were implemented in the last financial year and this were fully funded by MIG and WSIG.

## 8.8 COMPONENT C: CASH FLOW MANAGEMENT AND INVESTMENTS

### INTRODUCTION TO CASH FLOW MANAGEMENT AND INVESTMENTS

The proper management of cash resources is paramount in ensuring viability and sustainable growth and development. The municipality did not maintain significant investments due to pressing operational requirements and an effort to maintain creditors' payment within 30 days and addressing the long term liabilities.

#### Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

#### Cash Flow Statement

	2022	2021
	R	Restated* R
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Sale of goods and services	43,984,986	40,584,358
Grants and subsidies received	133,037,284	140,526,686
Interest income	288,879	375,044
Dividends received	6,264	4,527
	<u>177,317,413</u>	<u>181,490,615</u>
<b>Payments</b>		
Employee costs	(74,610,314)	(64,201,405)
Supplier and other payments	(70,879,606)	(65,938,559)
Finance costs	-	(5,248,374)
	<u>(145,489,920)</u>	<u>(135,388,338)</u>
<b>Net cash flows from operating activities</b>	<u>31,827,493</u>	<u>46,102,277</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(31,748,342)	(46,578,621)
<b>Net cash flows from investing activities</b>	<u>(31,748,342)</u>	<u>(46,578,621)</u>
<b>Cash flows from financing activities</b>		
Finance lease payments	435,304	(80,794)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>514,455</u>	<u>(557,138)</u>
Cash and cash equivalents at the beginning of the year	645,820	1,202,958
<b>Cash and cash equivalents at the end of the year</b>	<u>1,160,275</u>	<u>645,820</u>

## **8.9 COMPONENT D: OTHER FINANCIAL MATTERS**

### **SUPPLY CHAIN MANAGEMENT**

#### **COMMENTS ON SUPPLY CHAIN MANAGEMENT**

Organogram for Supply Chain Management Unit has been amended to include an extra Demand Acquisition vacant position which will be filled.

### **GRAP COMPLIANCE**

#### **COMMENTS ON GRAP COMPLIANCE**

Letsemeng Local Municipal compiles its Annual Financial Statements in line with General Recognised Accounting Practise.

## CHAPTER 6

### Report of the auditor-general to Free State Provincial Legislature and the council of Letsemeng Local Municipality

<b>Report on the audit of the financial statements</b>
--

#### **Qualified opinion**

1. I have audited the separate financial statements of the Letsemeng Local Municipality set out on pages 137... to ..., which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the separate 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 Letsemeng Local Municipality as at 30 June 2022, and its financial performance and cash flows for the year ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2021 (Dora).

#### **Basis for qualified opinion**

##### **Property, Plant and Equipment**

3. The municipality did not recognise work in progress relating to infrastructure assets in accordance with GRAP 17, *Property, Plant and Equipment*, as completed projects were not capitalised in the correct accounting period. Consequently, the opening balance of property, plant and equipment was understated and the transfers to completed items under the reconciliation of work in progress sub-note was overstated by R9 621 987 as disclosed in note 10 to the financial statements.
4. The municipality did not recognise water meters included as part of infrastructure assets in accordance with GRAP 17, due to instances where meters could not be verified, and accounting records were duplicated. Consequently, property plant and equipment was understatement and payables was overstated by R4 997 604. Furthermore, I was unable to confirm the existence of



electricity meters included in infrastructure assets due to the status of the accounting records. I was unable to confirm the electricity meters by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to infrastructure assets stated at R598 023 353 (2021: R614 851 364) note 10 to the financial statements.

### **Payables from exchange transactions**

5. The municipality did not account for payables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements*, as the municipality recorded items that did not meet the definition of a payable. Consequently, trade payables was overstated by R11 922 236 and accumulated surplus was understated. This also had an impact on the deficit for the period and on the accumulated surplus.

### **Government grants and subsidies**

6. The municipality did not recognise revenue in accordance with GRAP 23, *Revenue from non-exchange transactions*, as revenue from conditional grants was recognised even though the conditions relating to the grant were not met and revenue was recorded in the incorrect period. In addition, differences were identified between the general ledger and the amounts allocated. This resulted in government grants and subsidies being overstated, and unspent conditional grants being understated by R22 292 632. This also had an impact on the deficit for the period and on the accumulated surplus.

### **Receivables from exchange transactions**

7. The municipality did not recognise and classify interest included in receivables from exchange transactions in accordance with GRAP 104, *Financial Instruments*, as the total interest on outstanding debtors was incorrectly recognised under receivables from exchange transactions line item and not split between receivables from exchange transactions and receivables from non-exchange transactions. In addition, I was unable to obtain sufficient appropriate audit evidence that receivables from exchange transactions had been properly accounted for, due to the status of accounting records. I was unable to determine the full extent of the misstatement on receivables from exchange transactions as it was impracticable to do so. Consequently, I could not determine whether any further adjustments were necessary to the amounts stated as R95 751 117 (2021: R76 962 481).

## Receivables from non-exchange transactions

8. The municipality did not recognise and classify assessment rates included as part of receivables from non-exchange transactions in accordance with GRAP 104, *Financial Instruments*, as debtors could not be verified, debtors with credit balances and receivables from exchange transactions were incorrectly accounted for as receivables from non-exchange transactions. Consequently, the receivables from non-exchange transactions is overstated by R4 592 069 and receivables from exchange charges understated by R 4 592 069.
9. The municipality did not recognise service charges revenue, in accordance with GRAP 9, *Revenue from exchange transactions*, as the municipality did not bill and record service charges for all conventional water and electricity consumers. Consequently, service charges for water and electricity included in note 20 to the financial statements is understated by R2 944 206 and R6 759 766 respectively and receivables from exchange transaction is understated. In addition, availability charges was incorrectly classified as service charges for refuse removal and sewerage charges. Consequently, refuse removal and sewerage charge included in note 20 were overstated by R2 354 915 and R2 648 640 respectively. Furthermore, prepaid electricity was recorded in the incorrect period, resulting in a misstatement of R2 832 958 and accumulated surplus understated by R 2 832 958. This also had an impact on the deficit for the period and the accumulated surplus.
10. During 2021, the municipality did not recognise revenue from service charges in accordance with GRAP 9, *Revenue from exchange transactions*, as consumers were not billed for the services they received. In addition, unreconciled differences were identified between the revenue billing system and the accounting records. I was unable to determine the full extent of the understatement of service charges stated at R50 614 190 in note 20 to the financial statements and receivables from exchange transactions stated at R76 962 481 in note 5 to the financial statements, as it was impracticable to do so. This also had an impact on the deficit for the period and the accumulated surplus.

## Property rates

11. The municipality did not classify revenue from property rates in accordance with GRAP 23, *Revenue from non-exchange transactions*, as availability charges were incorrectly classified as property rates. In addition, property rates were billed at incorrect tariff rates. Consequently, property rates is overstated and receivables from non-exchange is understated by R15 633 966. In addition, properties on the valuation roll were incorrectly classified. I could not determine the

full extent of the misclassification as it was impracticable to do so. This also had an impact on the deficit for the period and the accumulated surplus.

## Repairs and maintenance

12. The municipality did not classify repairs and maintenance in accordance with GRAP 1, *Presentation of financial statements*, as capital expenditure items were incorrectly classified as repairs and maintenance. In addition, there were instances where repairs and maintenance were recorded in the incorrect period. Consequently, repairs and maintenance was overstated and property plant and equipment understated by of R4 823 020. This also had an impact on the deficit for the period and the accumulated surplus.

## Context for the opinion

13. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the separate financial statements section of my report.
14. 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.
15. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Material uncertainty relating to going concern

16. I draw attention to the matter below. My opinion is not modified in respect of this matter.
17. Note 55 to the financial statements indicates that the municipality incurred a net loss of R47 875 997 during the year ended 30 June 2022 and, as of that date, the municipality's current liabilities exceeded its current assets by R95 866 972. In addition, the municipality owed Eskom R126 163 884 (2021: R86 576 571) and the water boards R15 885 940 (2021: R12 426 881) as at 30 June 2022, which was long overdue. These events or conditions, along with other matters as set forth in note 55, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

## **Emphasis of matter**

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

### **Underspending of the conditional grant**

19. As disclosed in note 18 and 26 to the financial statements, the municipality materially underspent the infrastructure grants by R23 002 924.

### **Restatement of corresponding figures**

20. As disclosed in note 44 to the financial statements, the corresponding figures for 30 June 2021 were restated as a result of an error in the financial statements of the municipality at and for the year ended, 30 June 2022.

### **Unauthorised expenditure**

21. As disclosed in note 49 to the financial statements, the municipality incurred unauthorised expenditure of R206 285 385 (2021: R177 058 547), due to overspending of the budget.

### **Material losses – electricity and water**

22. As disclosed in note 50 to the financial statements, material electricity losses of R5 846 996 (2021: R11 190 658) and water distribution losses of R844 187 (2021: R3 158 304) were incurred, mainly due to inherent resistance of conductors, tempering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

### **Contingent liabilities**

23. With reference to note 52 to the financial statements, the municipality is the defendant in various claims against the municipality. The municipality is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result were made in the financial statements.

## **Other matters**

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

## **Unaudited disclosure notes**

25. 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**

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

27. 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.

## **Auditor-general's responsibilities for the audit of the financial statements**

28. 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.

29. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Introduction and scope

30. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected key performance areas (KPA) presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
31. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipality's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipality enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
32. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected KPA presented in the municipality's annual performance report for the year ended 30 June 2022:

KPA	Pages in the annual performance report
KPA 1 – basic service delivery and infrastructure development	35–37

33. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
34. The material findings on the usefulness and reliability of the performance information of the selected KPA are as follows:

### KPA 1 – basic service delivery and infrastructure development

#### TL 10 – Number of sites pegged at Koffiefontein by 30 June 2022

35. The planned indicator and target were the number of sites pegged at Koffiefontein, but the reported achievement stated the draft layout plan were presented before the section 80 committee, subsequently to the EXCO. No ordinary council meeting was held to approve layout plans. The indicator made no reference to the actual number of sites pegged. The reported measures taken to improve performance against the planned target, did not agree to the supporting evidence provided. Based on the supporting evidence provided, the measures taken to improve performance did not properly disclose the reason for non-achievement.

#### Various Indicators

36. The achievements below were reported in the annual performance report for the listed indicators. However, some supporting evidence provided materially differed from the reported achievement, while in other instances I was unable to obtain sufficient appropriate audit evidence. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any further adjustments were required to these reported achievements.

Indicator description	Planned target	Reported achievement
TL4 - Number of households electrified and connected phase 2 at Diamanthoogte by 30 June 2022	200	201
TL5 - Number of households electrified and connected phase 2 at Jacobsdal by 30 June 2022	190	191
TL6 - Number of business Units at Letsemeng areas on electrical meters by 30 June 2022	50	50

TL 8 – Number of progress made on the renovation of the community halls, 1xRelebohile, 1xBolokanang, 1xJacobsdal Town Hall by 30 June 2022

37. The planned indicator and target was the number of progress made on renovations of community halls under the KPA: municipal transformation and institutional development, but the reported achievement was included under the KPA: basic service delivery.

## TL 9 – Number of progress made on the renovation of the Municipal buildings at Petrusburg and Jacobsdal by 30 June 2022

38. The planned indicator and target was to renovate the municipal buildings at Petrusburg and Jacobsdal, but the reported achievement stated that the key performance indicator could not be achieved due to budgetary constraints and did not state the actual achievement and/or non-achievement.

### Other matters

39. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

### Achievement of planned targets

40. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph(s) 35 to 38 of this report.

### Adjustment of material misstatements

41. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of KPA 1 -basic service and infrastructure development. As management subsequently corrected only some of the misstatements, I raised material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are reported above.

## Report on the audit of compliance with legislation

### Introduction and scope

42. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.



43. The material findings on compliance with specific matters in key legislation are as follows:

#### **Annual financial statements**

44. 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, current assets, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a qualified audit opinion.

#### **Expenditure management**

- 45. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
- 46. Payments were made from the municipality's bank accounts without the approval of the chief financial officer, as required by section 11(1) of the MFMA.
- 47. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval of funds, as required by section 65(2)(a) of the MFMA.
- 48. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R9 837 817, as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the fruitless and wasteful expenditure was due to infrastructure projects written-off.
- 49. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R206 285 385, as disclosed in note 49 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by non-cash items that were not adequately budgeted for.

#### **Revenue management**

- 50. An adequate management, accounting and information system which accounts for revenue was not in place, as required by section 64(2)(e) of the MFMA.
- 51. An effective system of internal control for revenue was not in place, as required by section 64(2)(f) of the MFMA.

- 52. I was unable to obtain sufficient appropriate evidence that revenue due to the Municipality was calculated on a monthly basis as required by the as required by section 64(2)(b) of the MFMA
- 53. I was unable to obtain sufficient appropriate audit evidence that accounts for municipal tax and charges for service charges were prepared on a monthly basis, as required by section 64(2)(c) of the MFMA.

### **Assets management**

- 54. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
- 55. Capital assets were sold that were needed to provide the minimum level of basic municipal service, in contravention of section 14(1) of the MFMA.
- 56. Capital assets were disposed of without the municipal council having, in a meeting open to the public, decided on whether the assets were still needed to provide the minimum level of basic municipal services and/or considered the fair market value of the assets and the economic and community value to be received in exchange for the assets as required by section 14(2)(a) and 14(2)(b) of the MFMA.

### **Consequence management**

- 57. 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.
- 58. Irregular expenditure incurred by the municipality were not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- 59. 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.

### **Strategic planning and performance management**

- 60. The integrated development plan (IDP) was not drafted considering the integrated development process and proposals submitted to it by the district municipality, as required by section 29(3)(b) of the Municipal Systems Act 32 of 2000 (MSA).

61. The local community was not afforded the opportunity to comment on the final draft of the IDP before adoption, as required by section 42 of the MSA and municipal planning and performance management regulation 15(3).

### **Human resource management**

62. I was unable to obtain sufficient appropriate audit evidence that appropriate systems and procedures to monitor, measure and evaluate performance of staff were developed and adopted, as required by section 67(1)(d) of the MSA.

### **Utilisation of conditional grants**

63. The municipal infrastructure grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
64. The water services infrastructure grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
65. Performance in respect of programmes funded by the expanded public works programme grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.
66. The financial management grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.
67. Performance in respect of programmes funded by the integrated national electrification programme grant was not evaluated within two months after the end of the financial year, as required by section 11(6)(b) of the Dora.

### **Procurement and contract management**

68. Some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management (SCM) regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.
69. Some of the quotations were accepted from bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.

70. Some of the quotations were accepted from bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
71. Some of the contracts were made to bidders other than those recommended by the bid evaluation committee without ratification by the accounting officer, as required by SCM regulation 29(5)(b).
72. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
73. The preference point system was not applied in some of the procurement of goods and services above R30 000 as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). Similar non-compliance was also reported in the prior year.
74. Some of the contracts and quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of section 2(1)(a) of the PPPFA and its regulations. Similar non-compliance was also reported in the prior year.
75. Some of the contracts and quotations were awarded to bidders that did not score the highest points in the evaluation process, as required by section 2(1)(f) of PPPFA and 2017 preferential procurement regulation 11.
76. Construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) in accordance with section 18(1) of the CIDB Act 38 of 2000. This non-compliance was identified in the procurement process for the refurbishment of waste water treatment works.
77. Invitation to tender for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year.
78. Commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content as required by the 2017 preferential procurement regulation 8(5).
79. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official as required by SCM regulation 5. Similar limitation was also reported in the prior year.

- 80. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis as required by section 116(2) of the MFMA. Similar limitation was also reported in the prior year.
- 81. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was also reported in the prior year.
- 82. Awards were made to providers who were in the service of other state institutions or whose directors / principal shareholders were in the service of other state institutions, in contravention of section 112(1)(j) of the MFMA and SCM regulation 44. Similar awards were identified in the previous year and no effective steps were taken to prevent or combat the abuse of the SCM process, as required by SCM regulation 38(1).

#### Other information

- 83. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
- 84. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
- 85. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
- 86. 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 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

87. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
88. Leadership did not monitor and enforce the implementation of the corrective measures included in the audit action plan and prevent the re-occurrence of material findings reported in the audit report. These measures were to address the weaknesses of the financial and performance reporting as well as procurement, contract management and the prevention of unauthorised, irregular and fruitless and wasteful expenditure.
89. Key officials and supporting staff was slow to implement and monitor internal controls over the daily and monthly processing of transactions, resulting in the audit findings reported in this audit report.
90. There was no consequence management at the municipality and officials were not held accountable for irregular, unauthorised and fruitless and wasteful expenditure incurred in the current and previous financial years.
91. Ineffective monitoring and supervision over financial and performance reporting resulted in material misstatements in the financial statements and annual performance report. The municipality continued to rely on consultants to resolve the prior year's audit findings; however, internal controls within the municipality did not improve as repeat findings were reported in the current year.

### **Material irregularities**

92. 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 the material irregularities reported in the previous year's auditor's report.

### **Status of previously reported material irregularities**

#### **Eskom not paid within 30 days**

93. The accounting officer did not take all reasonable steps to ensure that amounts due to Eskom for the bulk purchase of electricity were paid within 30 days of receiving the relevant invoice or

statement, as required by section 65(2)(e) of the MFMA. The late payment resulted in interest of R3 711 420 being incurred for the period 1 April 2019 to 31 March 2020. The interest incurred is likely to result in a material financial loss for the municipality due to the liability to pay Eskom.

94. The accounting officer was notified of the material irregularity on 25 February 2021. The following actions have been taken or is in progress to resolve the material irregularity:
- A payment agreement was entered into on 30 October 2020 with Eskom relating to the Luckhoff account. Payment agreements for the Petrusburg and Koffiefontein bulk accounts were delayed due to legal proceedings between Eskom and the municipality regarding the outstanding debt due to Eskom, which was concluded in July 2022.
  - The municipality met with representatives from Eskom on 6 September 2022 to discuss the conditions to be included in the proposed payment agreement. The payment agreement was subsequently approved by the municipal council on 10 November 2022 for submission to Eskom.
  - The municipality has undertaken projects to replace all faulty electricity and water meters as part of their revenue enhancement strategy. Contractors for these projects were appointed on 8 July 2020 for the electricity meters, 21 February 2020 for the water meters and the project was finalised on 30 June 2021.
95. I will follow up on the implementation of the planned actions during my next audit.

Bloemfontein  
30 November 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

## **Annexure – Auditor-general's responsibility for the audit**

1. 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 development priorities and on the municipality's compliance with respect to the selected subject matters.

## **Financial statements**

2. 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 by the accounting officer
  - conclude on the appropriateness of the accounting officer's 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 Letsemeng Local Municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

## **Communication with those charged with governance**

3. 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.



4. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence, and to 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.

## GLOSSARY

<b>Accessibility indicators</b>	Explore whether the intended beneficiaries are able to access services or outputs.
<b>Accountability documents</b>	Documents used by executive authorities to give " <i>full and regular</i> " reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports.
<b>Activities</b>	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe " <i>what we do</i> ".
<b>Adequacy indicators</b>	The quantity of input or output relative to the need or demand.
<b>Annual Report</b>	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General.
<b>Approved Budget</b>	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
<b>Baseline</b>	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
<b>Basic municipal service</b>	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment.
<b>Budget year</b>	The financial year for which an annual budget is to be approved – means a year ending on 30 June.

<b>Cost indicators</b>	The overall cost or expenditure of producing a specified quantity of outputs.
<b>Distribution indicators</b>	The distribution of capacity to deliver services.
<b>Financial Statements</b>	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
<b>General Key performance indicators</b>	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
<b>Impact</b>	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
<b>Inputs</b>	All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings.
<b>Integrated Development Plan (IDP)</b>	Set out municipal goals and development plans.
<b>National Key performance areas</b>	<ul style="list-style-type: none"> <li>• Service delivery &amp; infrastructure</li> <li>• Economic development</li> <li>• Municipal transformation and institutional development</li> <li>• Financial viability and management</li> <li>• Good governance and community participation</li> </ul>
<b>Outcomes</b>	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve".
<b>Outputs</b>	The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area.
<b>Performance Indicator</b>	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered)
<b>Performance Information</b>	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
<b>Performance Standards:</b>	The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor.

<b>Performance Targets:</b>	The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
<b>Service Delivery Budget Implementation Plan</b>	Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
<b>Vote:</b>	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned</i></p>

## APPENDIXES

### APPENDIX 'A' – COUNCILLORS; COMMITTEE ALLOCATION AND COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Percentage Council Meetings Attendance	Percentage Apologies for non-attendance
				%	%
Cllr MA Lebaka	FT	Oversight role	ANC – PR	98	2
Cllr XW Nqelani	P/T	Finance – Chairperson <b>Add members:</b> <ul style="list-style-type: none"> <li>• Cllr PN Dibe</li> <li>• Cllr MJ Phaliso</li> <li>• Cllr JDJ Barnes</li> </ul>	ANC – Ward Councillor	98	2
Cllr SJ Bahumi	P/T	Good Governance and Monitoring (MPAC) – Chairperson <b>Add members:</b> <ul style="list-style-type: none"> <li>- Cllr AN November</li> <li>- Cllr MJ Phaliso</li> <li>- Cllr JDJ Barnes</li> <li>- Cllr TS Moqhoishi</li> </ul>	ANC – Ward Councillor	98	2
Cllr PV Mlozana	P/T	Corporate Services – Chairperson <b>Add members:</b> <ul style="list-style-type: none"> <li>- Cllr AN November</li> <li>- Cllr TV Nthapo</li> </ul>	ANC – Ward Councillor	98	2
Cllr MC Ntemane	P/T	Additional member – Technical Services	ANC – Ward Councillor	95	2
Cllr MJ Phaliso	P/T	Technical Services – Chairperson <b>Add members:</b> <ul style="list-style-type: none"> <li>- Cllr MC Ntemane</li> <li>- Cllr TS Moqhoishi</li> </ul>	ANC – Ward Councillor	98	2
Cllr AN November	P/T	Community Services, Planning and LED – Chairperson <b>Add members:</b> <ul style="list-style-type: none"> <li>- Cllr PM Dibe</li> <li>- Cllr JDJ Barnes</li> </ul>	ANC – PR Councillor	95	5
Cllr PM Dibe	P/T	Additional member – Community Services	ANC – PR Councillor	98	2
Cllr JDJ Barnes	P/T	Additional member - Finance Services	DA – PR Councillors	98	2
Cllr TV Nthapo	P/T	Additional member - Corporate Services	DA – PR Councillor	98	2
Cllr TS Moqhoishi	P/T	Additional member - Technical Services	EFF – PR Councillor	98	2
<b>Note: * Councillors appointed on a proportional basis do not have wards allocated to them</b>					<b>T A.1</b>

## APPENDIX B – COMMITTEES AND COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
<b>Municipal Committees</b>	<b>Purpose of Committee</b>
Municipal Public Accounts Committee	Playing an oversight Role over the finances and the administration of the Municipality
Audit Committee	Performing duties as stipulated in Section 166 of the MFMA
Finance Committee	Perform duties as outlined on the legislation and advice council on finance related matters
Technical Services Committee	Perform duties as outlined on the legislation and advice council on technical department related matters
Corporate Services	Perform duties as outlined on the legislation and advice council on Corporate services related matters
Community and LED services	Perform duties as outlined on the legislation and advice council on Community services and LED related matters

## APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
<b>Directorate</b>	<b>Director/Manager (State title and name)</b>
Office of the Municipal Manager	Municipal Manager – Mr TL Mkhwane
Financial Services	Chief Financial Officer – Mr SJ Tooi
Technical Services	Director: Technical Services – Mrs DG Tsikang
Corporate services	Acting Director: Corporate Services – Mr S Qwelane
Community Services	Director: Community Services – Mr CJ Makhoba

## APPENDIX D –FUNCTIONS OF MUNICIPALITY/ENTITY

Municipal Functions	
Municipal Functions	Function Applicable to Municipality (Yes / No)*
Constitution Schedule 4, Part B functions:	
Air pollution	No
Building regulations	Yes
Child care facilities	No
Electricity and gas reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal airports	No
Municipal planning	Yes
Municipal health services	No
Municipal public transport	No
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
Pontoons, ferries, jetties, piers and harbours, excluding the regulation of international and national shipping and matters related thereto	No
Storm water management systems in built-up areas	Yes
Trading regulations	No
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Beaches and amusement facilities	No
Billboards and the display of advertisements in public places	Yes
Cemeteries, funeral parlours and crematoria	Yes
Cleansing	Yes
Control of public nuisances	Yes
Control of undertakings that sell liquor to the public	Yes
Facilities for the accommodation, care and burial of animals	Yes
Fencing and fences	Yes
Licensing of dogs	No
Licensing and control of undertakings that sell food to the public	Yes
Local amenities	Yes
Local sport facilities	Yes
Markets	No
Municipal abattoirs	No
Municipal parks and recreation	Yes
Municipal roads	Yes
Noise pollution	Yes
Pounds	No
Public places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

*TD*

## APPENDIX E – WARD REPORTING

Functionality of Ward Committees					
Ward Name (Number)	Name of Ward Councillor and elected Ward committee members	Committee established (Yes / No)	Number of monthly Committee meetings held during the year	Number of monthly reports submitted to Speakers Office on time	Number of quarterly public ward meetings held during year
1	Cllr XW Nqelani	Yes	-	-	-
2	Cllr PV Mlozana	Yes	-	-	-
3	Cllr MA Lebaka	Yes	-	-	-
4	Cllr MC Ntemane	Yes	-	-	-
5	Cllr MJ Phaliso	Yes	-	-	-
6	Cllr SJ Bahumi	Yes	-	-	-

## APPENDIX F – WARD INFORMATION

Ward Title: Ward Name (Number)				
Capital Projects: Seven Largest in '2021/22 (Full List at Appendix O)				
No.	Project Name and detail	Start Date	End Date	R' 000 Total Value
2	Jacobsdal: Construction of new water treatment works ( 4.2 ml/day)	2014	May 2021	R 64 039 917.29
4 & 5	Koffiefontein Bulk Water and Reservoir	2021	Not yet completed	R 48 145 473.00
3 & 6	Refurbish & Equipping of Boreholes And Connect Into the Existing Water Supply Scheme in Petrusburg	2020	March 2022	R 13 800 000.00
	Petrusburg/Bolokanang: Upgrading of 1.72km access paved road and storm water	2022	Not yet completed	R 11,845,267.94
3 & 6	Petrusburg Refurbishment of waste water treatment works	2021	Not yet completed	R 8,111,686.00
3 & 6	Petrusburg/Bolokanang: Construction of new pipeline from Boreholes 14 & 15 to reservoir	2020	November 2021	R 6 329 554.00
4	Electrification of 152 Households connections in Diamanthoogte/Koffiefontein	2021	June 2022	R 2 584 000.00

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	8916	8223	8340	8081	

Households without minimum service delivery		490	52	0	
Total Households*	8916	8713	8340	8081	
Houses completed in year					
Shortfall in Housing units					

Top Two Service Delivery Priorities for Ward (Highest Priority First)		
Ward No.	Priority Name and Detail	Progress During '2021/22
1 (Jacobsdal)	Jacobsdal: Construction of new water treatment works ( 4.2 ml/day)	100% Practical Complete
4 & 5 (Koffiefontein)	Koffiefontein Bulk Water and Reservoir	The project was under design and tender processes

Ward Title: Ward Name (Number)				
Capital Projects: Seven Largest in '2021/22 (Full List at Appendix O)				
No.	Project Name and detail	Start Date	End Date	R' 000 Total Value
2	Jacobsdal: Construction of new water treatment works ( 4.2 ml/day)	2014	2021-04-30	R12,142,579.51
5	Koffiefontein: Construction of new sports facility in Sonwabile	2019	Not yet completed	R2 551 452.00
4	Upgrading of Koffiefontein substation and bulk feeder lines	2018	2020/07/31	R 5.2 000 00
4 & 5	Koffiefontein/Ditlake/Diamanthoogte: Installation of 340 new domestic water meters and refurbishment of 432 domestic water meters (MIS:321576)	2020-07-16	2021-04-28	R2,689,666.28
1	Jacobsdal/Ratanang: Installation of 232 new domestic water meters, bulk water meters, 296 refurbishment of domestic meters (MIS:321605)	2020-02-21	2021-04-28	R1,740,766.55

Basic Service Provision					
Detail	Water	Sanitation	Electricity	Refuse	Housing
Households with minimum service delivery	8916	8223	8040	8081	
Households without minimum service delivery		490	0	0	
Total Households*	8916	8713	8040	8081	
Houses completed in year					
Shortfall in Housing units					



## APPENDIX G – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE 2021/22

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during 2020/21	Recommendations adopted (enter Yes) If not adopted (provide explanation)
N/A		
T G		

## APPENDIX H – LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (Largest Contracts Entered into during 2021/22) R' 000					
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Project manager	Contract Value
NONE					
T H.1					

Public Private Partnerships Entered into during 2021/22 R' 000					
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	Value 2015/16
None entered into.					
NONE					
T H.2					

## APPENDIX I – MUNICIPAL ENTITY/ SERVICE PROVIDER PERFORMANCE SCHEDULE

The municipality do not have a municipal entity.

**APPENDIX J – DISCLOSURES OF FINANCIAL INTERESTS**

No Disclosure of interest

**APPENDIX K (ii): REVENUE COLLECTION PERFORMANCE BY SOURCE**

# Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R

## Statement of Financial Performance

### Revenue

#### Revenue from exchange transactions

Service charges	61,260,133	2,692,775	<b>63,952,908</b>	57,337,231	<b>(6,615,677)</b>
Rental of facility/equipment	308,398	(27,756)	<b>280,642</b>	562,187	<b>281,545</b>
Interest on debtors	9,000,000	6,300,000	<b>15,300,000</b>	11,849,077	<b>(3,450,923)</b>
Other income	591,191	13,304	<b>604,495</b>	633,718	<b>29,223</b>
Dividends received	10,858	-	<b>10,858</b>	6,264	<b>(4,594)</b>
Interest-external investment	423,383	(169,353)	<b>254,030</b>	288,879	<b>34,849</b>
<b>Revenue from exchange transactions</b>	<b>71,593,963</b>	<b>8,808,970</b>	<b>80,402,933</b>	<b>70,677,356</b>	<b>(9,725,577)</b>

#### Revenue from non-exchange transactions

##### Taxation revenue

Property rates and availability charges	24,420,800	732,622	<b>25,153,422</b>	28,152,000	<b>2,998,578</b>
Interest on debtors	-	-	-	5,561,456	<b>5,561,456</b>

##### Transfer revenue

Transfer and subsidies	74,281,000	-	<b>74,281,000</b>	101,078,212	<b>26,797,212</b>
Fines and licences	39,668	(17,264)	<b>22,404</b>	17,850	<b>(4,554)</b>

#### Total revenue from non-exchange transactions

<b>Total revenue</b>	<b>98,741,468</b>	<b>715,358</b>	<b>99,456,826</b>	<b>134,809,518</b>	<b>35,352,692</b>
----------------------	-------------------	----------------	-------------------	--------------------	-------------------

## APPENDIX L: CONDITIONAL GRANTS RECEIVED/SPENT

Grants Performance				
	2020/2021	2021/2022		
Description	Actual	Budget	Adjustment Budget	Actual
<b><u>Operational Transfers and Grants</u></b>	-			
Equitable Shares	-	70,309,015	70,309,015	70,309,015
Other Transfers	78,873,000	3 974 000	3 974 000	3 974 000
	11 053 686			
<b><u>Capital Grants and Transfers</u></b>				
MIG		17,894,000	17,894,000	9,538,325
INEP	13,643,332	5,882,000	5,882,000	5 100 000
WSIG	9,547,000	25,532 000	25,532 000	16,666,751

# APPENDIX M: CAPITAL EXPENDITURE – NEW & UPGRADE/RENEWAL PROGRAMMES

## APPENDIX M (i): CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME

Capital Expenditure - New Assets Programme*							
Description	2020/21	2021/22			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b>Infrastructure - Total</b>	–			–	–	–	–
<b>Infrastructure: Road transport - Total</b>	–				–	–	–
Roads, Pavements & Bridges							
Storm water							
<b>Infrastructure: Electricity - Total</b>	–				–	–	–
Generation							
Transmission & Reticulation							
Street Lighting							
<b>Infrastructure: Water - Total</b>	–				–	–	–
Dams & Reservoirs							
Water purification							
Reticulation							
<b>Infrastructure: Sanitation - Total</b>	–				–	–	–
Reticulation							
Sewerage purification							
<b>Infrastructure: Other - Total</b>	–			–	–	–	–
Waste Management							
Transportation							
Gas							
<b>Community - Total</b>	–			–	–	–	–
Parks & gardens							
Sports fields & stadia							
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 next page

Table continued from previous page

Capital Expenditure - New Assets Programme*							
							R '000
Description	2020/21	2021/22			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	FY + 1	FY + 2	FY + 3
<b>Capital expenditure by Asset Class</b>							
<b><u>Heritage assets - Total</u></b>	–			–	–	–	–
Buildings							
Other							
<b><u>Investment properties - Total</u></b>	–			–	–	–	–
Housing development							
Other							
<b><u>Other assets</u></b>	–				–	–	–
General vehicles							
Specialised vehicles							
Plant & equipment							
Computers - hardware/equipment							
Furniture and other office equipment							
Abattoirs							
Markets							
Civic Land and Buildings							
Other Buildings							
Other Land							
Surplus Assets - (Investment or Inventory)							
Other							
<b><u>Agricultural assets</u></b>	–				–	–	–
<i>List sub-class</i>							
<b><u>Biological assets</u></b>	–				–	–	–
<i>List sub-class</i>							
<b><u>Intangibles</u></b>	–				–	–	–
Computers - software & programming							
Other ( <i>list sub-class</i> )							
<b>Total Capital Expenditure on new assets</b>	–				–	–	–

## APPENDIX N – CAPITAL PROGRAMME BY PROJECT 2021/22

NONE

## APPENDIX O – CAPITAL PROGRAMME BY PROJECT BY WARD 2021/22

Capital Programme by Project by Ward: 2021/22 R' 000		
Capital Project	Ward (s) affected	Works completed (Yes/No)
<b>Water and Sanitation</b>		
Jacobsdal: Construction of new water treatment works ( 4.2 ml/day)	2	Yes
Koffiefontein Bulk Water and Reservoir	4 & 5	No
Pipeline from borehole 14 and 15	3 & 6	Yes
Equipping of 13 boreholes and connecting to water supply scheme	3 & 6	Yes
Koffiefontein/Ditlhake/Diamanthoogte: Installation of 340 new domestic water meters and refurbishment of 432 domestic water meters (MIS:321576)	4 & 5	Yes
Jacobsdal/Ratanang: Installation of 232 new domestic water meters, bulk water meters, 296 refurbishment of domestic meters (MIS:321605)	2 & 7	Yes
Luckhoff/Relebohile: Installation of 308 new domestic water meters and refurbishment of 46 domestic water meters (MIS:321628)	2	Yes
Petrusburg/Bolokanang: Installation of 231 domestic water meters and refurbishment of 134 domestic water meters (MIS:321618)	3&6	Yes
Petrusburg Refurbishment of waste water treatment works	3 & 6	No
<b>Electricity</b>		
Electrification of 152 Households connections in Diamanthoogte/Koffiefontein	4	Yes
Electrification of 148 Households connections in Ratanang/Jacobsdal	2 & 7	Yes
<b>ICT and Other</b>	-	-
Luckhoff: Closure of existing solid waste site and construction of a new solid waste facility	1	No
Koffiefontein: Upgrading of existing solid waste disposal site	1	No
Petrusburg/Bolokanang: Upgrading of 1.72km access paved road and storm water	3	No
		<i>T O</i>

## APPENDIX P – SERVICE CONNECTION BACKLOGS AT SCHOOLS AND CLINICS

Service Backlogs: Schools and Clinics				
Establishments lacking basic services	Water	Sanitation	Electricity	Solid Waste Collection
Schools (NAMES, LOCATIONS)				
None that the municipality is aware of.				
Clinics (NAMES, LOCATIONS)				
None that the municipality is aware of.				
T P				

## APPENDIX Q – SERVICE BACKLOGS EXPERIENCED BY THE COMMUNITY WHERE ANOTHER SPHERE OF GOVERNMENT IS RESPONSIBLE FOR SERVICE PROVISION

Service Backlogs Experienced by the Community where another Sphere of Government is the Service Provider (where the municipality whether or not act on agency basis)		
Services and Locations	Scale of backlogs	Impact of backlogs
Clinics:	None that the municipality is aware of.	
Housing:		
Licensing and Testing Centre:		
Reservoirs		
Schools (Primary and High):		
Sports Fields:		

## APPENDIX R – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

Declaration of Loans and Grants made by the municipality: 2021/22				
All Organisation or Person in receipt of Loans */Grants* provided by the municipality	Nature of project	Conditions attached to funding	Value 2019/20 R' 000	Total Amount committed over previous and future years
No grants or loans were made.				
* Loans/Grants - whether in cash or in kind				







## LETSEMENG LOCAL MUNICIPALITY



**ADDRESS:**

7 Groot Trek Street,  
Koffiefontein  
9986



## **Letsemeng Local Municipality**

Annual Financial Statements  
for the year ended 30 June 2022  
Auditor-General of South Africa

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## General Information

---

<b>Legal form of entity</b>	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
<b>Nature of business and principal activities</b>	A local authority providing municipal services and maintaining the best interest of the community in the Letsemeng municipal area.
<b>Councillors</b>	AN November D Terblanche (appointed November 2021) HX Mthukwane (Speaker) II Ramohlabi (appointed November 2021) NJT Kumalo (appointed November 2021) JDJ Barnes (terminated April 2021) KD Molusi (appointed November 2021) SD Lichaba M Lehare (appointed November 2021) MA Lebaka MC Ntemane (deceased) MJ Phaliso (terminated November 2021) MM Potgieter (appointed May 2021) PM Dibe (terminated November 2021) PV Mlozana (deceased) SJ Bahumi (terminated November 2021) TS Moqhoishi (terminated November 2021) TV Nthapo V Stuurman (appointed November 2021) ZW Nqelani (terminated November 2021)
<b>Grading of local authority</b>	Grade 2
<b>Chief Finance Officer (CFO)</b>	Mr SJ Too
<b>Accounting Officers</b>	Mrs D Tsikang (Acting Municipal Manager) Mr TL Mkwane
<b>Registered office</b>	Civic Centre 7 Groottrek Street Koffiefontein 9986
<b>Business address</b>	Civic Centre 7 Groottrek Street Koffiefontein 9986
<b>Postal address</b>	Private Bag X3 Koffiefontein 9986
<b>Bankers</b>	First National Bank ABSA Bank

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Index

---

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

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Accounting Officer's Report	4 - 5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10 - 12
Accounting Policies	13 - 43
Notes to the Annual Financial Statements	43 - 81

AGSA	Auditor-General of South Africa
CRR	Capital Replacement Reserve
COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Responsibilities and Approval

---

The accounting officers are required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officers 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 officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers 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 officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2022 and were signed on its behalf by:

---

**Mrs D Tsikang (Acting Municipal Manager)**  
**Accounting Officer**

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

---

The accounting officers submit their report for the year ended 30 June 2022.

### 1. Review of activities

#### Main business and operations

The Letsemeng Local Municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Letsemeng municipal area.

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

Net Deficit of the municipality is R 47,875,997 (2021: Deficit R 9,780,226).

### 2. Going concern

The municipality experienced cash flow difficulties during the financial period. Management considered the following matters relating to the going concern:

- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the annual financial statements on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the government will continue to fund the operations of the municipality through the provision of the equitable share, additionally the accounting officer will continue to tightly manage the cashflow of the municipality and where necessary procure funding for the ongoing operations for the municipality.

### 3. Subsequent events

The Accounting Officer is not aware of any matter or circumstances arising since the end of the financial year.

### 4. Accounting Officers' interest in contracts

The Accounting Officer had no interest in any contracts.

### 5. Accounting policies

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

### 6. Non-current assets

There were no significant changes in the nature of the non-current assets of the municipality during the year.

### 7. Accounting Officer

The Accounting Officer of the municipality during the year and to the date of submission are as follows:

Name	Nationality
Mrs D Tsikang (Acting Municipal Manager)	South African
Mr TL Mkwane	South African

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Officer's Report

---

### 8. Corporate governance

#### General

The Accounting Officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### Management meetings

The Accounting Officer meets the section 56 managers at least on a monthly basis.

#### Internal audit

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

### 9. Bankers

The municipality's bankers did not change during the year.

### 10. Auditors

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

### 11. Non-compliance with applicable legislation

Significant non-compliance with various legislation have been properly disclosed in the notes to the financial statements.

### 12. Retirement benefit obligation

Management performed an actuarial valuation of the council's liability arising from the post-retirement healthcare subsidy ("PHS") payable to current and retired employees.

The valuation is in line with the requirements of GRAP 25 and the municipality has determined the items required for disclosure in terms of this standard.

---

**Mrs D Tsikang (Acting Municipal Manager)**  
**Accounting Officer**

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Position as at 30 June 2022

	Note(s)	2022 R	2021 Restated* R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	1,789,204	2,180,858
Other receivables from exchange transactions	4	2,344,272	2,827,126
Receivables from exchange transactions	5	95,751,117	76,962,481
Receivables from non-exchange transactions	6	25,922,625	22,081,102
VAT receivable	7&56	1,946,456	-
Cash and cash equivalents	8	1,160,275	645,820
		<b>128,913,949</b>	<b>104,697,387</b>
<b>Non-Current Assets</b>			
Investment property	9	77,119,300	77,119,300
Property, plant and equipment	10	685,621,737	706,056,312
Intangible assets	11	137,776	177,119
Heritage assets	12	15,000	15,000
Other financial assets	13	220,134	182,950
		<b>763,113,947</b>	<b>783,550,681</b>
<b>Total Assets</b>		<b>892,027,896</b>	<b>888,248,068</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	14	436,587	246,653
Payables from exchange transactions	15	183,419,874	169,066,029
Consumer deposits	16	956,069	859,826
Employee benefit obligation	17	775,000	556,000
Unspent conditional grants	18	35,193,391	3,234,319
VAT payable	7	-	2,994,970
Provisions	19	4,000,000	-
		<b>224,780,921</b>	<b>176,957,797</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	14	330,106	60,737
Employee benefit obligation	17	4,335,000	4,403,000
Provisions	19	12,174,228	8,542,898
		<b>16,839,334</b>	<b>13,006,635</b>
<b>Total Liabilities</b>		<b>241,620,255</b>	<b>189,964,432</b>
<b>Net Assets</b>		<b>650,407,641</b>	<b>698,283,636</b>
Accumulated surplus		650,407,641	698,283,636

\* See Note 44



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Financial Performance

	Note	2022 R	2021 Restated* R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	57,337,231	50,600,849
Dividends received	21	6,264	4,527
Interest received - outstanding debtors	22	11,849,077	10,323,620
Interest received - external investments	21	288,879	375,044
Rental of facilities and equipment	23	562,187	713,613
Other income	24	509,643	611,349
Administration and management fees received	24	124,075	96,790
<b>Total revenue from exchange transactions</b>		<b>70,677,356</b>	<b>62,725,792</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	25,823,757	25,605,086
Availability charges	25	2,328,243	-
Interest earned - outstanding debtors	22	5,561,456	4,063,552
<b>Transfer revenue</b>			
Government grants and subsidies	26	101,078,212	137,558,328
Fines, penalties and forfeits	27	7,850	13,900
Donations		10,000	-
<b>Total revenue from non-exchange transactions</b>		<b>134,809,518</b>	<b>167,240,866</b>
<b>Total revenue</b>		<b>205,486,874</b>	<b>229,966,658</b>
<b>Expenditure</b>			
Employee related costs	28	(71,837,039)	(63,364,198)
Remuneration of councillors	29	(4,764,305)	(4,217,404)
Depreciation and amortisation	30	(40,097,600)	(42,128,677)
Impairment loss	31	-	(8,783,528)
Finance costs	32	(11,158,847)	(7,871,577)
Debt impairment	33	(31,601,637)	(30,287,712)
Repairs and maintenance	34	(6,305,086)	(5,924,176)
Bulk purchases	35	(43,637,553)	(38,632,663)
Professional and consulting fees	36	(11,838,455)	(11,158,122)
General expenses	37	(27,501,447)	(17,034,736)
<b>Total expenditure</b>		<b>(248,741,969)</b>	<b>(229,402,793)</b>
<b>Operating (deficit) surplus</b>		<b>(43,255,095)</b>	<b>563,865</b>
Loss on disposal of assets and liabilities	38	(4,047,357)	(10,185,840)
Impairment loss reversal		83,648	-
Fair value adjustments	39	37,184	3,200
Actuarial gains	17	67,000	(308,000)
Inventories loss reversals (losses)		(761,377)	146,549
		<b>(4,620,902)</b>	<b>(10,344,091)</b>
<b>Deficit for the year</b>		<b>(47,875,997)</b>	<b>(9,780,226)</b>

\* See Note 44

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	707,108,623	707,108,623
Adjustments		
Prior year adjustments (see note 44)	955,239	955,239
<b>Balance at 01 July 2020 as restated*</b>	<b>708,063,862</b>	<b>708,063,862</b>
Changes in net assets		
Surplus for the year	(9,780,226)	(9,780,226)
Total changes	(9,780,226)	(9,780,226)
<b>Restated* Balance at 01 July 2021</b>	<b>698,283,638</b>	<b>698,283,638</b>
Changes in net assets		
Surplus for the year	(47,875,997)	(47,875,997)
Total changes	(47,875,997)	(47,875,997)
<b>Balance at 30 June 2022</b>	<b>650,407,641</b>	<b>650,407,641</b>

\* See Note 44

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Cash Flow Statement

	2022	2021
	R	Restated* R
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Sale of goods and services	43,984,986	40,584,358
Grants and subsidies received	133,037,284	140,526,686
Interest income	288,879	375,044
Dividends received	6,264	4,527
	<u>177,317,413</u>	<u>181,490,615</u>
<b>Payments</b>		
Employee costs	(74,610,314)	(64,201,405)
Supplier and other payments	(70,879,606)	(65,938,559)
Finance costs	-	(5,248,374)
	<u>(145,489,920)</u>	<u>(135,388,338)</u>
<b>Net cash flows from operating activities</b>	<b><u>31,827,493</u></b>	<b><u>46,102,277</u></b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(31,748,342)	(46,578,621)
<b>Net cash flows from investing activities</b>	<b><u>(31,748,342)</u></b>	<b><u>(46,578,621)</u></b>
<b>Cash flows from financing activities</b>		
Finance lease payments	435,304	(80,794)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b><u>514,455</u></b>	<b><u>(557,138)</u></b>
Cash and cash equivalents at the beginning of the year	645,820	1,202,958
<b>Cash and cash equivalents at the end of the year</b>	<b><u>1,160,275</u></b>	<b><u>645,820</u></b>

\* See Note 44

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R
<b>Statement of Financial Performance</b>					
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	61,260,133	2,692,775	<b>63,952,908</b>	57,337,231	<b>(6,615,677)</b>
Rental of facility/equipment	308,398	(27,756)	<b>280,642</b>	562,187	<b>281,545</b>
Interest on debtors	9,000,000	6,300,000	<b>15,300,000</b>	11,849,077	<b>(3,450,923)</b>
Other income	591,191	13,304	<b>604,495</b>	633,718	<b>29,223</b>
Dividends received	10,858	-	<b>10,858</b>	6,264	<b>(4,594)</b>
Interest-external investment	423,383	(169,353)	<b>254,030</b>	288,879	<b>34,849</b>
<b>Revenue from exchange transactions</b>	<b>71,593,963</b>	<b>8,808,970</b>	<b>80,402,933</b>	<b>70,677,356</b>	<b>(9,725,577)</b>
<b>Revenue from non-exchange transactions</b>					
<b>Taxation revenue</b>					
Property rates and availability charges	24,420,800	732,622	<b>25,153,422</b>	28,152,000	<b>2,998,578</b>
Interest on debtors	-	-	-	5,561,456	<b>5,561,456</b>
<b>Transfer revenue</b>					
Transfer and subsidies	74,281,000	-	<b>74,281,000</b>	101,078,212	<b>26,797,212</b>
Fines and licences	39,668	(17,264)	<b>22,404</b>	17,850	<b>(4,554)</b>
<b>Total revenue from non-exchange transactions</b>	<b>98,741,468</b>	<b>715,358</b>	<b>99,456,826</b>	<b>134,809,518</b>	<b>35,352,692</b>
<b>Total revenue</b>	<b>170,335,431</b>	<b>9,524,328</b>	<b>179,859,759</b>	<b>205,486,874</b>	<b>25,627,115</b>
<b>Expenditure</b>					
Employee costs	(70,204,645)	(225,000)	<b>(70,429,645)</b>	(71,837,039)	<b>(1,407,394)</b>
Remuneration of councillors	(4,827,983)	-	<b>(4,827,983)</b>	(4,764,305)	<b>63,678</b>
Depreciation / amortisation and impairment loss	(48,978,097)	-	<b>(48,978,097)</b>	(40,013,952)	<b>8,964,145</b>
Finance costs	(4,000,000)	(2,280,000)	<b>(6,280,000)</b>	(11,158,847)	<b>(4,878,847)</b>
Debt Impairment	(25,000,000)	-	<b>(25,000,000)</b>	(31,601,637)	<b>(6,601,637)</b>
Repairs and maintenance	(7,686,000)	-	<b>(7,686,000)</b>	(6,305,086)	<b>1,380,914</b>
Bulk purchases	(36,000,000)	2,000,000	<b>(34,000,000)</b>	(43,637,553)	<b>(9,637,553)</b>
Contracted services	(14,948,000)	(735,370)	<b>(15,683,370)</b>	(11,838,455)	<b>3,844,915</b>
Transfers and Subsidies	(880,000)	-	<b>(880,000)</b>	-	<b>880,000</b>
General expenses	(10,697,300)	(6,473,473)	<b>(17,170,773)</b>	(27,501,447)	<b>(10,330,674)</b>
<b>Total expenditure</b>	<b>(223,222,025)</b>	<b>(7,713,843)</b>	<b>(230,935,868)</b>	<b>(248,658,321)</b>	<b>(17,722,453)</b>
<b>Operating deficit</b>	<b>(52,886,594)</b>	<b>1,810,485</b>	<b>(51,076,109)</b>	<b>(43,171,447)</b>	<b>7,904,662</b>
Loss on disposal of assets	-	-	-	(4,047,357)	<b>(4,047,357)</b>
Fair value adjustments	-	-	-	37,184	<b>37,184</b>
Actuarial gains/losses	-	-	-	67,000	<b>67,000</b>
Inventories losses	-	-	-	(761,377)	<b>(761,377)</b>
	-	-	-	<b>(4,704,550)</b>	<b>(4,704,550)</b>
<b>Surplus / (Deficit)</b>	<b>(52,886,594)</b>	<b>1,810,485</b>	<b>(51,076,109)</b>	<b>(47,875,997)</b>	<b>3,200,112</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Current Assets</b>					
Inventories	5,438,788	-	<b>5,438,788</b>	1,789,204	<b>(3,649,584)</b>
Other receivables	3,117,000	-	<b>3,117,000</b>	2,344,272	<b>(772,728)</b>
Receivables: exchange	83,120,000	-	<b>83,120,000</b>	95,751,117	<b>12,631,117</b>
VAT receivable	-	-	-	1,946,456	<b>1,946,456</b>
Receivables: non-exchange	-	-	-	25,922,625	<b>25,922,625</b>
Cash and cash equivalents	4,650,751	5,093,249	<b>9,744,000</b>	1,160,275	<b>(8,583,725)</b>
	<b>96,326,539</b>	<b>5,093,249</b>	<b>101,419,788</b>	<b>128,913,949</b>	<b>27,494,161</b>
<b>Non-Current Assets</b>					
Investment property	81,300,162	-	<b>81,300,162</b>	77,119,300	<b>(4,180,862)</b>
Property, plant and equipment	51,103,301	(40,500)	<b>51,062,801</b>	685,621,737	<b>634,558,936</b>
Intangible assets	180,000	-	<b>180,000</b>	137,776	<b>(42,224)</b>
Heritage assets	-	-	-	15,000	<b>15,000</b>
Other financial assets	16,000	-	<b>16,000</b>	220,134	<b>204,134</b>
	<b>132,599,463</b>	<b>(40,500)</b>	<b>132,558,963</b>	<b>763,113,947</b>	<b>630,554,984</b>
<b>Total Assets</b>	<b>228,926,002</b>	<b>5,052,749</b>	<b>233,978,751</b>	<b>892,027,896</b>	<b>658,049,145</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Finance lease obligation	-	-	-	(436,587)	<b>(436,587)</b>
Payables from exchange transactions	(154,500,000)	-	<b>(154,500,000)</b>	(183,419,874)	<b>(28,919,874)</b>
Consumer deposits	(90,000)	-	<b>(90,000)</b>	(956,069)	<b>(866,069)</b>
Employee benefit obligation	-	-	-	(775,000)	<b>(775,000)</b>
Unspent conditional grants	-	-	-	(35,193,391)	<b>(35,193,391)</b>
	<b>(154,590,000)</b>	-	<b>(154,590,000)</b>	<b>(220,780,921)</b>	<b>(66,190,921)</b>
<b>Non-Current Liabilities</b>					
Finance lease obligation	-	-	-	(330,106)	<b>(330,106)</b>
Employee benefit obligation	-	-	-	(4,335,000)	<b>(4,335,000)</b>
Provisions	-	-	-	(16,174,228)	<b>(16,174,228)</b>
	-	-	-	<b>(20,839,334)</b>	<b>(20,839,334)</b>
<b>Total Liabilities</b>	<b>(154,590,000)</b>	-	<b>(154,590,000)</b>	<b>(241,620,255)</b>	<b>(87,030,255)</b>
<b>Net Assets</b>	<b>383,516,002</b>	<b>5,052,749</b>	<b>388,568,751</b>	<b>1,133,648,151</b>	<b>745,079,400</b>
<b>Net Assets</b>					
<b>Net Assets Attributable to Owners of Controlling Entity</b>					
<b>Reserves</b>					
Accumulated surplus	383,516,002	5,052,749	<b>388,568,751</b>	1,133,648,151	<b>745,079,400</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods and services	62,287,065	13,248,369	<b>75,535,434</b>	44,342,656	<b>(31,192,778)</b>
Grants	123,589,000	-	<b>123,589,000</b>	133,037,284	<b>9,448,284</b>
Other receipts	6,842,000	(169,000)	<b>6,673,000</b>	-	<b>(6,673,000)</b>
Dividends received	10,858	-	<b>10,858</b>	6,264	<b>(4,594)</b>
Interest income	1,373,257	(582,955)	<b>790,302</b>	288,879	<b>(501,423)</b>
	<b>194,102,180</b>	<b>12,496,414</b>	<b>206,598,594</b>	<b>177,675,083</b>	<b>(28,923,511)</b>

##### Payments

Supplier payments and employee costs	(130,168,128)	(11,944,000)	<b>(142,112,128)</b>	(152,128,735)	<b>(10,016,607)</b>
Finance charges	(4,000,000)	-	<b>(4,000,000)</b>	(9,837,817)	<b>(5,837,817)</b>
	<b>(134,168,128)</b>	<b>(11,944,000)</b>	<b>(146,112,128)</b>	<b>(161,966,552)</b>	<b>(15,854,424)</b>

#### Net cash flows from operating activities

	<b>59,934,052</b>	<b>552,414</b>	<b>60,486,466</b>	<b>15,708,531</b>	<b>(44,777,935)</b>
--	-------------------	----------------	-------------------	-------------------	---------------------

#### Cash flows from investing activities

Purchase of property, plant and equipment	(51,283,301)	40,500	<b>(51,242,801)</b>	(15,638,690)	<b>35,604,111</b>
---	--------------	--------	---------------------	--------------	-------------------

#### Cash flows from financing activities

Finance lease payments	-	-	-	444,614	<b>444,614</b>
Net increase/(decrease) in cash and cash equivalents	8,650,751	592,914	<b>9,243,665</b>	514,455	<b>(9,173,824)</b>
Cash and cash equivalents at the beginning of the year	500,000	-	<b>500,000</b>	645,820	<b>145,820</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>9,150,751</b>	<b>592,914</b>	<b>9,743,665</b>	<b>1,160,275</b>	<b>(9,028,004)</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, 2003 (Act No. 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.

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, unless specifically stated.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

##### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### 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 surplus and deficit for the year.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 19 - 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 property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual values on an annual basis, considering the condition and use of the individual assets. 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 17.

#### Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

#### 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.



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### GRAP 24: Presentation of budget information

The comparison of budget and actual amounts were presented separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis.

### 1.4 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.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

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.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.4 Investment property (continued)

All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment properties.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	25 - 50 years
- Improvements	Straight line	25 - 50 years
Plant and machinery	Straight line	3 - 10 years
Furniture and fixtures	Straight line	3 - 10 years
Motor vehicles	Straight line	3 - 7 years
Heavy machinery and vehicles	Straight line	3 - 10 years
Office equipment	Straight line	2 - 7 years
Infrastructure	Straight line	
- Electricity	Straight line	7 - 50 years
- Roads	Straight line	8 - 50 years
- Sewerage and solid waste	Straight line	5 - 50 years
- Stormwater	Straight line	30 - 50 years
- Water	Straight line	5 - 50 years
Community assets	Straight line	
- Buildings	Straight line	20 - 50 years
- Recreational facilities	Straight line	7 - 50 years
- Security measures	Straight line	3 - 5 years
Other property, plant and equipment	Straight line	
- Other equipment	Straight line	2 - 10 years
- Fences and gates	Straight line	15 - 25 years
- Paving	Straight line	3 - 10 years
Other equipment	Straight line	3 - 10 years
Leased assets (computer equipment, copies and cell phones)	Straight line	2 - 3 years

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

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

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

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

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

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

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.6 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.

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

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

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

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

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

---

Item	Depreciation method	Average useful life
Computer software	Straight line	2 - 6 years

---

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).

### 1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.7 Heritage assets (continued)

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

#### Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

### 1.8 Financial instruments

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

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

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

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.8 Financial instruments (continued)

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

- derivatives;
- 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.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.8 Financial instruments (continued)

#### Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	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.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

#### 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.



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.8 Financial instruments (continued)

#### 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, an 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.

#### 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.

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.

## Accounting Policies

---

### 1.8 Financial instruments (continued)

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.

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 :
  - derecognise 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.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.8 Financial instruments (continued)

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.

#### Financial liabilities

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

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

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

#### Presentation

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

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

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

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

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

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

### 1.9 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.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.9 Leases (continued)

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### 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.

### 1.10 Inventories

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.

Subsequently inventories are measured at the lower of cost and net realisable value.

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.10 Inventories (continued)

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.

### 1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

### Identification

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

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

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

### Value in use

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

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

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

#### 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.

### 1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

#### Identification

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

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

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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.12 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 overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the 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.

### 1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.13 Employee benefits (continued)

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.

#### 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 cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise 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 recognise 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 recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

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

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

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



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.13 Employee benefits (continued)

#### Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

#### Post-employment benefits: Defined contribution plans

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

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

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

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

#### 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 recognise 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.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.13 Employee benefits (continued)

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 recognise past service cost as an expense in the reporting period in which the plan is amended.

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

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

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

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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.

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

The entity 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 entity 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

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.13 Employee benefits (continued)

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.13 Employee benefits (continued)

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.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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 entity 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.

#### Termination benefits

The entity 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.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.13 Employee benefits (continued)

The entity 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.

### 1.14 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 (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the 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 51.

### 1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

### 1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.16 Revenue from exchange transactions (continued)

#### 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.

#### 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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.17 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.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.17 Revenue from non-exchange transactions (continued)

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

There are two types of fines and summonses. Municipalities will usually issue both types of fines. There is uncertainty regarding the probability regarding the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

In respect of summonses the public prosecutor can decide whether to waive the revenue amount collected from the spot fines and summonses, the revenue from summonses should be recognised when the public prosecutor pays over to the municipality the cash actually collected on summonses issued.

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.

#### Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Government grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by entities in rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed on their use.

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

The municipality needs to assess the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transactions will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.17 Revenue from non-exchange transactions (continued)

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Division of Revenue Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### Other grants and donations

Donations shall be measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

Other grants and donations are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

#### Assessment rates

Revenue from rates, including collection charges and penalty interest, is recognised when:

- It is probable that the economic benefits or service potential associated with the transactions will flow to the entity;
- The amount of the revenue can be measured reliably. and;
- There has been compliance with the relevant legal requirement.

Changes to property values during a reporting period, which are referred to as "interims, are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### 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.

### 1.18 Investment income

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

### 1.19 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.

### 1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.21 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.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.21 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Irregular expenditure

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.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the 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.

### 1.24 Use in estimate

The preparation of financial statements in conformity with the Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in the relevant section of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.25 Value added tax

The municipality is registered with the South African Revenue Services for VAT on the payment basis, in accordance with section 15(2) of the Value Added Tax Act, 1991 (Act No. 89 of 1991).

### 1.26 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

---

### 1.26 Budget information (continued)

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 cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The 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.

### 1.29 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.30 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);

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Accounting Policies

### 1.30 Segment information (continued)

- 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.

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 2. New standards and interpretations

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

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• The Application of Standards of GRAP by Public Entities that Apply IFRS® Standards	01 April 2022	Unlikely there will be a material impact
• IGRAP 21 on The effect of past decisions on materiality	01 April 2022	Unlikely there will be a material impact

### 3. Inventories

Maintenance materials	1,739,251	2,141,091
Spare parts	33,667	29,195
Water	16,286	10,572
	<b>1,789,204</b>	<b>2,180,858</b>

Inventories are held for own use and measured at the lower of cost or current replacement value. Inventory amounting to ((R761 377) (2021: R146 549) was inventory as evidenced through inspection of the general ledger. Inventory consumed for the year related to R361 721.

The cost of water production for the year amounted to R0.65 (2021: R0.67) per kilolitre.

#### Inventory pledged as security

No inventories have been pledged as security for overdraft facilities of the municipality.

### 4. Other receivables from exchange transactions

Eskom security held	1,987,385	1,919,848
Sundry deposits	272,507	852,317
Prepaid expense	-	33,450
Trade payables from exchange transactions with debit balances	84,380	21,511
	<b>2,344,272</b>	<b>2,827,126</b>

Electricity deposits relate to the deposits held for the bulk Eskom accounts

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>5. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	12,366,599	8,805,429
Water	54,676,286	44,712,207
Sewerage	44,260,451	38,007,534
Refuse	41,834,869	35,442,196
Other	887,613	221,439
Housing rental	1,205,091	1,791,904
Interest	126,406,045	110,193,677
	<b>281,636,954</b>	<b>239,174,386</b>
<b>Less: Allowance for impairment</b>		
Electricity	(5,370,073)	(4,700,224)
Water	(36,842,087)	(30,699,120)
Sewerage	(30,071,780)	(26,295,893)
Refuse	(28,483,980)	(24,585,256)
Other	(292,495)	(141,426)
Housing rental	(797,560)	(999,289)
Interest	(84,027,862)	(74,790,697)
	<b>(185,885,837)</b>	<b>(162,211,905)</b>
<b>Net balance</b>		
Electricity	6,996,526	4,105,205
Water	17,834,199	14,013,087
Sewerage	14,188,671	11,711,641
Refuse	13,350,889	10,856,940
Other	595,118	80,013
Housing rental	407,531	792,615
Interest	42,378,183	35,402,980
	<b>95,751,117</b>	<b>76,962,481</b>
<b>Electricity</b>		
Current (0 -30 days)	2,174,419	693,551
31 - 60 days	591,343	365,645
61 - 90 days	264,421	333,387
91 - 120 days	534,205	231,279
121 - 150 days	224,411	246,916
>150 days	3,207,727	2,234,427
	<b>6,996,526</b>	<b>4,105,205</b>
<b>Water</b>		
Current (0 -30 days)	518,469	988,101
31 - 60 days	438,525	350,457
61 - 90 days	402,987	300,302
91 - 120 days	288,584	284,577
121 - 150 days	301,695	296,219
> 150 days	15,883,939	11,793,431
	<b>17,834,199</b>	<b>14,013,087</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>5. Receivables from exchange transactions (continued)</b>		
<b>Sewerage</b>		
Current (0 -30 days)	313,207	371,135
31 - 60 days	303,669	287,227
61 - 90 days	281,210	275,707
91 - 120 days	278,208	278,932
121 - 150 days	272,191	264,222
> 150 days	12,740,186	10,234,418
	<b>14,188,671</b>	<b>11,711,641</b>
<b>Refuse</b>		
Current (0 -30 days)	276,165	307,101
31 - 60 days	286,792	273,193
61 - 90 days	264,180	253,525
91 - 120 days	261,797	258,889
121 - 150 days	259,596	244,087
> 150 days	12,002,359	9,520,145
	<b>13,350,889</b>	<b>10,856,940</b>
<b>Other</b>		
Current (0 -30 days)	(11,008)	10,855
31 - 60 days	7,623	7,003
61 - 90 days	5,236	5,836
91 - 120 days	23,266	5,836
121 - 150 days	10,311	5,836
> 150 days	559,690	44,647
	<b>595,118</b>	<b>80,013</b>
<b>Housing rental</b>		
Current (0 -30 days)	10,302	15,301
31 - 60 days	8,350	3,931
61 - 90 days	5,660	4,698
91 - 120 days	5,561	6,858
121 - 150 days	4,686	6,431
> 150 days	372,972	755,396
	<b>407,531</b>	<b>792,615</b>
<b>Interest</b>		
Current (0 -30 days)	769,627	257,511
31 - 60 days	653,173	439,827
61 - 90 days	607,069	433,453
91 - 120 days	571,682	424,174
121 - 150 days	568,920	421,779
> 150 days	39,207,712	33,426,236
	<b>42,378,183</b>	<b>35,402,980</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	162,211,905	136,086,763
Contributions to allowance	23,673,932	26,125,142
	<b>185,885,837</b>	<b>162,211,905</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 5. Receivables from exchange transactions (continued)

#### Consumer debtors pledged as security

None of the receivable from exchange transaction debtors have been pledged as security for the municipality's financial liabilities.

#### Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R5 971 746 (2021: R5 223 810) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	4,051,181	2,637,555
2 months past due	2,289,476	1,727,283
3 months past due	1,830,764	1,606,908

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of receivables from exchange transactions, the municipality has placed strong emphasis on verifying the indigent status of consumers. The provision for impairment in respect of the receivables from exchange transactions have been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the provision for impairment. Refer to details in the accounting policy for further details.

#### GRAP 3: Impracticable

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. For a particular prior period, it is impracticable to apply a change in an accounting policy retrospectively or to make a retrospective restatement to correct an error if:

The effects of the retrospective application or retrospective restatement are not determinable;

The retrospective application or retrospective restatement requires assumptions about what management's intent would have been in that period; or

The retrospective application or retrospective restatement requires significant estimates of amounts, and it is impossible to distinguish objectively information about those estimates that:

Provides evidence of circumstances that existed on the date(s) as at which those amounts are to be recognized, measured, or disclosed; and

Would have been available when the financial statements for that prior period were authorized for issue from other information.

#### CHANGE IN ITC CONSULTANTS

The most impactful limitation experienced during the process has been the limitation on obtaining billing and debtor information for the financial years ending June 2013; 2014; 2015; 2016; and 2017, due to the change in the ITC consultants at the municipality.

Prior to the procurement and implementation of the mSCOA-compliant financial system, LLM used the SEBATA financial system for the processing and recording of its financial information. For the financial year starting on 1 July 2017, the SEBATA financial system was replaced with the SAGE financial system to ensure the municipality complies with the mSCOA requirements.



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 5. Receivables from exchange transactions (continued)

In an attempt to obtain all the aforementioned information, it was however an unsuccessful task to obtain back-ups.

The following financial years were found to be impracticable to determine the misstatement of the revenue:

30 June 2013  
30 June 2014  
30 June 2015  
30 June 2016  
30 June 2017

The municipality investigated and calculated the misstatement of revenue that was approved by Council:

	30 June 2018:	30 June 2019:	30 June 2020:
Electricity	R 520 723	R 447 011	R 512 131
Water	R1 457 425	R 227 465	R 988 234
Sewerage	R1 631 643	R 340 165	R1 218 137
Refuse	<u>R3 081 297</u>	<u>(R1 089 092)</u>	<u>R1 454 761</u>
Total	<b>R6 691 088</b>	<b>(R 74 451)</b>	<b>R4 173 263</b>

### 6. Receivables from non-exchange transactions

Assessment rates	60,460,498	51,269,614
Provision for impairment	(35,989,260)	(29,643,665)
Other receivables	455,153	455,153
Availability charges	4,981,170	-
Provision for impairment	(3,984,936)	-
	<b>25,922,625</b>	<b>22,081,102</b>

### Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions have been pledged as security for the municipality's financial liabilities.

### Property rates

<b>Property rates</b>	-	-
Current (0 - 30 Days)	163,413	2,180,954
31 - 60 days	849,165	789,644
61 - 90 days	686,043	697,760
91 - 120 days	763,585	681,476
121 - 150 days	694,590	606,445
> 150 days	<u>20,976,365</u>	<u>16,399,670</u>
	<b>24,133,162</b>	<b>21,625,949</b>

### Availability charges

<b>Availability charges</b>	-	-
Current (0 - 30 Days)	31,354	-
31 - 60 days	29,341	-
61 - 90 days	27,338	-
91 - 120 days	25,705	-
121 - 150 days	24,677	-
> 150 days	<u>857,819</u>	<u>-</u>
	<b>996,234</b>	<b>-</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 6. Receivables from non-exchange transactions (continued)

#### Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2022, R1 086 655 (2021: R3 668 358) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	194,767	2,180,954
2 months past due	878,507	789,644
3 months past due	713,381	697,760

#### Reconciliation of provision for impairment of receivables

Opening balance	29,643,659	24,108,576
Provision for impairment	6,345,601	5,535,083
	<b>35,989,260</b>	<b>29,643,659</b>

#### Reconciliation of provision for impairment of availability charges

Provision for impairment	996,234	-
--------------------------	---------	---

The provision for impairment was calculated after grouping all the financial assets of similar nature, risk ratings and assessing the recoverability.

In determining the recoverability of the receivables from non-exchange transactions, the municipality considers any change in the credit quality of the assessment rate debtors from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes that there is no further credit provision required in excess of the provision for impairment.

The following financial years were found to be impracticable to determine the misstatement of the revenue:

30 June 2013  
30 June 2014  
30 June 2015  
30 June 2016  
30 June 2017

The municipality investigated and calculated the misstatement of revenue that was approved by Council:

30 June 2018: R3 476 465  
30 June 2019: R1 714 964  
30 June 2020: (R698 846)

### 7. VAT receivable/payable

VAT Payable	(10,276,661)	(10,125,647)
VAT invoice basis receivable	12,391,973	8,673,671
Plus: VAT payment basis	(168,856)	(1,542,994)
	<b>1,946,456</b>	<b>(2,994,970)</b>

VAT is payable on a cash basis. Once payment is received or made, VAT is payable or receivable from SARS.

No interest is payable to SARS if VAT is paid in time. Interest on late payments is charged according to SARS policies.

The municipality was charged with interest due to late payment.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>8. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Bank balances	489,025	345,386
Short-term deposits	671,250	300,434
	<b>1,160,275</b>	<b>645,820</b>

The management of the municipality is of the opinion that the carrying value of the current investments and bank balances recorded at amortised cost in the financial statements approximate amortised cost.

### Cash and cash equivalents pledged as collateral

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank - Current account - 527115689918	488,959	345,319	926,962	488,959	345,319	926,962
ABSA Bank - Current account - 4078034774 (closed)	-	-	1,480	-	-	1,480
First National Bank - Call account - 62711355132	66	66	66	66	66	66
ABSA Bank - Current account - 409262218	190,312	183,815	193,199	190,312	183,815	193,199
Nedbank - Money Market - 03/7881110481/000003	16,907	16,305	15,763	16,907	16,305	15,763
First National Bank - Money Market - 62847543528	136	136	65,488	136	136	65,488
ABSA Bank - Current account - 9358983129	463,895	100,179	-	463,895	100,179	-
<b>Total</b>	<b>1,160,275</b>	<b>645,820</b>	<b>1,202,958</b>	<b>1,160,275</b>	<b>645,820</b>	<b>1,202,958</b>

### 9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	77,119,300	-	77,119,300	77,119,300	-	77,119,300

### Reconciliation of investment property - 2022

	Opening balance	Total
Investment property	77,119,300	77,119,300

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 9. Investment property (continued)

#### Reconciliation of investment property - 2021

	Opening balance	Impairments	Total
Investment property	77,704,540	(585,240)	77,119,300

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

#### Adjustment to fair value

The valuation was based on open market value for existing use. These assumptions are based on current market conditions.

The investment properties were valued in terms of the requirements of GRAP 16 and the details of the valuation is available for inspection at the registered office of the municipality. Properties were individually investigated to confirm classification as investment properties. Investment properties are identified under GRAP16.

The following criteria was used to determine whether a property should be classified as an investment property:

A building owned by the municipality and leased out to third parties under one or more operating leases.

Land held for a current undeterminable future use.

Property being constructed or developed for future use as investment property.

No restrictions exist unless the property is being leased out to third parties.

#### Under construction and Contractual commitments

No investment property was under construction or incurred towards contractual commitments during the financial year.

#### Repairs and maintenance

No repairs and maintenance was incurred in the running of these properties for the financial year.

Maintenance by condition, nature and type of expenditure - corrective maintenance is in place. Maintenance is done as reported on.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13,417,919	-	13,417,919	13,417,919	-	13,417,919
Buildings	159,864,539	(91,840,990)	68,023,549	159,881,248	(86,947,493)	72,933,755
Other property, plant and equipment	12,014,171	(6,701,949)	5,312,222	12,183,089	(7,644,978)	4,538,111
Infrastructure	1,372,438,855	(774,415,502)	598,023,353	1,355,762,977	(740,911,613)	614,851,364
Leased assets	1,215,591	(370,897)	844,694	484,010	(168,847)	315,163
<b>Total</b>	<b>1,558,951,075</b>	<b>(873,329,338)</b>	<b>685,621,737</b>	<b>1,541,729,243</b>	<b>(835,672,931)</b>	<b>706,056,312</b>

### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transferred to completed	Disposals	Depreciation	Impairment loss	Total
Land	13,417,919	-	-	-	-	-	13,417,919
Buildings	72,933,755	-	-	(16,709)	(4,893,497)	-	68,023,549
Other property, plant and equipment	4,538,111	1,608,908	-	(223,396)	(579,896)	(31,505)	5,312,222
Infrastructure	614,851,364	63,180,460	(41,933,558)	(3,807,252)	(34,382,814)	115,153	598,023,353
Leased assets	315,163	731,581	-	-	(202,050)	-	844,694
<b>Total</b>	<b>706,056,312</b>	<b>65,520,949</b>	<b>(41,933,558)</b>	<b>(4,047,357)</b>	<b>(40,058,257)</b>	<b>83,648</b>	<b>685,621,737</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Write-off	Depreciation	Impairment loss	Total
Land	13,417,919	-	-	-	-	-	13,417,919
Buildings	87,017,891	1,337,649	(417,700)	(3,016,195)	(5,079,661)	(6,908,229)	72,933,755
Other property, plant and equipment	5,112,926	462,844	(349,368)	-	(681,953)	(6,338)	4,538,111
Infrastructure	603,457,213	49,184,634	(437,843)	-	(36,068,919)	(1,283,721)	614,851,364
Leased assets	411,912	-	-	-	(96,749)	-	315,163
	<b>709,417,861</b>	<b>50,985,127</b>	<b>(1,204,911)</b>	<b>(3,016,195)</b>	<b>(41,927,282)</b>	<b>(8,198,288)</b>	<b>706,056,312</b>

#### Assets subject to finance lease (Net carrying amount)

Other equipment	626,280	-
Motor vehicles	218,415	411,912
	<b>844,695</b>	<b>411,912</b>

#### Other information

Expenditure incurred on repairs and maintenance of property, plant and equipment

Other property, plant and equipment	6,305,086	5,924,176
-------------------------------------	-----------	-----------

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

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

#### Reconciliation of Work-in-Progress 2022

	Included within infrastructure	Included within buildings	Total
Opening balance	33,529,049	2,443,861	35,972,910
Additions/capital expenditure	18,761,604	-	18,761,604
Transferred to completed items	(41,933,558)	-	(41,933,558)
	<b>10,357,095</b>	<b>2,443,861</b>	<b>12,800,956</b>

#### Reconciliation of Work-in-Progress 2021

	Included within infrastructure	Included within buildings	Total
Opening balance	90,460,095	13,186,836	103,646,931
Additions/capital expenditure	49,801,885	1,240,937	51,042,822
Transferred to completed items	(106,732,931)	(11,983,912)	(118,716,843)
	<b>33,529,049</b>	<b>2,443,861</b>	<b>35,972,910</b>

A register containing the information required by section 63 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is available for inspection at the registered office of the municipality.

#### Slow-moving projects

Koffiefontein / Sonwabile: Construction of new sports facility	2,443,860	2,443,860
--	-----------	-----------

The aforementioned project represent the slow-moving project which are included in work-in-progress balance. This project is slow-moving due to a pending court case with the contractor.

### 11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,006,977	(869,201)	137,776	1,006,977	(829,858)	177,119

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	177,119	(39,343)	137,776

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	378,514	(201,395)	177,119

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 11. Intangible assets (continued)

#### Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets had been pledged as security for any liabilities of the municipality.

### 12. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	15,000	-	15,000	15,000	-	15,000

#### Reconciliation of heritage assets - 2022

	Opening balance	Total
Mayoral chain	15,000	15,000

#### Reconciliation of heritage assets - 2021

	Opening balance	Total
Mayoral chain	15,000	15,000



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>13. Other financial assets</b>		
<b>Designated at fair value</b>		
Unlisted shares	220,134	182,950
The municipality holds the following non-controlling interests:		
Senwes Limited:	3 600 (2021: 3 600) shares	
Senwesbel Limited:	4 990 (2021: 4 990) shares	
OVK: Operational Shares	4 000 (2021: 4 000) shares	
OVK: Holding Shares	4 000 (2021: 4 000) shares	
<b>Non-current assets</b>		
Designated at fair value	220,134	182,950
<b>Financial assets at fair value</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Class 1: Senwes Limited	50,400	36,000
These shares are valued as per the valuation obtained from the Senwes Limited Transfer Secretaries and represents the fair value as at 30 June.		
Class 2: Senwesbel Limited	32,934	24,950
These shares are valued as per the valuation obtained from the Senwesbel Limited Transfer Secretaries and represents the fair value as at 30 June.		
Class 3: OVK Operational shares	72,000	63,400
These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June.		
Class 4: OVK Holding shares	64,800	55,400
These shares are valued as per the valuation obtained from the OVK Transfer Secretaries and represents the fair value as at 30 June.		
	<b>220,134</b>	<b>179,750</b>
<b>Fair value hierarchy of financial assets at fair value</b>		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 2 applies inputs which are not based on observable market data.		
Level 3 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
<b>Level 1</b>		
Class 1: Senwes Limited	50,400	36,000
Class 2: Senwesbel Limited	32,934	24,950
Class 3: OVK Operational shares	72,000	63,400
Class 4: OVK Holding shares	64,800	55,400
	<b>220,134</b>	<b>179,750</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>14. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	445,878	266,290
- in second to fifth year inclusive	330,106	61,712
	775,984	328,002
less: future finance charges	(9,291)	(20,612)
<b>Present value of minimum lease payments</b>	<b>766,693</b>	<b>307,390</b>
<b>Present value of minimum lease payments due</b>		
- within one year	436,587	246,653
- in second to fifth year inclusive	330,106	60,737
	<b>766,693</b>	<b>307,390</b>
Non-current liabilities	330,106	60,737
Current liabilities	436,587	246,653
	<b>766,693</b>	<b>307,390</b>

It is municipality policy to lease certain other property, plant and equipment (motor vehicles) under finance leases.

The lease contract incurred in the current financial year, with a lease term of 36 months. The effective borrowing rate was 10%

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

## 15. Payables from exchange transactions

Trade payables	24,693,641	34,097,405
Accrued bonus	1,386,550	1,051,318
Accrued leave pay	6,367,164	5,955,470
Retention monies	402,517	8,484,319
Employee related liabilities	5,069,719	3,892,615
Eskom	126,163,884	86,576,571
Sedibeng Water	-	11,662,826
Oranje-Riet	518,213	647,140
Kalkfontein	15,337,727	11,779,741
Payments received in advanced	3,480,459	4,918,624
	<b>183,419,874</b>	<b>169,066,029</b>

## 16. Consumer deposits

Water and electricity	956,069	859,826
-----------------------	---------	---------

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 17. Employee benefit obligations

#### Defined benefit plan

##### Post-employment medical aid benefit liability

The municipality provides certain post-employment health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The municipality makes monthly contributions for health care arrangements to the Hosmed, LA Health and Key Health Medical Aid schemes.

The members of the Post-employment medical aid (health care) benefit plan are made up as follows:

- In-service members (employees): 0 (2021: 0)
- In-service non-members (employees): 0 (2021: 0)
- Continuation members (retirees, widowers and orphans): 7 (2021: 8)

##### Long service award liability

The municipality operates an unfunded defined benefit liability for all its employees. Under the plan, a long service award is every 5 years of continuous service, from 5 to 45 years of service, inclusive. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out at 30 June 2022. The present value of the defined benefit obligation, and the related current and past service cost, were measured using the Projected Unit Credit Method.

The current service cost for the year ending 30 June 2022 is estimated to be R316 000, whereas the cost for ensuing year is estimated to be R289 000.

##### Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the respective medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2022. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>17. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
<b>Carrying value</b>		
Present value of the Post-employment medical aid benefit liability	(1,711,000)	(2,056,000)
Present value of the Long service award liability	(3,399,000)	(2,903,000)
	<b>(5,110,000)</b>	<b>(4,959,000)</b>
Non-current liabilities	(4,335,000)	(4,403,000)
Current liabilities	(775,000)	(556,000)
	<b>(5,110,000)</b>	<b>(4,959,000)</b>
The municipality expects to make a contribution of R378 000 (2021: R296 000) and R186 000 (2021: R204 000) in the next financial year to the post-employment medical aid benefit and long service award liabilities, respectively.		
<b>Changes in the present value of the post-employment medical aid benefit obligation are as follows:</b>		
Opening balance	2,056,000	1,933,000
Net expense recognised in the statement of financial performance	(345,000)	123,000
	<b>1,711,000</b>	<b>2,056,000</b>
<b>Net expense recognised in the statement of financial performance: Post-employment medical aid benefit liability</b>		
Benefits paid	(270,000)	(301,000)
Interest cost	204,000	219,000
Actuarial (gains) losses	(279,000)	205,000
	<b>(345,000)</b>	<b>123,000</b>
<b>Changes in the present value of the long service award liability are as follows:</b>		
Opening balance	2,903,000	2,481,000
Net expense recognised in the statement of financial performance	496,000	422,000
	<b>3,399,000</b>	<b>2,903,000</b>
<b>Changes in the fair value of plan assets are as follows:</b>		
Current service cost	316,000	289,000
Interest cost	313,000	297,000
Actuarial gains (losses)	212,000	103,000
Benefits paid	(345,000)	(267,000)
	<b>496,000</b>	<b>422,000</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 17. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rate: Post-employment medical aid benefit liability	11.82 %	8.67 %
Discount rate: Long service award liability	10.93 %	8.47 %
Health care cost inflation rate	9.02 %	6.98 %
General salary inflation	8.49 %	6.29 %
Net discount rate: Post-employment medical aid benefit liability	2.57 %	1.59 %
Net discount rate: Long service award liability	2.25 %	2.05 %
Maximum subsidy inflation rate	4.51 %	4.86 %
Net discount rate: Maximum subsidy inflation rate	7.00 %	3.64 %

#### Other assumptions

The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation is as follows:

#### Increase:

Effect on the aggregate of the current service cost and the interest cost	192,000	211,000
Effect on the defined benefit obligation	1,758,000	2,123,000

#### Decrease:

Effect on the aggregate of the current service cost and the interest cost	180,000	196,000
Effect on the defined benefit obligation	1,658,000	1,983,000

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

#### Increase:

Effect on the aggregate of the current service cost and the interest cost	832,000	672,000
Effect on the defined benefit obligation	3,618,000	3,088,000

#### Decrease:

Effect on the aggregate of the current service cost and the interest cost	730,000	590,000
Effect on the defined benefit obligation	3,201,000	2,736,000

#### Other assumptions

Amounts for the current and previous four years are as follows:

	2022 R	2021 R	2020 R	2019 R	2018 R
Post-employment medical aid benefit liability	1,711,000	2,056,000	1,933,000	2,040,000	1,996,000
Long service award liability	3,399,000	2,903,000	2,481,000	26,888	2,459,000

#### Actuarial gains

Post-employment medical aid benefit liability	279,000	(205,000)
Long service award liability	(212,000)	(103,000)
	<b>67,000</b>	<b>(308,000)</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>18. Unspent conditional grants</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
Municipal Infrastructure Grant (MIG)	8,693,230	3,234,319
Integrated National Electrification Programme (INEP)	782,000	-
Water Services Infrastructure Grant (WSIG)	24,963,705	-
Financial Management Grant (FMG)	754,456	-
	<b>35,193,391</b>	<b>3,234,319</b>

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from National/Provincial Government.

Due to the adverse economic environment, a significant portion of amounts due to the municipality in respect of services rendered, property rates and taxes are tied up in receivables. This resulted in amounts earmarked for conditional projects being utilised to ensure smooth running of the municipality. Management is actively following up on outstanding receivables to ensure that projects are completed.

## 19. Provisions

### Reconciliation of provisions - 2022

	Opening Balance	Additions	Unwinding of interest	Total
Environmental rehabilitation	8,542,898	-	3,631,330	12,174,228
Legal fees	-	4,000,000	-	4,000,000
	<b>8,542,898</b>	<b>4,000,000</b>	<b>3,631,330</b>	<b>16,174,228</b>

### Reconciliation of provisions - 2021

	Opening Balance	Unwinding of interest	Total
Environmental rehabilitation	7,945,811	597,087	8,542,898
Non-current liabilities		12,174,228	8,542,898
Current liabilities		4,000,000	-
		<b>16,174,228</b>	<b>8,542,898</b>

The provision was based on 100% of the landfill site areas effected as this area is used for dumping of waste. Dumping is limited to a certain portion of landfill sites. The current area effected will have to be rehabilitated, therefore the provision was based on 100% of the current effected areas of the landfill sites.

Jacobsdal	3,297,991	2,016,140
Koffiefontein	5,027,590	3,593,214
Luckhoff	1,484,974	1,175,697
Oppermansgronde	1,033,897	714,385
Petrusburg	1,329,776	1,043,462
	<b>12,174,228</b>	<b>8,542,898</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>20. Service charges</b>		
Sale of electricity	27,741,886	20,769,329
Sale of water	11,520,807	11,880,843
Sewerage and sanitation charges	9,195,850	9,179,777
Refuse removal	8,878,688	8,770,900
	<b>57,337,231</b>	<b>50,600,849</b>
<b>21. Investment revenue</b>		
<b>Dividend revenue</b>		
Other financial assets	6,264	4,527
<b>Interest revenue</b>		
Interest earned - external investments	288,879	375,044
	<b>295,143</b>	<b>379,571</b>
<b>22. Interest earned on outstanding debtors</b>		
Interest - non-exchange transactions	5,561,456	4,063,552
Interest - exchange transactions	11,849,077	10,323,620
	<b>17,410,533</b>	<b>14,387,172</b>
<b>23. Rental of facilities and equipment</b>		
<b>Rental</b>		
Premises	297,069	465,341
Venue hire	265,118	248,272
	<b>562,187</b>	<b>713,613</b>
<b>24. Other income</b>		
Administration fees received	124,075	96,790
Building plan fees	8,077	9,890
Connection and re-connection fees	251,604	251,029
Grave sales	56,307	55,597
Insurance refund	-	181,600
Photocopies	14,620	9,963
Tax certificates	30,536	37,633
Tender documents	148,499	65,637
	<b>633,718</b>	<b>708,139</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 25. Property rates

#### Rates received

Property rates	25,823,757	25,605,086
Availability charges	2,328,243	-
	<b>28,152,000</b>	<b>25,605,086</b>

#### Valuations

Residential	836,845,000	836,845,000
Commercial	179,540,000	179,540,000
State	93,390,000	93,390,000
Municipal	22,330,000	22,330,000
Small holdings and farms	2,258,975,000	2,258,975,000
Other	219,348,000	219,348,000
	<b>3,610,428,000</b>	<b>3,610,428,000</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

### 26. Government grants and subsidies

#### Operating grants

Equitable share	70,309,015	78,873,000
Financial Management Grant (FMG)	2,095,544	2,800,000
National Treasury	4,446,269	1,953,686
COGTA*	-	5,300,000
	<b>76,850,828</b>	<b>88,926,686</b>

#### Capital grants

Water Services Infrastructure Grant (WSIG)	5,568,295	24,441,310
Municipal Infrastructure Grant (MIG)	12,435,089	13,643,332
Expanded Public Works Programme Grant (EPWP)	1,124,000	1,000,000
Integrated National Electrification Programme Grant (INEP)	5,100,000	9,547,000
	<b>24,227,384</b>	<b>48,631,642</b>
	<b>101,078,212</b>	<b>137,558,328</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	26,322,928	56,731,642
Unconditional grants received	74,755,284	80,826,686
	<b>101,078,212</b>	<b>137,558,328</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the nation.



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>26. Government grants and subsidies (continued)</b>		
<b>National: Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	3,234,319	25,651
Current-year receipts	17,894,000	16,852,000
Conditions met - transferred to revenue	(12,435,089)	(13,643,332)
	<b>8,693,230</b>	<b>3,234,319</b>

Conditions still to be met - remain liabilities (see note 18).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions, and to provide for new, rehabilitation and upgrading of municipal infrastructure.

### National: Integrated National Electrification Programme (INEP)

Current-year receipts	5,882,000	9,547,000
Conditions met - transferred to revenue	(5,100,000)	(9,547,000)
	<b>782,000</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 18).

The grant is allocated to municipalities to improve and upgrade the electricity infrastructure and enhance the electricity capacity within the municipality.

### National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	240,310
Current-year receipts	30,532,000	24,201,000
Conditions met - transferred to revenue	(5,568,295)	(24,441,310)
	<b>24,963,705</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 18).

The grant is allocated and used to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

### National: Financial Management Grant (FMG)

Current-year receipts	2,850,000	2,800,000
Conditions met - transferred to revenue	(2,095,544)	(2,800,000)
	<b>754,456</b>	<b>-</b>

The Financial Management Grant (FMG) is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003). All conditions attached to the grant were met and no funds were withheld.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>26. Government grants and subsidies (continued)</b>		
<b>National: Expanded Public Works Programme (EPWP)</b>		
Current-year receipts	1,124,000	1,000,000
Conditions met - transferred to revenue	(1,124,000)	(1,000,000)
	-	-

The Expanded Public Works Programme (EPWP) Grant is allocated to incentives municipalities to expand work creation efforts through the use of labour incentive delivery methods in the identified focus areas in compliance with the EPWP guidelines. All conditions attached to the grant were met and no funds were withheld.

### COGTA

Conditions met - transferred to revenue	-	3,800,000
Payment was made towards financial assistance	-	(3,800,000)
	-	-

This grant was paid towards financial assistance. All conditions attached to the grant were met and no funds were withheld.

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Bill, 2018 (Bill No. 2 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

### 27. Fines, Penalties and Forfeits

Law enforcement fines	7,850	13,900
-----------------------	-------	--------

### 28. Employee related costs

Basic salaries and wages	47,152,318	36,712,961
Bonus	2,608,611	2,366,852
Overtime payments	2,123,299	5,698,428
Housing benefits and allowances	147,039	126,691
Other allowance	9,692,847	8,218,334
Telephone allowance	92,199	206,374
Pension funds - council contributions	5,277,011	4,430,681
Medical aid funds - council contributions	2,331,256	2,279,970
Industrial council	22,512	20,010
UIF	374,509	305,853
Short term benefit	-	591,221
Defined contribution plans	84,659	141,000
Employee benefit obligation	316,000	-
Leave pay provision charge	1,614,779	2,265,823
	<b>71,837,039</b>	<b>63,364,198</b>

### Remuneration of Municipal Manager

Annual remuneration	986,761	979,655
Car allowance	257,133	257,327
Bonus	73,764	73,764
Contributions to UIF, medical aid and pension funds	67,771	63,419
Other allowances	50,683	50,683
	<b>1,436,112</b>	<b>1,424,848</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>28. Employee related costs (continued)</b>		
<b>Remuneration of Chief Finance Officer</b>		
Annual remuneration	733,390	740,883
Car allowance	195,720	199,050
Bonus	60,564	60,564
Contributions to UIF, medical aid and pension funds	74,725	64,754
Other allowances	41,613	42,161
Acting allowance (Municipal Manager)	-	8,431
	<b>1,106,012</b>	<b>1,115,843</b>
<b>Remuneration of the Director: Community Services</b>		
Annual remuneration	806,106	835,587
Car allowance	145,121	150,106
Bonus	64,456	64,456
Contributions to UIF, medical aid and pension funds	67,607	63,368
Other allowances	53,613	41,613
Acting allowance (Municipal Manager)	-	16,947
Lump Sum	-	207,733
	<b>1,136,903</b>	<b>1,379,810</b>
<b>Remuneration of the Director: Technical Services</b>		
Annual remuneration	731,342	710,535
Car allowance	251,752	252,375
Bonus	58,431	58,431
Contributions to UIF, medical aid and pension funds	43,932	38,975
Other allowances	41,613	41,613
	<b>1,127,070</b>	<b>1,101,929</b>
<b>Remuneration of the Director: Corporate Services</b>		
Acting allowance	313,450	312,580
<b>29. Remuneration of councillors</b>		
Mayor	778,095	584,158
Councillors	3,986,210	3,633,246
	<b>4,764,305</b>	<b>4,217,404</b>
<b>In-kind benefits</b>		
The executive mayor is full-time. The mayor is provided with an office, secretarial support and a full time driver at the cost of the Council.		
The salaries, allowances and benefits were paid within the upper limits of the framework envisaged in Section 219 of the Constitution.		
<b>30. Depreciation and amortisation</b>		
Property, plant and equipment	40,058,257	41,927,282
Intangible assets	39,343	201,395
	<b>40,097,600</b>	<b>42,128,677</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>31. Impairment of assets</b>		
<b>Impairments</b>		
Investment property	-	8,783,528
Investment property have been impaired due to certain portion being illegally occupied.		
<b>32. Finance charges</b>		
Employee benefit obligations	151,000	-
Trade and other payables	9,837,817	5,248,374
Finance leases	23,999	49,736
Rehabilitation of landfill site	1,146,031	2,573,467
	<b>11,158,847</b>	<b>7,871,577</b>
<b>33. Debt impairment</b>		
Contributions to debt impairment provision	31,601,637	30,287,712
<b>34. Repairs and maintenance</b>		
Repairs and maintenance	6,305,086	5,924,176
<b>35. Bulk purchases</b>		
Electricity	38,808,632	33,824,352
Water	4,828,921	4,808,311
	<b>43,637,553</b>	<b>38,632,663</b>
<b>36. Professional and consulting fees</b>		
<b>Professional fees</b>		
Business and Financial management	11,838,455	11,158,122

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>37. General expenses</b>		
Accommodation	460,667	122,516
Advertising	98,737	2,870
Auditors remuneration	5,558,243	4,895,872
Bank charges	756,776	680,790
Chemicals	2,531,123	994,946
Discount allowed	3,312,524	-
Commission paid	983,487	920,796
Entertainment	499,505	127,718
Fuel and oil	1,514,867	827,085
Funeral cost	66,507	13,781
Hire	2,901,315	1,361,876
Insurance	2,347,181	1,425,155
License fees	1,461	111,240
Other expenses	272,988	137,300
Postage and courier	335,521	180,746
Printing and stationery	103,142	-
Security (Guarding of municipal property)	1,821,913	678,000
Software expenses	48,092	16,272
Subscriptions and membership fees	676,985	1,187,376
Telephone and fax	1,568,434	1,874,994
Title deed search fees	-	99
Training	184,213	-
Travel - local	332,156	288,719
Uniforms	311,200	57,672
Ward committee expense	239,843	427,217
Water tests	574,567	701,696
	<b>27,501,447</b>	<b>17,034,736</b>

The amounts disclosed above for other expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense. Inter-departmental charges are charged to other trading and economic services for support services rendered.

### 38. (Loss) gain on disposal of assets and liabilities

(Loss) gain on disposal of assets and liabilities (R4 047 357) in the current financial year and (R10 185 840) in the prior financial year.

This was due to the following reasons:

- Projects that was written-off; R0 (2021:R3 016 195)
- During physical verification some of the assets could not be located in the fields due to repairs and maintenance or theft; R4 047 357 (2021: R7 169 645)

### 39. Fair value adjustments

Other financial assets (Fair value model)	37,184	3,200
---	--------	-------

### 40. Auditors' remuneration

Fees	5,558,243	4,895,872
------	-----------	-----------

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>41. Cash generated from operations</b>		
Deficit	(47,875,997)	(10,735,465)
<b>Adjustments for:</b>		
Depreciation and amortisation	40,097,600	42,128,677
Gain on sale of assets and liabilities	4,047,357	11,211,542
Fair value adjustments	(37,184)	(3,200)
Finance costs - Finance leases	23,999	49,736
Impairment loss	-	8,783,528
Movements in provisions	7,631,330	2,573,467
Other movement in property, plant and equipment	-	(6,548,028)
Other non-cash items	(83,648)	-
Other non-cash items	31,601,637	-
<b>Changes in working capital:</b>		
Inventories	391,654	572,774
Receivables from exchange transactions	(44,044,122)	(3,157,892)
Receivables from non-exchange transactions	(10,187,124)	(17,383,426)
Other receivables from exchange transactions	482,854	204,469
Employee benefit obligation	151,000	545,000
Payables from exchange transactions	22,514,248	16,178,208
VAT payable	(4,941,426)	(1,405,955)
Unspent conditional grants	31,959,072	2,968,358
Consumer deposits	96,243	120,484
	<b>31,827,493</b>	<b>46,102,277</b>

## 42. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	12,515,402	8,205,867
---------------------------------	------------	-----------

#### Total capital commitments

Already contracted for but not provided for	12,515,402	8,205,867
---	------------	-----------

This committed expenditure relates to property, plant and equipment and will be financed from government grants.

## 43. Related parties

These include the total remuneration per councillor and key management, in aggregate for the entire financial year. For remuneration of key management refer to note 29, employee related costs.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>43. Related parties (continued)</b>		
<b>Remuneration of councillors</b>		
SJ Bahumi (terminated November 2021)	132,845	513,211
AN November	324,096	371,767
HX Mthukwane	410,844	-
JDJ Barnes (terminated April 2021)	-	252,227
MA Lebaka	535,791	697,272
MC Ntemane passed away	99,830	299,491
MJ Phaliso (terminated November 2021)	132,845	371,767
MM Potgieter (appointed May 2021)	337,703	41,229
PM Dibe (terminated November 2021)	108,171	305,245
PV Mlozana passed away	61,961	386,232
RBI Mocwaledi	540,244	-
TS Moqhoishi (terminated November 2021)	107,018	299,491
TV Nthapo	350,715	300,635
XW Nqelani (terminated November 2021)	132,844	378,837
I Ramohlabi (appointed November 2021)	256,445	-
V Stuurman (appointed November 2021)	193,870	-
M Lehare (appointed November 2021)	193,870	-
SD Lichaba	219,732	-
J Kumalo (appointed November 2021)	223,985	-
D Terblanche (appointed November 2021)	207,624	-
K Molusi (appointed November 2021)	193,872	-
	<b>4,764,305</b>	<b>4,217,404</b>

### Related party transactions

#### Compensation of councillors

Basic remuneration	4,099,602	3,150,849
Telephone allowance	492,348	442,000
Car allowance	84,925	204,600
Acting allowance	-	381,741
Travel and subsistence (re-imbursement)	87,430	38,214

No related party transactions were identified during the year.

### 44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

#### Statement of financial position

##### 2021

	As previously reported	Correction of error	Restated
Property, plant and equipment	705,030,610	1,025,702	706,056,312
Payables from exchange transactions	(169,008,124)	(57,905)	(169,066,029)
VAT payable	(2,982,412)	(12,558)	(2,994,970)
Accumulated Surplus / (Deficit)	(697,328,397)	(955,239)	(698,283,636)
	<b>(164,288,323)</b>	<b>-</b>	<b>(164,288,323)</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R	
<b>44. Prior-year adjustments (continued)</b>			
<b>Statement of financial performance</b>			
<b>2021</b>			
	<b>As previously reported</b>	<b>Correction of error</b>	<b>Restated</b>
Service charges	(50,614,190)	13,342	(50,600,848)
Depreciation and amortisation	42,040,594	88,083	42,128,677
General expenses	16,977,614	57,122	17,034,736
Loss on disposal of property, plant and equipment	11,299,625	(1,113,785)	10,185,840
<b>Surplus for the year</b>	<b>19,703,643</b>	<b>(955,238)</b>	<b>18,748,405</b>
<b>2022</b>			
	<b>As previously reported</b>	<b>Correction of error</b>	<b>Restated</b>
Opening balance	(708,063,862)	955,239	(707,108,623)
Prior year adjustments	-	(955,239)	(955,239)
Restated Surplus for the year	10,735,463	(955,239)	9,780,224
<b>Surplus for the year</b>	<b>(697,328,399)</b>	<b>(955,239)</b>	<b>(698,283,638)</b>



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>44. Prior-year adjustments (continued)</b>		
<b>Errors</b>		
The following prior period error adjustments occurred:		
<b>VAT allocation in the correct financial year</b>		
Reclassification from Professional fees to repairs and maintenance and general expenses.		
The effect of the correction is as follows:		
Increase (decrease) in VAT		(13,342)
Increase (decrease) in Service charges		13,342
		<u>-</u>
<b>Correction to Retention monies</b>		
This expense was incorrectly processed in the 2019/2020 financial year.		
The effect of the correction is as follows:		
(Increase) decrease in Payables from exchange transactions		(367,122)
(Increase) decrease in Payables from exchange transactions		367,122
(Increase) decrease in Payables from exchange transactions		303,211
(Increase) decrease in Payables from exchange transactions		(303,211)
		<u>-</u>
<b>Reclassify retentions to trade payables</b>		
The following transactions were processed in the 2020/2021 financial year, which relates to the 2019/2020 financial year.		
The effect of the correction is as follows:		
(Increase) decrease in Property, plant and equipment		1,025,702
(Increase) decrease in Depreciation and amortisation		88,083
(Increase) decrease in Loss on disposal of property, plant and equipment		(1,113,785)
		<u>-</u>
<b>Cut-off corrections</b>		
During the 2020 financial year this expenses were incorrectly classified.		
The effect of the correction is as follows:		
(Increase) decrease in Payables from exchange transactions		(57,905)
Increase (decrease) in General expenses		57,122
Increase (decrease) in VAT		783
		<u>-</u>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 45. Financial instruments disclosure

#### Categories of financial instruments

#### 2022

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	220,134	-	220,134
Receivables from exchange transactions	-	95,005,123	95,005,123
Receivables from non-exchange transactions	-	25,584,549	25,584,549
Other receivables from exchange transactions	-	3,497,133	3,497,133
VAT receivable	-	1,946,456	1,946,456
Cash and cash equivalents	-	1,160,275	1,160,275
	<b>220,134</b>	<b>127,193,536</b>	<b>127,413,670</b>

##### Financial liabilities

	At amortised cost	Total
Finance lease liability	766,693	766,693
Payables from exchange transactions	186,674,333	186,674,333
Consumer deposits	956,069	956,069
Unspent conditional grants and receipts	23,002,924	23,002,924
	<b>211,400,019</b>	<b>211,400,019</b>

#### 2021

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	182,950	-	182,950
Receivables from exchange transactions	-	76,962,481	76,962,481
Receivables from non-exchange transactions	-	22,081,102	22,081,102
Other receivables from exchange transactions	-	2,827,126	2,827,126
Cash and cash equivalents	-	645,820	645,820
	<b>182,950</b>	<b>102,516,529</b>	<b>102,699,479</b>

##### Financial liabilities

	At amortised cost	Total
Finance lease liability	307,390	307,390
Payables from exchange transactions	169,066,029	169,066,029
Consumer deposits	859,826	859,826
Unspent conditional grants and receipts	3,234,319	3,234,319
VAT Payable	2,994,970	2,994,970
	<b>176,462,534</b>	<b>176,462,534</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 46. Risk management

#### Financial risk management

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these annual financial statements.

It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

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.

#### Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial environment.

Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 46. Risk management (continued)

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Cash and cash equivalents:

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank.

Receivables from exchange and non-exchange transactions:

Receivables from exchange and non-exchange transactions are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

The application of section 118(3) of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.

- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 46. Risk management (continued)

Long-term receivables and other debtors are individually evaluated annually at reporting date for impairment or discounting.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment /discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

#### Market risk

##### Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with ABSA Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer debtors (included in Receivables from exchange and non-exchange transactions) comprise of a large number of ratepayers, dispersed across different industries and geographical areas.

Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer deposits are increased accordingly.

Long-term receivables and other debtors are individually evaluated annually at the reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial assets and Financial liabilities are detailed in the Credit Risk Management section of this note.

#### Price risk

Although shares are held by the municipality, it is not exposed to equity price risks arising from equity investments as the municipality does not actively trade in these investments and the balance is immaterial to the municipality's operations.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>47. Irregular expenditure</b>		
Opening balance	504,835,371	502,749,903
Add: Current year irregular expenditure	-	2,085,468
Add: Current year irregular expenditure under investigation	32,945,707	-
	<b>537,781,078</b>	<b>504,835,371</b>

<b>48. Unauthorised expenditure</b>		
Opening balance	694,869,754	517,811,207
Add: Current year unauthorised capital and operating expenditure	206,285,385	177,058,547
	<b>901,155,139</b>	<b>694,869,754</b>

### 49. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	597,333	(19,540)
Current year subscription / fee	608,623	618,873
Amount paid - current year	(597,333)	(2,000)
	<b>608,623</b>	<b>597,333</b>

#### Distribution losses

Electricity	Lost units	Tariff	Value
Unaccounted Electricity Losses for 2022	6,569,658	0.89	5,846,996
Unaccounted Electricity Losses for 2021	8,228,425	1.36	11,190,658

Electricity losses occur due to inter alia, technical and non-technical losses. Technical losses include inherent resistance of conductors, transformers and other electrical equipment, whilst Non-technical losses include the tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

<b>Volumes in kWh per year</b>	-	-
System input volume	20,250,383	21,646,531
Billed consumption	(13,680,725)	(13,418,106)
	<b>6,569,658</b>	<b>8,228,425</b>

Percentage distribution loss (%)	32.00 %	38.00 %
----------------------------------	---------	---------

Water	Lost units	Tariff	Value
Unaccounted Water Losses for 2022	1,259,981	0.65	818,988
Unaccounted Water Losses for 2021	3,158,304	1.00	3,158,304

Water losses occur due to inter alia, tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

<b>Volumes in kWh per year</b>	-	-
System input volume	2,008,994	4,036,721
Billed consumption	(749,013)	(878,417)
	<b>1,259,981</b>	<b>3,158,304</b>

Percentage distribution loss (%)	62.00 %	78.00 %
----------------------------------	---------	---------

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>49. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	5,162,107	2,798,401
Current year subscription / fee	4,925,331	4,895,872
Amount paid - current year	(4,150,000)	(1,518,309)
Value add tax	738,800	734,381
Credit notes - current year	(4,446,269)	(1,953,686)
Interest charges	313,073	205,448
	<b>2,543,042</b>	<b>5,162,107</b>
<b>PAYE, UIF and SDL</b>		
Opening balance	1,001,639	1,883,397
Current year subscription / fee	11,005,958	9,539,257
Amount paid - current year	(9,283,369)	(10,421,015)
	<b>2,724,228</b>	<b>1,001,639</b>
<b>Pension and medical aid fund contributions</b>		
Opening balance	460,046	460,046
Current year subscription / fee	7,581,474	6,200,819
Amount paid - current year	(5,718,511)	(6,200,819)
	<b>2,323,009</b>	<b>460,046</b>

The balance represents pension and medical aid fund contributions made by the municipality towards employees and councillors in June 2022 payroll.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

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

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:

30 June 2022	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AN November	2,376	14,977	17,353
HX Mthukwane	2,845	41,437	44,282
KG Molusi (appointed November 2021)	1,432	42,329	43,761
MA Lebaka	608	3,022	3,630
MC Ntemane (deceased)	2,610	3,043	5,653
PV Mlozana (deceased)	2,454	34,536	36,990
V Stuurman (appointed November 2021)	2,868	40,951	43,819
	<b>15,193</b>	<b>180,295</b>	<b>195,488</b>

30 June 2021	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
AN November	4,042	3,919	7,961
JDJ Barnes	2,542	13,339	15,881
MA Lebaka	2,100	-	2,100
MC Ntemane	(440)	(454)	(894)
MJ Phaliso	(913)	-	(913)
PM Dibe	(235)	1,652	1,417
PV Mlozana	1,946	28,082	30,028
SJ Bahumi	1,171	44,718	45,889
TS Moqhoisi	964	-	964
TV Nthapo	874	21,771	22,645
XW Nqelani	1,922	29,435	31,357
	<b>13,973</b>	<b>142,462</b>	<b>156,435</b>

#### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

The municipality maintains a detailed register at its offices.

#### Incident

Emergency procurement	1,952,082	2,704,886
Impracticable - Repairs	-	166,547
	<b>1,952,082</b>	<b>2,871,433</b>



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

2022  
R

2021  
R

### 50. Non-compliance with the MFMA

Chapter	Section	Description
8	62	Not all general financial management function requirements were adhered to during the year, as not all controls operated effective and efficiently.
8	64	Not all revenue management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Not all expenditure management requirements were met as not all controls operated effective and efficiently throughout the year.
8	65	Due to financial constraints, not all invoices were paid within the legislative 30-days deadline.
14	166	The MFMA requirements for the audit committees were not complied with throughout the financial year.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
<b>51. Contingencies</b>		
<b>Contingent liabilities</b>		
The municipality had the following contingent liabilities at 30 June 2021:		
Peyper attorneys: estimated legal fees	1,150,000	600,000
Ducharme Consulting (Pty) Ltd: The claimant was appointed by the municipality to prepare the 2017 annual financial statements. The amount billed exceeded the project amount and it is claimed that the additional costs incurred were due to requests from management. The matter is still pending with an amount of R208 568.39 and no resolution has been taken to date.	707,518	208,568
Vula Trust and Lucas Ramohlaba: The municipality paid the disputed invoices of R143 340 for the rental of machinery, but due to fraud on the side of the claimant, invoices with the incorrect bank account details were submitted. The municipality is of the opinion that as the fraud occurred on the side of the claimant, the matter should be handled by them and the municipality fulfilled its obligation.	-	143,340
Electrocution of minor child on municipal property: PBS Mpatshela	-	1,000,000
Motlhommi obo Motlhommi: The child was electrocuted at one of the Farms in the area of Koffiefontein, the farm is serviced by Eskom in terms of electricity supply, the maintenance and overall management of electricity supply is done by Eskom, Letsemeng is a second responded on this case due to the fact that this incident happened in the area of jurisdiction of Municipality	650,000	650,000
Sebata Municipal Solutions: Sebata continued to provided services to the Municipality despite the fact that Municipality had appointed a service provide in line with Transversal Contract 25 of Municipal Standard Chart of Accounts, Sebata's argument is that the services were not cancelled and such we are liable to pay for services rendered in 2017 financial year.	1,378,708	1,378,708
Refilwe Civil \$ Plant Hire: Municipality appointed Sotika Pty Ltd to refurbish Stadium in Koffiefontein, Refilwe was a cessionary to this contract. Municipality paid all the monies due from this contract to Sotika Pty Ltd and in terms of the contract, Sotika was supposed to pay Refilwe Plant hire but failed to do so, Refilwe is requesting the payment from Municipality as the right of this contact were partly ceded to them.	437,721	437,721
	<b>4,323,947</b>	<b>4,418,337</b>

## 52. Events after the reporting date

There is an estimate provision of R4 000 000 to be paid to Bokwa Attorneys. The provision is based on R500 000 per month over 8 months. The provision relates legal fees for court case Letsemeng Municipality vs. Eskom. The matter was handed over on 7 July 2022, where the municipality was instructed to pay costs pertaining to the matter.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 53. Budget differences

#### Material differences between budget and actual amounts

Material difference between the adjusted budget and actual amounts are deemed material if it differs with more than 10%. The following is reasons for the material differences identified:

#### Statement of financial performance:

**Rental of facilities and equipment:** The municipality did not anticipate that rental income will be this high and needed to budget for more.

**Interest on outstanding receivables:** More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated.

**Dividends received:** the actual amount received was more than management budgeted for.

**Interest on external investments:** the municipality expected more interest to be earned on external investments.

**Property Rates:** due to availability charges that was allocated to revenue from non-exchange transactions, the actual amounts was more than budgeted for.

**Interest on outstanding receivables:** More interest was levied on consumer debtor accounts than what was budgeted for. This is a result of consumers not making regular payments on their accounts as anticipated (budgeted amount is for exchange and non-exchange transactions).

**Transfer and subsidies:** The municipality received more grants during the year which is stipulated on the DoRA.

**Fines and penalties:** The municipality expected the fines and penalties to be more than the actual amount during the year and the amount is not material.

**Licences and permits:** No licences and permits was accounted for during the year and the amount is not material.

**Depreciation, amortisation and impairment loss:** The impairment loss was less than anticipated.

**Finance cost:** Although the municipality did not have overdraft facilities whereby interest were charged, the budget was exceeded due to interest being charged on overdue accounts as well as the unwinding of the interest applicable to the provision for the rehabilitation of the landfill sites.

**Debt impairment:** The budget amount was a lot higher than the actual amount. The municipality also embarked on a process to retrieve outstanding debtors, which have a impact on the debt impairment calculation.

**Repairs and maintenance:** Management anticipated for more expenses relating to repairs and maintenance which did not materialise.

**Bulk purchases:** Normal increases in bulk purchases occurred during the year. The budgeted amount lower than this.

**General expenses:** Management did not anticipate for general expenses to be this high during the year, which resulted in the budgeted amount being material lower than the actual expenses.

**Loss on disposal of assets:** this was due to physical verification that was done and found that the municipality due not have control on some of their Investment property as well as gains and losses on the municipality's assets was identified during physical verification.

**Fair value adjustments:** This represents the gains in employee benefit obligations. As this represents a "non-cashflow" movement, management did not provide / budget for it.

**Actuarial gains:** This represents the gains in employee benefit obligations. As this represents a "non-cashflow" movement, management did not provide / budget for it.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 53. Budget differences (continued)

**Inventory losses / write-downs:** Due to lack of internal controls over maintenance materials and stationary, items were written off during the year. As these represent controls within the municipality, management did not provide / budget for it.

#### Statement of financial position:

**Inventories:** Management anticipated that more inventory would have been purchased through out the year, which did not materialise.

**Receivables from exchange/non-exchange transactions:** Management did not anticipate for the material movement during the year, which resulted in a material difference between the budgeted and actual amounts. Management budgeted for exchange and non-exchange under exchange transactions.

**Cash and cash equivalents:** Management anticipated to have more money in the bank at year-end, but it did not materialise due to higher expenses during the year.

**Intangible assets:** During the 2018 financial year, the municipality purchased SAGE software amounting to R1 006 976. The expectation was that the system would have amortised quicker than it actually did.

**Heritage assets:** No balance was budgeted for, as it is immaterial to the municipality's operations.

**Other financial assets:** The assets are valued at fair value, which means the municipality should've provided/budgeted for the 2021 disclosed amount with an fair value adjustment, to account for the movement.

**Finance lease obligations:** In the prior year the municipality entered into new finance lease agreements. Due to cashflow constraints and the need for the equipment, these were acquired although not budgeted for.

**Payables from exchange transactions:** Due to financial difficulties the actual amount is higher than budgeted for.

**Employee benefit obligations:** Due to the municipality's financial difficulties this was not provided / budgeted for.

**Unspent conditional grants and receipts:** The municipality anticipated that all grants received and paid will be utilised for the year, therefore no amount was budgeted for.

**VAT payables:** The municipality did not budget for VAT payables, although VAT materialised.

**Provisions:** Management did not budget for landfill sites however the landfill sites operated by the municipality were physically inspected and a professional valuation was performed to estimate the future liability, which resulted in an actual amount to be provided for in the current financial year.

#### Cash Flow Statement:

**Sales of goods and services:** Goods and services were not as much as expected and budgeted for.

**Grants:** Management received more grants during the year than budgeted for. They also received an additional grant from COGTA.

**Dividends received:** Management anticipated that they will receive more dividends during the year, which did not materialise.

**Other receipts:** Management budgeted more than the actual amounts received.

**Finance charges:** The municipality should have budgeted more for suppliers as the trade payables shows the municipality owes suppliers a material amount.

**Property, plant and equipment:** Through physical verification it was found that the municipality do not have control over a few investment properties which resulted the municipality to remove the properties from its register to a control sheet.

**Finance lease payments:** Although the municipality did not budget for finance lease payments, the expense incurred during the year.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 53. Budget differences (continued)

**Net increase/(decrease) in cash and cash equivalents:** The amount budgeted for is much higher than the actual transactions relating to cash and cash equivalents.

### 54. Going concern

We draw attention to the fact that at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 650,407,641 and that the municipality's total assets exceed its total liabilities by R 650,407,641.

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 considered the following matters relating to the going concern assumption, which indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern:

- The 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's budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.
- The ability of the municipality to continue as a going concern is dependant on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- Deficit of R34 871 197 (2021: R9 780 226) was realised, Government grants and subsidies contributed R110 665 257 (2021: R137 558 328).
- The municipality's unspent conditional grants for the current year amounted to R23 002 924 (2021: R3 234 319). This is an indication that monies received are not utilised for the specific projects under construction and should be paid back to the relevant parties.
- The municipality owed Eskom R126 163 884 (2021: R86 576 571) and the water boards R15 855 940 (2021: R12 426 881) as at 30 June 2022, which was long overdue.
- The creditors are not paid within 30 days as required by the MFMA due to cash constraints.
- Debt collection period has not improved during the current financial year.
- The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets should be impaired (GRAP 104). A provision for doubtful debt amounting to R31 601 637 (2021: R30 287 712) has been disclosed in the financial statements.
- As at 30 June 2022 the municipality's current liabilities amounted to R211 844 913 (2021: R176 957 797), whilst the current assets amounted to R128 982 740 (2021: R104 697 387).

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 54. Going concern (continued)

- The current and acid test ratios are below the required ratio of 0.5:1 and 0.5:1, respectively.

Management have considered the risks, but based on their evaluation of the following mitigating factors have concluded that the going concern assumption is appropriate for the following 12 months:

- The Letsemeng Local Municipality is a municipality within the local government sphere. Currently, in the municipal environment, municipalities within South Africa rely heavily on government's financial assistance through the provision of grants. For the 2022 financial year, the allocated Equitable Share allocation amounts to R67 072 681 and the Financial Management Improvement Grant to R2 850 000.
- No intention by government has been identified that indicates the discontinuing of financial assistance through the provision of government grants. The DoRA and the Division of Revenue Bill, 2018 furthermore disclosed government's proposed allocation of the 2022 and 2023 financial years. This is evidence of government's continued financial support to be provided to the municipality for the following 36 months.
- The municipality has not been placed under administration for the 12 months ending 30 June 2022.

### 55. Segment information

#### General information

#### Identification of segments

Refer below for the segments identified by the municipality. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

#### Goods and/or services

Finance and administration: vote 2, 3 and 15  
Community and social services: vote 9, 10, 11 and 14  
Public safety and sports and recreation and environmental protection: vote 5, 6 and 13  
Road transport and energy sources: vote 7 and 12  
Executive and council: vote 1  
Planning and development: vote 4  
Waste management: vote 8

#### Reportable segments

Budget and Treasury Office  
Community Services  
Corporate Services  
Technical Services  
Mayor's Office  
Municipal Manager  
Project Management Unit

#### Geographical considerations:

The municipality's operations are in the Free State Province, its major geographical areas within the province are Koffiefontein, Jacobsdal, Luckhoff, Petrusburg and Oppermansgronde. Management has as per the GRAP standards decided to report on Letsemeng as a single geographical area.

Management is of the opinion that as per paragraph 32, the cost of developing geographical information would be excessive, secondly that due to the nature of the municipality, the geographical area, although five towns are demarcated as a single municipal area in the same province and district municipality and it would therefore not be in the interest of the users of the financial statements to develop geographical information for reporting.

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 55. Segment information (continued)

#### Segment surplus or deficit, assets and liabilities

2022

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
<b>Revenue</b>								
Services charges	60,069,962	-	-	(2,732,730)	-	-	-	57,337,232
Dividends	6,264	-	-	-	-	-	-	6,264
Interest received - outstanding debtors	11,664,294	184,783	-	-	-	-	-	11,849,077
Interest - external investments	288,879	-	-	-	-	-	-	288,879
Rental of facilities	549,397	12,790	-	-	-	-	-	562,187
Other income	361,144	-	272,574	-	-	-	-	633,718
Property rates	25,823,757	-	-	-	-	-	-	25,823,757
Government grants and subsidies	95,978,212	-	-	5,100,000	-	-	-	101,078,212
Fines and penalties	7,850	-	-	-	-	-	-	7,850
Availability charges	2,328,243	-	-	-	-	-	-	2,328,243
Interest earned - outstanding debtors	5,561,456	-	-	-	-	-	-	5,561,456
Donations	10,000	-	-	-	-	-	-	10,000
<b>Total segment revenue</b>	<b>202,649,458</b>	<b>197,573</b>	<b>272,574</b>	<b>2,367,270</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>205,486,875</b>
<b>Entity's revenue</b>								<b>205,486,875</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
<b>55. Segment information (continued)</b>								
<b>Expenditure</b>								
Employee costs	(12,948,886)	(13,056,394)	(6,271,693)	(30,969,510)	(1,899,671)	(6,665,003)	(25,883)	(71,837,040)
Remuneration of councillors	(4,764,304)	-	-	-	-	-	-	(4,764,304)
Depreciation and amortisation	(40,097,600)	-	-	-	-	-	-	(40,097,600)
Impairment loss	83,648	-	-	-	-	-	-	83,648
Finance costs	(11,158,847)	-	-	-	-	-	-	(11,158,847)
Debt impairment	(31,601,637)	-	-	-	-	-	-	(31,601,637)
Repairs and maintenance	(4,551,152)	(180,640)	-	(1,559,315)	(4,275)	(9,704)	-	(6,305,086)
Bulk purchases	(4,643,794)	-	-	(38,993,759)	-	-	-	(43,637,553)
Professional fees	(3,927,553)	(510,984)	(5,826,356)	(1,068,435)	-	(505,128)	-	(11,838,456)
General expenses	(7,719,264)	(2,670,455)	(2,451,355)	(5,652,345)	(3,277,155)	(5,730,871)	-	(27,501,445)
Loss on disposal of assets	(4,047,357)	-	-	-	-	-	-	(4,047,357)
Fair value adjustments	37,194	-	-	-	-	-	-	37,194
Actuarial gains/losses	67,000	-	-	-	-	-	-	67,000
Inventories losses	(761,377)	-	-	-	-	-	-	(761,377)
<b>Total segment expenditure</b>	<b>(126,033,929)</b>	<b>(16,418,473)</b>	<b>(14,549,404)</b>	<b>(78,243,364)</b>	<b>(5,181,101)</b>	<b>(12,910,706)</b>	<b>(25,883)</b>	<b>(253,362,860)</b>
<b>Total segmental surplus/(deficit)</b>								<b>(47,875,985)</b>



# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
<b>55. Segment information (continued)</b>								
<b>Assets</b>								
Inventories	1,789,204	-	-	-	-	-	-	1,789,204
Other receivables	2,344,271	-	-	-	-	-	-	2,344,271
Receivables exchange transactions	45,350,576	(4,703,738)	515,524	54,588,756	-	-	-	95,751,118
Receivables non-exchange transactions	25,922,625	-	-	-	-	-	-	25,922,625
Cash and cash equivalents	1,160,275	-	-	-	-	-	-	1,160,275
Investment property	77,119,299	-	-	-	-	-	-	77,119,299
Property, plant and equipment	698,641,753	(3,111,218)	2,352,359	(126,448,297)	830,192	(9,799,740)	123,156,689	685,621,738
Intangible assets	1,006,977	-	-	-	-	-	(869,201)	137,776
Heritage assets	-	15,000	-	-	-	-	-	15,000
Other financial assets	220,134	-	-	-	-	-	-	220,134
VAT receivables	1,946,456	-	-	-	-	-	-	1,946,456
<b>Total segment assets</b>	<b>855,501,570</b>	<b>(7,799,956)</b>	<b>2,867,883</b>	<b>(71,859,541)</b>	<b>830,192</b>	<b>(9,799,740)</b>	<b>122,287,488</b>	<b>892,027,896</b>
<b>Total assets as per Statement of financial Position</b>								<b>892,027,896</b>
<b>Liabilities</b>								
Finance lease obligation	(766,693)	-	-	-	-	-	-	(766,693)
Payables from exchange transactions	(183,419,875)	-	-	-	-	-	-	(183,419,875)
Consumer deposits	(956,069)	-	-	-	-	-	-	(956,069)
Employee benefit obligations	(5,110,000)	-	-	-	-	-	-	(5,110,000)
Unspent grants	(35,193,391)	-	-	-	-	-	-	(35,193,391)
Provisions	(16,174,228)	-	-	-	-	-	-	(16,174,228)
<b>Total segment liabilities</b>	<b>(241,620,256)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(241,620,256)</b>
<b>Total liabilities as per Statement of financial Position</b>								<b>(241,620,256)</b>

2021

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

### 55. Segment information (continued)

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
<b>Revenue</b>								
Services charges	50,600,849	-	-	-	-	-	-	50,600,849
Dividends	4,527	-	-	-	-	-	-	4,527
Interest received - outstanding debtors	14,387,172	-	-	-	-	-	-	14,387,172
Interest - external investments	375,044	-	-	-	-	-	-	375,044
Rental of facilities	710,214	3,399	-	-	-	-	-	713,613
Other income	708,139	-	-	-	-	-	-	708,139
Property rates	25,605,086	-	-	-	-	-	-	25,605,086
Government grants and subsidies	112,567,996	-	1,500,000	23,490,332	-	-	-	137,558,328
Fines and penalties	13,900	-	-	-	-	-	-	13,900
<b>Total segment revenue</b>	<b>204,972,927</b>	<b>3,399</b>	<b>1,500,000</b>	<b>23,490,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>229,966,658</b>
<b>Entity's revenue</b>								<b>229,966,658</b>
<b>Expenditure</b>								
Employee costs	(10,632,983)	(6,249,537)	(6,439,276)	(27,726,542)	(3,576,304)	(8,712,411)	(27,147)	(63,364,200)
Remuneration of councillors	-	-	-	-	(4,217,404)	-	-	(4,217,404)
Depreciation and amortisation	(42,128,677)	-	-	-	-	-	-	(42,128,677)
Impairment loss	-	(8,783,528)	-	-	-	-	-	(8,783,528)
Finance costs	(7,509,908)	-	(347,169)	-	-	(14,499)	-	(7,871,576)
Debt impairment	(30,287,712)	-	-	-	-	-	-	(30,287,712)
Repairs and maintenance	(2,004,147)	(277,301)	(128,395)	(2,941,272)	(573,061)	-	-	(5,924,176)
Bulk purchases	-	-	-	(38,632,662)	-	-	-	(38,632,662)
Professional fees	(2,863,104)	(960,295)	(2,719,077)	(2,294,014)	-	(2,321,632)	-	(11,158,122)
General expenses	(3,161,466)	(1,315,610)	(2,168,945)	(3,549,286)	(1,755,209)	(5,084,220)	-	(17,034,736)
Loss on disposal of assets	(10,185,840)	-	-	-	-	-	-	(10,185,840)
Fair value adjustments	3,200	-	-	-	-	-	-	3,200
Actuarial gains/losses	(308,000)	-	-	-	-	-	-	(308,000)
Inventories losses	4,682	-	-	141,867	-	-	-	146,549
<b>Total segment expenditure</b>	<b>(109,073,955)</b>	<b>(17,586,271)</b>	<b>(11,802,862)</b>	<b>(75,001,909)</b>	<b>(10,121,978)</b>	<b>(16,132,762)</b>	<b>(27,147)</b>	<b>(239,746,884)</b>
<b>Total segmental surplus/(deficit)</b>								<b>(9,780,226)</b>

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

Figures in Rand

	Budget and Treasury Office	Community Services	Corporate Services	Technical Services	Mayor's Office	Municipal Manager	Project Management Unit	Total
<b>55. Segment information (continued)</b>								
<b>Assets</b>								
Inventories	2,180,859	-	-	-	-	-	-	2,180,859
Other receivables	2,827,128	-	-	-	-	-	-	2,827,128
Receivables exchange transactions	30,607,015	(4,703,738)	435,261	50,623,943	-	-	-	76,962,481
Receivables non-exchange transactions	22,081,102	-	-	-	-	-	-	22,081,102
Cash and cash equivalents	645,820	-	-	-	-	-	-	645,820
Investment property	77,119,299	-	-	-	-	-	-	77,119,299
Property, plant and equipment	744,991,793	596,791	(7,166,379)	(131,174,773)	82,400	(14,273,927)	113,000,407	706,056,312
Intangible assets	1,006,977	-	-	-	-	(829,858)	-	177,119
Heritage assets	-	15,000	-	-	-	-	-	15,000
Other financial assets	-	182,950	-	-	-	-	-	182,950
<b>Total segment assets</b>	<b>881,459,993</b>	<b>(3,908,997)</b>	<b>(6,731,118)</b>	<b>(80,550,830)</b>	<b>82,400</b>	<b>(15,103,785)</b>	<b>113,000,407</b>	<b>888,248,070</b>
<b>Total assets as per Statement of financial Position</b>								<b>888,248,070</b>
<b>Liabilities</b>								
Finance lease obligation	(307,390)	-	-	-	-	-	-	(307,390)
Payables from exchange transactions	(169,066,029)	-	-	-	-	-	-	(169,066,029)
Consumer deposits	(859,826)	-	-	-	-	-	-	(859,826)
Employee benefit obligations	(4,959,000)	-	-	-	-	-	-	(4,959,000)
Unspent grants	(3,234,319)	-	-	-	-	-	-	(3,234,319)
VAT payable	(2,994,970)	-	-	-	-	-	-	(2,994,970)
Provisions	(8,542,898)	-	-	-	-	-	-	(8,542,898)
<b>Total segment liabilities</b>	<b>(189,964,432)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(189,964,432)</b>
<b>Total liabilities as per Statement of financial Position</b>								<b>(189,964,432)</b>

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

### Measurement of segment surplus or deficit, assets and liabilities

# Letsemeng Local Municipality

Annual Financial Statements for the year ended 30 June 2022

## Notes to the Annual Financial Statements

	2022 R	2021 R
--	-----------	-----------

### 55. Segment information (continued)

#### Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

### 56. VAT receivable

VAT	1,946,456	-
-----	-----------	---

VAT is payable on a cash basis. Once payment is received or made, VAT is payable or receivable from SARS.

No interest is payable to SARS if VAT is paid in time. Interest on late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

### 57. Accounting by principals and agents

#### Resources (assets and liabilities) of the municipality that are under the custodianship of the agent:

Fee paid as commission to the agent - prepaid electricity vending	(983,487)	(920,796)
Prepaid electricity sales	15,489,408	14,210,026
	<b>14,505,921</b>	<b>13,289,230</b>

#### Description of the arrangement

The municipality has a contractual arrangement with Syntel in terms of which they act as an agent of the municipality by vending of prepaid electricity to municipal customers.

#### Significant terms and conditions

The agent uses its infrastructure and systems to process the transactions on behalf of the municipality and to then pay over the monies collected to the municipality.

#### Purpose, significant risks and benefits of arrangement

The arrangement enables municipal customers to have convenient access to the agent's outlets and to also buy prepaid electricity.