Kopanong Local Municipality

2024/25

ANNUAL REPORT

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CHAPTER 1: MAYOR'S FOREWORD & EXECUTIVE SUMMARY

1.1 MAYOR'S FOREWORD

It is my honour to present the Kopanong Local Municipality Annual Report for the 2024/2025 financial year. This report accounts to our communities, Council, and stakeholders on the Municipality's performance, governance, and financial management during the period under review, in line with the principles of transparency and accountability.

Despite a challenging local government environment, the Municipality continued to focus on strengthening organisational performance and improving service delivery outcomes. Progress was made in implementing the Integrated Development Plan and Service Delivery and Budget Implementation Plan, with particular emphasis on stabilising core municipal functions, enhancing administrative coordination, and improving responsiveness to community needs. While not all performance targets were fully achieved, the reporting period reflects a commitment to continuous improvement and corrective action where shortcomings were identified.

Organisational development remained a priority during the year. The Municipality invested effort in stabilising its institutional capacity through improved governance systems, skills development, and strengthening internal controls. Management focused on enhancing compliance with legislative requirements, improving performance management practices, and reinforcing a culture of accountability across all departments. These interventions are critical to building a capable, ethical, and developmental local government.

From a financial performance perspective, the Municipality operated under continued fiscal pressure, driven by revenue collection challenges, rising operational costs, and broader economic constraints affecting our communities. Nonetheless, Council and Management exercised prudent financial oversight, prioritising essential services and implementing cost-containment measures. Efforts to improve revenue management, expenditure control, and financial sustainability remain central to the Municipality's medium-term strategy.

The Auditor-General of South Africa conducted an independent audit of the Municipality for the 2024/2025 financial year. The audit process provided valuable insights into the state of financial management, performance reporting, and compliance with applicable legislation. Council and Management acknowledge the Auditor-General's findings and recommendations and have committed to implementing a comprehensive audit action plan to address identified weaknesses, strengthen internal controls, and improve governance outcomes.

I wish to express my appreciation to the Municipal Council, administration, labour, and all stakeholders for their contribution during the year under review. Most importantly, I thank the residents of Kopanong for their continued engagement and patience as we work collectively to build a responsive, accountable, and sustainable municipality. Council remains committed to improving service delivery, strengthening financial viability, and advancing good governance in the best interests of our communities.

Mr XJ Tseletsele

Mayor: Kopanong Local Municipality

1.2 EXECUTIVE SUMMARY

1.2.1 MUNICIPAL MANAGER'S OVERVIEW

This Annual Report is compiled in compliance with Section 46 of the Municipal Systems Act, 2000 (Act no. 32 of 2000). This Report under review provides an account of the Municipality's performance against its Integrated Development Plan (IDP), Service Delivery Implementation Plan (SDBIP) and Predetermined objectives for the year under review. It must also be noted that Kopanong Local Municipality was under the Provincial intervention in terms of Section 139(1)(b) read with Section 63 of the Water Services Act and subsequently Section 154 of the Constitution of the Republic of South Africa (Act no 108 of 1996).

As the Management of the Municipality, we value the continued momentum in driving concrete actions that bring to life the projects and programmes outlined in the IDP document. Importantly, the IDP is not merely a statutory requirement—it embodies the collective aspirations of our communities, whose trust has afforded us the privilege to serve.

The year under review reflects performance in administrative stability, improve Financial Management, adherence to Good Governance and Institutional Capacitation. These targets are against challenges of poor Revenue collection, low staff morale, poor grant spending and non-compliance on critical Municipal legislative framework.

Kopanong Municipality extends its sincere gratitude to all Councillors and Management for their unwavering commitment and support over the years. We also thank the stakeholders who actively participated in the IDP and Budget consultation meetings. Where consultations could not take place, we remain committed to engaging with communities during the outer years prior to the final approval of the 2025/2026 IDP and Budget.

Regards

BC Mokomela

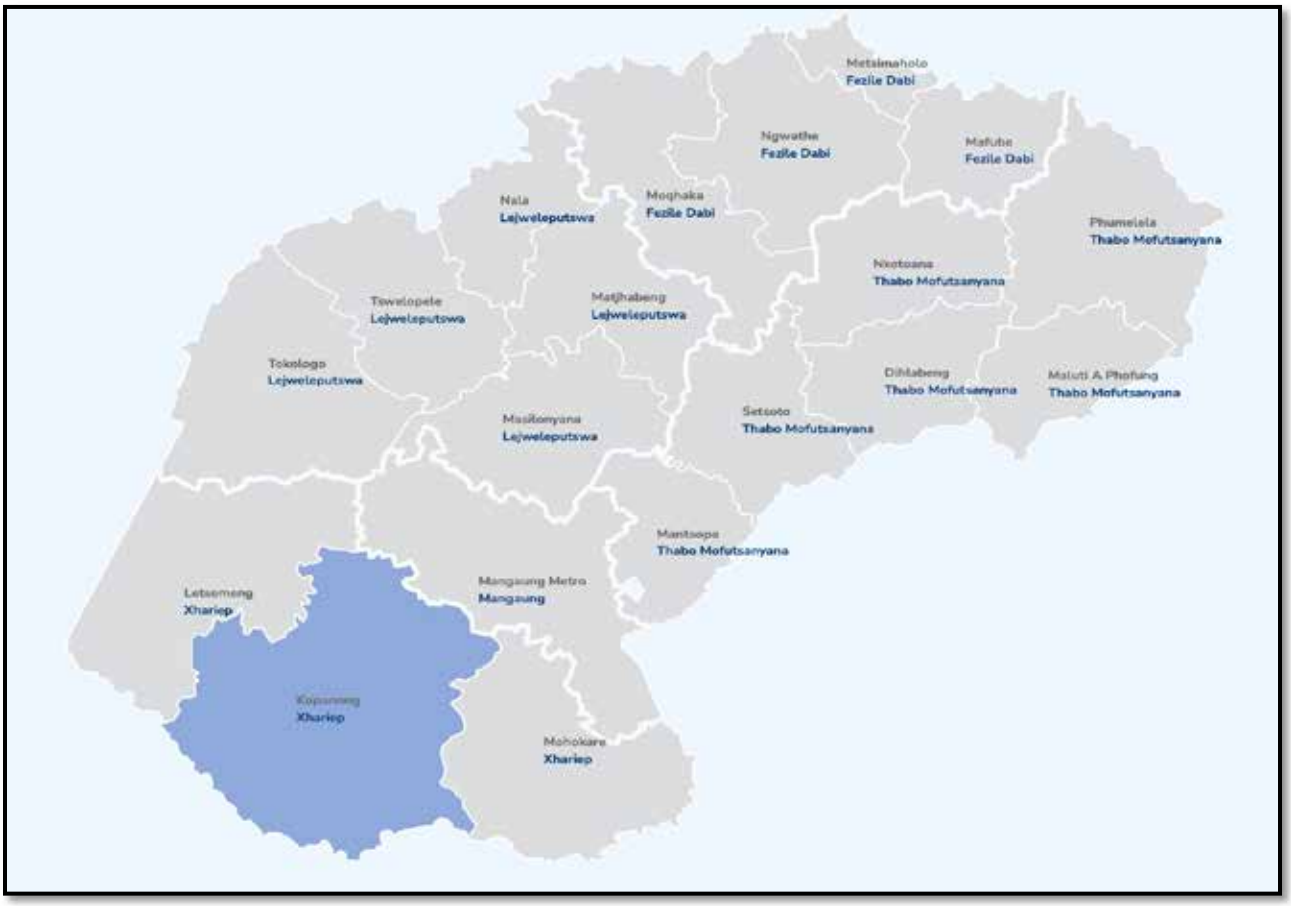
Acting Municipal Manager

1.2.2 MUNICIPAL FUNCTIONS, & POPULATION OVERVIEW

Kopanong Local Municipality derives its mandate from the Constitution of the Republic of South Africa, 1996, and applicable local government legislation, including the Municipal Structures Act, the Municipal Systems Act and the Municipal Finance Management Act. In terms of section 152 of the Constitution, the Municipality is responsible for providing democratic and accountable local government, delivering basic services sustainably, promoting social and economic development, creating a safe and healthy environment and encouraging community participation, while performing the functions assigned in Schedules 4B and 5B through approved policies, by-laws, the IDP, the budget and the performance management system.

1.2.2.1 POPULATION & ENVIRONMENTAL OVERVIEW

Kopanong Local Municipality is situated in the southern part of the Free State Province and forms part of the Xhariep District Municipality. The municipality is predominantly rural in character and is comprised of small towns with associated township areas, extensive farming settlements and limited informal settlements. The spatial form and settlement pattern of the municipality have a direct bearing on service delivery costs, infrastructure investment requirements and the municipality's long-term financial sustainability.



The municipality performs its functions within a context of modest population growth, structural unemployment, high dependency levels and constrained household income. These characteristics inform municipal planning, prioritisation of basic services, indigent support measures and revenue management strategies.

Population Trends & Age Structure

Demographic information for Kopanong Local Municipality is informed by Statistics South Africa Census 2022, which represents the most recent official population dataset. Census data is not produced annually. Population figures reflected for the 2022/23 to 2024/25 financial years are therefore planning and reporting estimates, derived from the Census 2022 baseline and historical demographic trends. These figures are used for analytical consistency and do not represent new census counts.

Census 2022 recorded a population of approximately 51 800 persons within Kopanong Local Municipality. Historical Census 2011 data indicates that the municipality had a predominantly youthful population, with 29.6% of residents under the age of 15, 67.3% within the working-age cohort (15–64 years) and 6.8% aged 65 years and older. By Census 2022, the age structure reflects a gradual demographic transition, characterised by a declining proportion of children and a growing proportion of older persons.

Age Band	Total %
0–4	10.8
5–9	10.2
10–14	8.6
0–14 subtotal	**29.6%**
15–19	8.9
20–24	9.2
25–29	8.7
30–34	6.9
35–39	6.4
40–44	6.1
45–49	5.0
50–54	4.5
55–59	4.1
60–64	3.5
15–64 subtotal	**67.3%**
65–69	2.3
70–74	1.9
75–79	1.2
80–84	0.7
85+	0.7
65+ subtotal	**6.8%**

Census 2011 data indicates that Kopanong Local Municipality had a predominantly youthful population, with approximately **29.6% of residents under the age of 15**, **67.3% within the working-age cohort (15–64 years)**, and **6.8% aged 65 years and older**.

By Census 2022, the age structure reflects a **moderate demographic transition**, with a declining proportion of children and an increasing proportion of older persons. This trend is consistent with declining fertility, outward youth migration in search of employment, and improved life expectancy.

For the 2022/23–2024/25 reporting period, population estimates are therefore informed by the Census 2022 age structure, while recognising the 2011 Census as the historical baseline. These trends have important implications for service delivery planning, particularly in relation to social services, health care demand and long-term infrastructure provision.

Population by Broad Age Group (Estimated for Reporting Purposes)[1]

Age Group	2022/23	2023/24	2024/25
0–14 years	±14 500	±14 600	±14 600
15–64 years	±33 000	±33 200	±33 300
65 years and older	±4 600	±4 600	±4 600
Total Population	**±52 100**	**±52 300**	**±52 600**

The population structure of Kopanong Local Municipality reflects a narrowing base and a gradually widening upper age profile, indicating a municipality undergoing a slow demographic transition.

Compared to Census 2011, the proportion of children has declined, while the proportion of residents aged 65 years and older has increased. This pattern is consistent with lower fertility rates, improved life expectancy and selective out-migration of younger working-age adults seeking employment opportunities elsewhere.

The emerging population structure suggests that future service demand will increasingly shift towards health, social support and age-appropriate infrastructure, while the growth in the working-age population is unlikely to be sufficient on its own to drive strong local economic expansion without targeted intervention.

Dependency Ratio & Demographic Implications

The dependency ratio, defined as the number of dependants (persons under 15 and over 65) per 100 working-age persons, has increased over time. Census 2011 data reflects a dependency ratio of approximately 55 dependants per 100 working-age persons, increasing to approximately 58 in 2022, with a further marginal increase projected for the 2024/25 reporting period.

This trend reflects a declining proportion of children, but a growing proportion of older persons. The increasing dependency burden places pressure on economically active households, reduces disposable income and limits the capacity of residents to absorb service tariff increases. This has direct implications for the municipality's revenue base and affordability of basic services.

Settlement Structure & Households

Kopanong Local Municipality comprises a number of established towns with associated township areas, extensive rural farming settlements and limited informal settlements. Settlement names and classifications used in this Annual Report align with internal municipal planning and service-delivery usage, consistent with the Integrated

[1] **Source:** Stats SA Census 2022; municipal estimates for reporting. Age structure trends are derived from Stats SA Census 2011 and Census 2022. Financial-year figures are estimates for planning and reporting purposes only and do not represent new census counts. The municipality does not claim annual age-specific population measurements.

Development Plan and operational reporting. Census 2022 recorded approximately 14 730 households within the municipal area. Household figures are derived from Census 2022 sub-place data and aggregated to municipal settlement categories for reporting purposes.

Settlement Type	Associated Township / Area
Town	Bethulie
Township	Lephoi
Town	Reddersburg
Township	Matoporong
Town	Edenburg
Township	Harasebei
Town	Trompsburg
Township	Madikgetla
Town	Springfontein
Township	Maphodi
Town	Philippolis
Township	Poding Tse Rolo
Town	Fauresmith
Township	Ipopeng
Town	Jagersfontein
Township	Itumeleng
Town	Gariepdam
Township	Nozizswe
Rural settlements	Farms and dispersed rural settlements
Informal settlements	Informal settlement areas

Methodological note: Household figures are derived from Census 2022 sub-place household data and aggregated to internal municipal settlement classifications. Census totals remain the official statistical reference.

The dispersed settlement pattern contributes to higher per-household infrastructure and operating costs, particularly in rural areas, and limits economies of scale in service provision.

Labour Market & Unemployment

Unemployment remains a key socio-economic challenge within Kopanong Local Municipality. Statistics South Africa's Quarterly Labour Force Survey (QLFS) does not publish official unemployment rates at local municipal level. Municipal-level unemployment figures are therefore derived from recognised secondary modelling sources used by National Treasury and should be interpreted as estimates.

Available estimates indicate that unemployment in Kopanong is **structurally high**, reflecting limited economic diversification, reliance on agriculture and contraction in mining-related economic activity.

Indicator	Estimated Value
Unemployment rate[2]	±31%

[2] **Source:** National Treasury / municipal socio-economic modelling.

Implications for Indigent Policy & Revenue Management

The demographic and socio-economic profile of Kopanong Local Municipality has direct implications for indigent support measures and revenue sustainability.

The combination of high unemployment, a rising dependency ratio and modest household income levels increases the proportion of households that are unable to afford full cost recovery for basic municipal services. As a result, the municipality's Indigent Policy thresholds must remain realistically aligned to demographic and income realities, while avoiding unsustainable growth in the indigent register.

Population ageing further increases demand for free basic services, particularly water, sanitation and refuse removal, while limiting growth in the paying customer base. This places upward pressure on operating subsidies and reduces the elasticity of revenue from service charges.

Revenue assumptions contained in the Medium-Term Revenue and Expenditure Framework are therefore informed by:

- Modest population growth
- Limited growth in the working-age population
- High levels of structural unemployment
- Increasing dependency ratios

These factors necessitate conservative revenue projections, careful management of the indigent register, and ongoing refinement of affordability thresholds to balance social protection with financial sustainability.

Strategic Planning & Financial Sustainability Considerations

Demographic trends in Kopanong Local Municipality underscore the need for:

- Targeted indigent support aligned to verified household circumstances
- Prioritisation of basic service infrastructure that limits long-term operating and maintenance costs
- Conservative tariff-setting that recognises limited household affordability
- Focused local economic development interventions aimed at stabilising and expanding the working-age population

These considerations are integrated into the municipality's Integrated Development Plan, Budget, Service Delivery and Budget Implementation Plan, and Performance Management System to ensure alignment between demographic realities, service delivery priorities and financial planning.

Sources & Methodology Summary

- Population and household data are anchored to Statistics South Africa Census 2011 and Census 2022.
- Financial-year population figures are estimates for planning and reporting purposes only.
- Settlement names align with internal municipal planning usage.

- Unemployment figures are municipal-level estimates, as official QLFS data is not available at local municipality level.

1.2.3 SERVICE DELIVERY OVERVIEW

Service delivery in Kopanong Local Municipality during the 2024/25 financial year must be understood within the context of performance trends reported through the Section 72 mid-year budget and performance assessment and confirmed in the Section 46 annual performance reporting process. The Annual Performance Report indicates that service delivery outcomes were materially constrained by persistent financial distress, institutional instability and weaknesses in performance management and internal controls. These factors resulted in under-achievement against a number of Service Delivery and Budget Implementation Plan (SDBIP) targets, particularly within infrastructure-intensive functions such as water, sanitation, electricity distribution and waste management. Variances between planned and actual performance were primarily attributable to cash-flow limitations, delayed procurement processes, contractor under-performance and capacity constraints within technical service departments, all of which were identified and tracked through the Section 72 monitoring process.

Notwithstanding these constraints, the Municipality continued to deliver core basic services in line with its Integrated Development Plan priorities, with the majority of households retaining access to basic water supply, sanitation and refuse removal services, although not at universal coverage levels. As reflected in the Section 46 annual performance outcomes, progress on capital projects funded through conditional grants was mixed, with some projects achieving substantial completion while others were delayed or discontinued due to financial and contractual challenges. The service delivery picture for 2024/25 therefore reflects a municipality under sustained operational and financial pressure, where performance was maintained in selected functional areas but overall service delivery outcomes were negatively affected by systemic constraints. These results underscore the importance of strengthened financial recovery measures, improved project management and enhanced institutional stability in subsequent planning and budgeting cycles.

Service delivery in Kopanong Local Municipality during the reporting period was provided to a population of approximately 51 832 residents across 14 297 households, within a predominantly rural municipal area. Access to basic household services remains relatively high, with 92.1% of households having access to piped water inside the dwelling, 97.1% access to electricity for lighting, and 96.0% access to flush sanitation, based on Statistics South Africa Census 2022 data. These service levels reflect sustained investment in basic infrastructure over time, despite the Municipality's financial and institutional constraints.

With regard to solid waste management, Statistics South Africa Census 2022 indicates that 70.1% of households had access to weekly refuse removal at the time of the census. However, the Municipality's 2024/25 Annual Performance Report reflects that weekly refuse removal services were extended to all households within serviced areas during the reporting period, resulting in 98% reported coverage. The sustainability of this level of service coverage remains dependent on the Municipality's ongoing financial capacity, availability of operational resources and the continued maintenance of service delivery infrastructure, and will require ongoing monitoring.

1.2.4 FINANCIAL HEALTH OVERVIEW

Kopanong Local Municipality continues to face systemic financial sustainability challenges that shaped its 2024/25 financial health. The most recent completed audit cycle (for the year ended 30 June 2024) shows a legacy of qualified audit outcomes, reflecting repeated issues in financial reporting, internal controls and compliance that are material to the reliability of financial results reported by the municipality. While the 2024/25 Annual Financial Statements were still being finalised for audit at the time of latest reporting platforms, the municipality's historical pattern of unauthorised and fruitless & wasteful expenditure, and intermittent irregular expenditure — including significant prior unauthorised expenditure recorded in earlier years — underscores ongoing weaknesses in budget control, expenditure management and compliance with the Municipal Finance Management Act (MFMA) requirements . Across local government more broadly, AGSA's consolidated general reports note that many municipalities, particularly those with prior qualified or adverse opinions, continue to struggle with sound financial management and sustained compliance, which influences budget credibility and the quality of financial reporting in subsequent years .

Revenue performance and expenditure containment in 2024/25 remained under pressure due to structural socio-economic constraints in the municipal area, including high unemployment, low own-revenue capacity and a heavy reliance on equitable share and conditional grants. These factors, together with infrastructure backlogs and high service delivery costs attributable to the rural settlement pattern, limited the municipality's ability to broaden its revenue base or achieve meaningful surpluses. Persistent challenges in supply chain and contract management contributed to cost inefficiencies and elevated risk of continued irregular and fruitless expenditure. The financial picture for 2024/25 therefore reflects a municipality still in financial distress, where efforts to stabilise reserves, improve budget execution and strengthen internal controls — as recommended by AGSA for municipalities with similar audit histories — remain necessary to achieve sustainable financial health and service delivery outcomes.

Budget Info

Budget Info			**R' 000**
Details	**Original budget**	**Adjustment Budget**	**Actual**
Income:			
Grants	122 121		133 255
Taxes, Levies and tariffs			
Other	243 271		
Sub Total	365 391		133 255
Less: Expenditure	591 510		1
Net Total	(226 119)		133 255

Financial Cost

Financial Cost	
Detail	**%**
Employee Cost	30%
Repairs & Maintenance	0%
Finance Charges & Impairment	33%

Budget Adjustment: Original v Adjusted Budget

Original v Adjusted Budget		**R'000**
Detail	**2023/24**	**2024/25**
Original Budget	109 465	139 962
Adjustment Budget	130 828	502 539
Actual		581 292

1.2.4.1 FINANCIAL HEALTH INDICATORS (BASED ON LATEST AUDITED INFORMATION)

The table below summarises key financial health indicators using the latest available audited Annual Financial Statements (2023/24) as reflected in AGSA reporting platforms, together with trends monitored through MFMA Sections 71 and 72 during 2024/25.

Key Financial Ratios and Indicators[3]

Indicator	Definition	Latest Status	Oversight Interpretation
Operating surplus / (deficit)	Operating revenue less operating expenditure	Operating deficit	Indicates that operating expenditure exceeds own-revenue capacity, increasing reliance on grants and short-term funding measures.
Cash coverage (months)	Cash and cash equivalents ÷ average monthly operating expenditure	Below minimum norm	Cash balances insufficient to cover short-term obligations, resulting in liquidity stress and delayed payments.
Creditor days	Average number of days to pay creditors	Significantly above 30 days	Persistent non-compliance with MFMA payment norms, increasing service delivery risk and supplier disputes.
Debtors collection rate	Actual collections ÷ billed revenue	Below norm	Weak revenue collection performance limits cash inflows and undermines budget credibility.
Reliance on grants	Share of total revenue from equitable share and conditional grants	High	Own-revenue base remains structurally constrained, limiting fiscal flexibility.
Unauthorised / Irregular / Fruitless & Wasteful Expenditure	Expenditure incurred outside approved frameworks	Recurring historical exposure	Indicates ongoing weaknesses in budget control, SCM compliance and consequence management.

1.2.4.2 FINANCIAL RISK SUMMARY

In-year monitoring conducted in terms of MFMA Section 71 (monthly budget statements) and assessed through the Section 72 mid-year budget and performance assessment confirms that Kopanong Local Municipality entered the 2024/25 financial year with limited financial resilience. Persistent operating deficits, weak cash positions and elevated creditor balances were identified early in the financial year and continued to constrain the municipality's ability to meet operational and capital commitments.

Section 72 assessments highlighted material risks relating to budget realism, revenue under-collection and cash-flow sustainability, necessitating ongoing expenditure reprioritisation and deferment of non-critical spending. These risks directly affected service delivery implementation, as reflected in the Annual Performance Report, where delays in procurement, contractor under-performance and late payments were cited as key contributors to under-achievement against SDBIP targets in infrastructure-intensive functions. The linkage between financial distress and service delivery performance is therefore evident and consistent across Section 71 monitoring, Section 72 assessments and Section 46 annual performance outcomes.

The financial health challenges identified above are mirrored in the 2024/25 Annual Performance Report, which records that financial constraints materially affected the municipality's capacity to implement planned projects and

[3] **SOURCE:** AGSA MFMA Audit Reporting (Latest Completed Audit Cycle) and Municipal In-Year Monitoring

sustain service delivery standards. Cash-flow limitations and delayed payments to service providers contributed to project delays, contract terminations and reduced implementation rates in certain programmes. As a result, while the municipality continued to deliver basic services, performance outcomes remained uneven and below planned targets in several functional areas.

Taken together, the financial indicators, MFMA in-year monitoring outputs and annual performance results confirm that Kopanong Local Municipality remains in a financially vulnerable position, requiring continued stabilisation measures, strengthened financial controls and improved revenue management to restore sustainability and improve service delivery outcomes.

1.2.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

Organisational development within Kopanong Local Municipality during the 2024/25 financial year was undertaken in a constrained institutional environment characterised by leadership instability, capacity limitations and ongoing financial distress. These factors continued to affect organisational performance, staff morale and the municipality's ability to attract and retain critical skills, particularly within technical and financial functions. The organisational structure remains under pressure to balance affordability with service delivery demands, while vacancies in key posts and reliance on acting appointments contributed to weaknesses in coordination, oversight and accountability.

Despite these challenges, the municipality continued to implement organisational development interventions aligned to its Integrated Development Plan and performance management framework, including efforts to stabilise governance structures, strengthen performance monitoring and improve compliance with legislative requirements. As reflected in the Annual Performance Report, institutional capacity constraints had a direct impact on service delivery and project implementation outcomes, reinforcing the need for focused organisational stabilisation, skills development and leadership continuity to support improved performance and long-term sustainability.

1.2.6 AUDITOR GENERAL REPORT

The table below indicates the audit opinion received for the period 2024/2025 financial year and previous years.

AUDIT FINDINGS			
Financial Year	2022/23	2023/24	2024/25
Auditor-General Finding		Qualified	Qualified

The report was issued on 30 November 2025 in accordance with the requirements set in the MFMA section 126(3)(b) and is attached as Appendix P.

1.2.7 STATUTORY ANNUAL REPORT PROCESS

No.	Activity	Timeframe
1	Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July

No.	Activity	Timeframe
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 year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor-General's Report	
14	Audited Annual Report is made public, and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January

CHAPTER 2: GOVERNANCE

2.1 COMPONENT A: POLITICAL & ADMINISTRATIVE GOVERNANCE

Kopanong Local Municipality is an organ of state within the local sphere of government, established in terms of the Local Government: Municipal Structures Act, 1998, and situated within the Xhariep District Municipality in the Free State Province. In accordance with section 151(3) of the Constitution of the Republic of South Africa, 1996, the Municipality has the right to govern, on its own initiative, the local government affairs of its community, subject to national and provincial legislation.

The governance framework of Kopanong Local Municipality is guided by the Constitution, the Local Government: Municipal Structures Act, the Local Government: Municipal Systems Act, and the Municipal Finance Management Act (MFMA). Within this framework, the Municipal Council is the highest decision-making authority and is responsible for the adoption of by-laws, policies, the Integrated Development Plan (IDP), the Medium-Term Revenue and Expenditure Framework (MTREF), and for exercising oversight over the executive and the administration.

2.2 POLITICAL & ADMINISTRATIVE GOVERNANCE

2.2.1 INTRODUCTION TO POLITICAL GOVERNANCE

In terms of section 151 of the Constitution, 1996, the executive and legislative authority of Kopanong Local Municipality is vested in its Municipal Council. The Municipality operates in accordance with a mayoral executive system, as contemplated in the Local Government: Municipal Structures Act, where executive authority is vested in the Mayor, assisted by a Mayoral Committee.

In terms of section 160(2) of the Constitution, certain powers may not be delegated and must be exercised by Council itself, including the passing of by-laws, approval of budgets, the imposition of rates and taxes, and the raising of loans. The Council therefore retains ultimate authority over strategic and legislative matters, while delegating executive responsibilities in line with the approved system of delegation.

The Speaker, elected by Council, presides over Council meetings and is responsible for ensuring the effective functioning of Council and its committees in accordance with section 37 of the Municipal Structures Act. Council meetings, including ordinary and special sittings, are convened in terms of approved Rules and Orders, with notices and agendas distributed to Councillors within prescribed timeframes.

The Mayor, as the political head of the Municipality, provides strategic political leadership and exercises executive authority, supported by the Mayoral Committee appointed from among the Councillors. The Mayor provides oversight over the administration, represents the Municipality in intergovernmental relations forums at district, provincial and organised local government level, and provides guidance on fiscal and financial matters, including the implementation of the IDP and the municipal budget.

To support effective governance and oversight, the Municipal Council has established section 80 committees in terms of the Municipal Structures Act and the MFMA to process matters within their delegated areas of responsibility before submission to Council. In addition, the Council has established a Municipal Public Accounts Committee (MPAC) to strengthen oversight over financial management, performance reporting and accountability, particularly in relation to the Annual Report and audit outcomes.

2.2.2 ADMINISTRATIVE GOVERNANCE

Administrative governance within Kopanong Local Municipality during the 2024/25 financial year was significantly affected by instability at senior management level, with the positions of Municipal Manager, Chief Financial Officer, Director: Technical Services and Director: Community Services occupied in an acting capacity for substantial periods. This leadership instability weakened institutional continuity, diluted accountability and constrained the effective execution of strategic and operational responsibilities assigned to the administration in terms of the Municipal Systems Act and the Municipal Finance Management Act.

The impact of acting appointments is evident in the municipality's audit outcomes and in-year financial and performance monitoring. Recurrent audit findings relating to financial management, internal controls, compliance and performance reporting are directly linked to weaknesses in oversight, contract management and consequence management, all of which require stable senior leadership to address effectively. In particular, audit findings associated with supply chain management, expenditure control, asset management and the credibility of performance information reflect gaps in management supervision and the enforcement of performance standards. These weaknesses were further compounded by limitations in the performance management system, where acting incumbents were constrained in exercising sustained authority over performance agreements, corrective action plans and disciplinary processes.

Notwithstanding these constraints, the acting senior management team undertook concerted efforts to stabilise the administration and implemented a range of turnaround and corrective interventions aimed at improving governance, financial management and service delivery performance. While these efforts were constrained by structural and institutional limitations and did not fully translate into improved audit outcomes during the reporting period, they reflect a commitment by the current incumbents to address systemic weaknesses and to lay the foundation for organisational recovery. The persistence of audit findings nevertheless confirms that administrative stabilisation through permanent appointments, strengthened performance management and consistent consequence management remains critical to achieving sustainable improvement in governance and performance.

2.3 PUBLIC ACCOUNTABILITY & PARTICIPATION

2.3.1 OVERVIEW OF PUBLIC ACCOUNTABILITY & PARTICIPATION

In compliance with section 17(2) of the Municipal Systems Act, Kopanong Local Municipality structures its administration to promote accountability through established governance, reporting and performance management frameworks, including clear lines of responsibility, delegated authority and regular reporting to Council. In line with section 16(1), the Municipality complements formal representative governance with participatory governance mechanisms such as public consultation processes linked to the Integrated Development Plan, budget preparation and performance reporting cycles. Furthermore, in terms of section 18(a)–(d), the Municipality provides its community with information on municipal governance, management and development through prescribed communication channels, including public notices, Council processes and the publication of key statutory documents.

During the 2024/25 financial year, improvements were made in strengthening the consistency and structure of public communication and reporting processes, particularly through clearer alignment between planning, budgeting and performance reporting instruments. These efforts contributed to improved transparency, enhanced community awareness of municipal processes and strengthened accountability between the administration, Council and the community. While institutional and financial constraints remain, the benefits derived from these activities include more informed public engagement, improved oversight processes and a stronger foundation for participatory governance and accountability going forward.

2.3.2 PUBLIC MEETINGS

2.3.2.1 COMMUNICATION, PARTICIPATION & FORUMS

Public participation in Kopanong Local Municipality is structured in accordance with national government directives, with the ward committee system serving as the primary mechanism for community participation at local level. Ward committees provide a platform for geographically based representation and constitute the main channel through which the Municipality engages with communities on service delivery, development priorities and governance matters. Most routine liaison with communities is conducted through ward committee meetings, which support communication between Council, the administration and residents.

While ward committees ensure representation on a geographic basis, they do not encompass all sectoral interests within the municipal area. Key sectors such as business, agriculture, education and other organised community groupings play a significant role in the local economy and social development of Kopanong. Engagement with these sectoral stakeholders is therefore essential to obtain a comprehensive understanding of local conditions and challenges. Liaison with organised sector groups is primarily facilitated through structured platforms such as the Mayoral Consultative Forum, which complements ward-based participation and supports inclusive and informed decision-making.

2.3.2.2 WARD COMMITTEES

In terms of section 152(1)(e) of the Constitution of the Republic of South Africa, read together with sections 72 to 78 of the Local Government: Municipal Structures Act, 1998, Kopanong Local Municipality is required to encourage the involvement of communities and community organisations in matters of local government through structured participatory systems. The ward committee system serves as the primary mechanism to promote participatory democracy and community engagement at ward level.

Ward committees function as advisory bodies to the Ward Councillors and constitute the official public participation structures of the Municipality. Their role includes identifying community needs and challenges, facilitating communication on municipal processes such as the IDP and budget, receiving community inputs and service delivery concerns, and liaising with relevant forums and organisations on matters affecting the ward. Ward committees were established for all wards following the 2021 local government elections, with members inducted on applicable rules, procedures and planning processes to support effective participation in municipal governance.

2.3.3 IDP PARTICIPATION & ALIGNMENT

IDP Participation and Alignment Criteria	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes

IDP Participation and Alignment Criteria	Yes/No
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	No
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

2.4 CORPORATE GOVERNANCE

2.4.1 OVERVIEW OF CORPORATE GOVERNANCE

Corporate governance within Kopanong Local Municipality during the 2024/25 financial year was exercised through the Municipal Council as the primary governing body, responsible for ethical leadership, oversight and accountability in line with recognised good-governance principles. Consistent with the values underpinning King IV, the Council provided strategic direction and oversight through a programme of ordinary and special council meetings convened throughout the year, as reflected in the table below. These meetings enabled Council to consider governance, financial and administrative matters, including statutory reports and issues requiring urgent decision-making, thereby supporting responsible and responsive governance.

Governance processes were conducted through both physical and virtual platforms, facilitating the participation of councillors and senior administrative officials and supporting continuity of governance despite institutional and operational constraints. While direct community attendance at council meetings was limited, the Council remained accountable through formal decision-making, recorded resolutions and prescribed feedback mechanisms. Issues considered by Council were communicated through established reporting and communication channels, reinforcing transparency and accountability. Overall, the Council meeting processes supported the Municipality's corporate governance framework by promoting oversight, responsible leadership and informed decision-making during a financially and institutionally constrained period.

Council Information						
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
Special Council Meeting	07-Aug-24	virtual	virtual	none	yes	
Special Council Meeting	27-Sep-24	virtual	virtual	none	yes	
Special Council Meeting	27-Oct-24	virtual	virtual	none	yes	
Special Council Meeting	13-Nov-24	virtual	virtual	none	yes	
Special Council Meeting and report on section 54 and 56	29-Nov-24	13	5	none	yes	
Special Council Meeting	04-Dec-24	virtual	virtual	none		
Special Council Meeting	25/02/2025	virtual	virtual	none	yes	
Ordinary Council Meeting	26-Mar-25	16	4		yes	
Special Council Meeting	25-Apr-25	virtual	virtual	none		
special Council Meeting	08-May-25	16	5	none		in progress

Council Information						
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
Special Council Meeting	29-May-25	14	5	none	yes	
special Council Meeting	18-Jun-25	virtual	virtual	none	yes	
special Council Meeting	18-Jul-25	virtual	virtual	none	yes	
Special Council Meeting	23-Jul-25	virtual	virtual	none	yes	

2.4.2 INTERNAL AUDIT

An Internal Audit Activity (IAA) is established within Kopanong Local Municipality and reports administratively to the Municipal Manager and functionally to the Audit Committee. The Internal Audit Activity provides independent and objective assurance and advisory services aimed at adding value and improving the Municipality's operations. Through a systematic, risk-based and disciplined approach, Internal Audit evaluates and enhances the effectiveness of governance, risk management and internal control processes.

The Internal Audit Activity provides assurance and reports on matters relating to the safeguarding of municipal assets, the effectiveness of internal controls, compliance with applicable legislation, policies and contractual obligations, the reliability and integrity of financial and performance information, risk management processes, and the performance management system.

2.4.3 RISK MANAGEMENT

In terms of section 62(1)(c)(i) of the Municipal Finance Management Act, 2003, the Accounting Officer is required to ensure that the municipality has and maintains an effective, efficient and transparent system of risk management. Risk management is necessary to identify, assess and manage risks that may adversely affect the achievement of the municipality's strategic objectives, service delivery commitments, financial sustainability and compliance with applicable legislation. An effective risk management system supports informed decision-making, strengthens internal controls and promotes accountability across the institution.

Service departments play a critical role in the risk management process by identifying and assessing operational, financial, governance and service delivery risks within their respective functional areas. Departments are responsible for integrating risk considerations into planning, budgeting, project implementation and performance management processes, and for reporting identified risks through established management and governance structures. This ensures that risk management is embedded in day-to-day operations and not treated as a stand-alone compliance exercise.

Based on the municipality's operating environment and institutional context, the top five risks facing Kopanong Local Municipality during the reporting period are identified as:

- Financial sustainability and liquidity risk, arising from weak revenue collection, cash-flow constraints and operating deficits.
- Service delivery and infrastructure risk, linked to ageing infrastructure, delayed capital projects and capacity constraints within technical services.
- Governance and compliance risk, including recurring audit findings and weaknesses in internal controls and consequence management.

- Institutional capacity and leadership risk, associated with vacancies and acting appointments in key senior management positions.
- Supply chain and contract management risk, relating to procurement delays, contractor under-performance and exposure to irregular expenditure..

2.4.4 ANTI-CORRUPTION & FRAUD

In compliance with section 83(c) of the Local Government: Municipal Systems Act, 2000, Kopanong Local Municipality applies governance and administrative measures aimed at ensuring that service providers are appointed through processes that minimise the risk of fraud and corruption. The prevention of fraud, corruption and theft is essential to safeguard public resources, maintain public confidence in municipal administration and ensure that service delivery and financial management objectives are achieved in a lawful and ethical manner.

The Municipality has implemented a combination of preventive, detective and corrective controls to deter corrupt practices. These include the segregation of duties within key financial and supply chain processes, the application of approved supply chain management policies and procedures, and regular oversight through internal audit reviews of systems and transactions. Independent oversight is further strengthened through the Audit Committee, which operates in accordance with legislative requirements and excludes politicians and officials as voting members. Ethical leadership is reinforced through consistent messaging by political and administrative leadership condemning fraud and corruption, while suspected criminal conduct is referred to law enforcement authorities where reasonable grounds for suspicion exist, in line with statutory obligations.

Key risk areas identified include supply chain management, revenue management, contract management and expenditure control. Deterrent measures applied in these areas include compliance monitoring, documentation and approval controls, audit trails, and consequence management processes..

2.4.5 SUPPLY CHAIN MANAGEMENT

Supply Chain Management within Kopanong Local Municipality is regulated by the Municipal Finance Management Act (sections 110–119), the Municipal Supply Chain Management Regulations, 2005, and applicable MFMA circulars and practice notes. The Municipality has adopted an approved Supply Chain Management Policy that provides for demand management, acquisition management, logistics management, disposal management, risk management and performance management, with clear roles, delegations and thresholds. SCM processes are applied to procure goods and services in a manner that promotes fairness, equity, transparency, competitiveness and cost-effectiveness, and to minimise opportunities for fraud and corruption.

During the 2024/25 financial year, improvements were made to strengthen compliance and process discipline within the SCM environment, including enhanced pre-award compliance checks, clearer alignment between procurement planning and the budget, and improved record-keeping and reporting to oversight structures. These measures contributed to improved control over procurement processes and supported service delivery implementation, particularly where time-critical goods and services were required for basic service provision and infrastructure maintenance.

Notwithstanding these improvements, the Municipality continued to experience challenges in fully attaining the standards set out in section 112 of the MFMA, as reflected in the SCM implementation checklist contained in MFMA Circular 40. Key challenges included capacity constraints within the SCM unit, weaknesses in demand planning, delays in procurement processes, contract management shortcomings and the impact of financial and cash-flow constraints on timely procurement and payments. These challenges limited the Municipality's ability to consistently achieve best value for money and optimal service delivery outcomes and remain areas requiring focused management attention and corrective action..

2.4.6 BY-LAWS

In terms of section 11(3)(m) of the Local Government: Municipal Systems Act, 2000, the Municipal Council of Kopanong Local Municipality has the legislative authority to pass and implement by-laws for the effective governance and betterment of the community, within the framework of the Constitution and applicable national and provincial legislation. By-laws serve as a key regulatory instrument through which the Municipality gives effect to its constitutional mandate, regulates local matters, and promotes orderly, safe and sustainable development within its area of jurisdiction.

Through the adoption and enforcement of by-laws, the Municipality is able to regulate issues such as service provision, public health and safety, environmental management and community conduct, thereby supporting effective service delivery and the protection of community interests. The by-law function forms an integral part of the Municipality's legislative role and contributes to accountability, legal certainty and the consistent application of rules governing municipal affairs.

In exercising its legislative authority as set out above the Municipal Council adopted a **Township Economy By-law**, which was gazetted on 7 November 2024 following a public participation process conducted in accordance with legislative requirements. The by-law provides a regulatory framework to govern and support economic activities within township areas, with the objective of promoting orderly economic participation, compliance with municipal regulations and inclusive local economic development.

CHAPTER 3: ORGANISATIONAL PERFORMANCE

3.1 STRATEGIC PERFORMANCE OVERVIEW

This chapter provides an overview of the key service delivery achievements of Kopanong Local Municipality during the 2024/25 financial year, measured against the objectives and performance indicators adopted in the Integrated Development Plan (IDP).

3.1.1 OVERVIEW OF PERFORMANCE WITHIN THE ORGANISATION

Performance management at Kopanong Local Municipality is a structured and planned process aimed at directing, supporting, aligning, and improving individual and organisational performance to ensure the sustained achievement of municipal objectives. It serves as a management tool to plan, monitor, measure, and review performance indicators in order to promote efficiency, effectiveness, and service delivery impact across the municipality.

At local government level, performance management is institutionalised through legislative requirements governing planning, budgeting, monitoring, reporting, and accountability.

3.1.2 LEGISLATIVE REQUIREMENTS

Section 152 of the Constitution of the Republic of South Africa establishes the objectives of local government and underpins the requirement for accountable governance. In addition, the democratic values and principles set out in Section 195(1) of the Constitution require public administration to promote the efficient, economic, and effective use of resources; ensure accountability and transparency; respond to community needs; and foster a culture of public service and accountability among employees.

The Local Government: Municipal Systems Act, 2000 (MSA), requires municipalities to establish and implement a performance management system. The MSA, read together with the Municipal Finance Management Act, 2003 (MFMA), further requires alignment between the IDP, the municipal budget, and the Service Delivery and Budget Implementation Plan (SDBIP), and mandates ongoing monitoring of performance against these instruments.

Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001, requires a municipality to adopt a performance management framework that sets out the planning, monitoring, measurement, review, reporting, and improvement cycle, as well as the roles and responsibilities of various role players. Performance management at Kopanong Local Municipality therefore applies not only to the organisation as a whole, but also to individual employees, external service providers, and any municipal entities.

In terms of Section 46(1)(a) of the MSA, Kopanong Local Municipality is required to prepare an annual performance report reflecting organisational and service provider performance for the financial year, including comparisons with set targets and prior-year performance, and indicating priorities and performance targets for the subsequent financial year together with improvement measures.

3.1.3 ORGANISATIONAL PERFORMANCE

Strategic performance reflects the extent to which Kopanong Local Municipality is achieving its developmental objectives and whether adopted policies and processes are yielding the intended outcomes. As a public institution, the municipality is required to measure and report on strategic performance to ensure that service delivery is conducted in an efficient, effective, and economical manner.

To this end, strategic plans are developed, resources are allocated, and implementation is monitored on an ongoing basis. Performance results are reported throughout the financial year to relevant oversight and governance structures to enable the timely implementation of corrective measures where necessary.

This Annual Report reflects strategic performance in relation to the municipality's Top Layer SDBIP and the National Key Performance Indicators as prescribed in terms of Section 43 of the MSA.

3.1.4 PERFORMANCE MANAGEMENT SYSTEM

Kopanong Local Municipality has adopted a Performance Management Framework intended to regulate performance planning, monitoring, measurement, review, and reporting in accordance with the Municipal Systems Act and the Municipal Planning and Performance Management Regulations.

During the 2024/25 financial year, the performance management system and related controls were **implemented at organisational level only**. The Municipality did not cascade the system to departmental or individual employee levels. As a result, appropriate systems and procedures to monitor, measure, and evaluate individual staff performance were **not fully developed and adopted**, as contemplated in section 67(1)(d) of the Municipal Systems Act and regulation 31 of the Municipal Staff Regulations.

The inability to cascade the performance management system was primarily attributable to **institutional capacity constraints**, including the absence of permanently appointed Directors in certain key portfolios and the secondment of the Municipal Manager from the provincial Department of Cooperative Governance and Traditional Affairs (CoGTA). These conditions affected the effective implementation of key performance management processes and controls as envisaged in Regulation 7(1) of the Municipal Planning and Performance Management Regulations, 2001.

Performance reporting for the year under review therefore focused on **organisational performance**, measured against the approved Top Layer Service Delivery and Budget Implementation Plan (SDBIP). Performance information was reported to Council through the prescribed quarterly and annual reporting processes.

The Municipality acknowledges the limitations identified in the implementation of the performance management system and has noted the Auditor-General's findings relating to the adequacy of performance management controls, the reliability of reported achievements, and the absence of individual performance monitoring mechanisms.

The Municipality will review the Performance Management System in the subsequent financial year, subject to the stabilisation of senior management capacity, with the intention of strengthening performance management controls and enabling the structured cascading of performance management processes to lower organisational levels, in line with legislative requirements.

The management noted the Auditor-General's findings that the performance management system and related controls were inadequate in ensuring the effective implementation of performance planning, monitoring, measurement, review, and reporting processes, resulting in weaknesses in the reliability and validity of reported performance information.

Management further noted that performance reporting during the 2024/25 financial year was limited to organisational-level indicators, and that individual and departmental performance monitoring systems were not fully implemented due to institutional capacity constraints.

In response to the findings raised in the audit of performance information and compliance with legislation, Kopanong Local Municipality has identified the review of its Performance Management System as a priority intervention area.

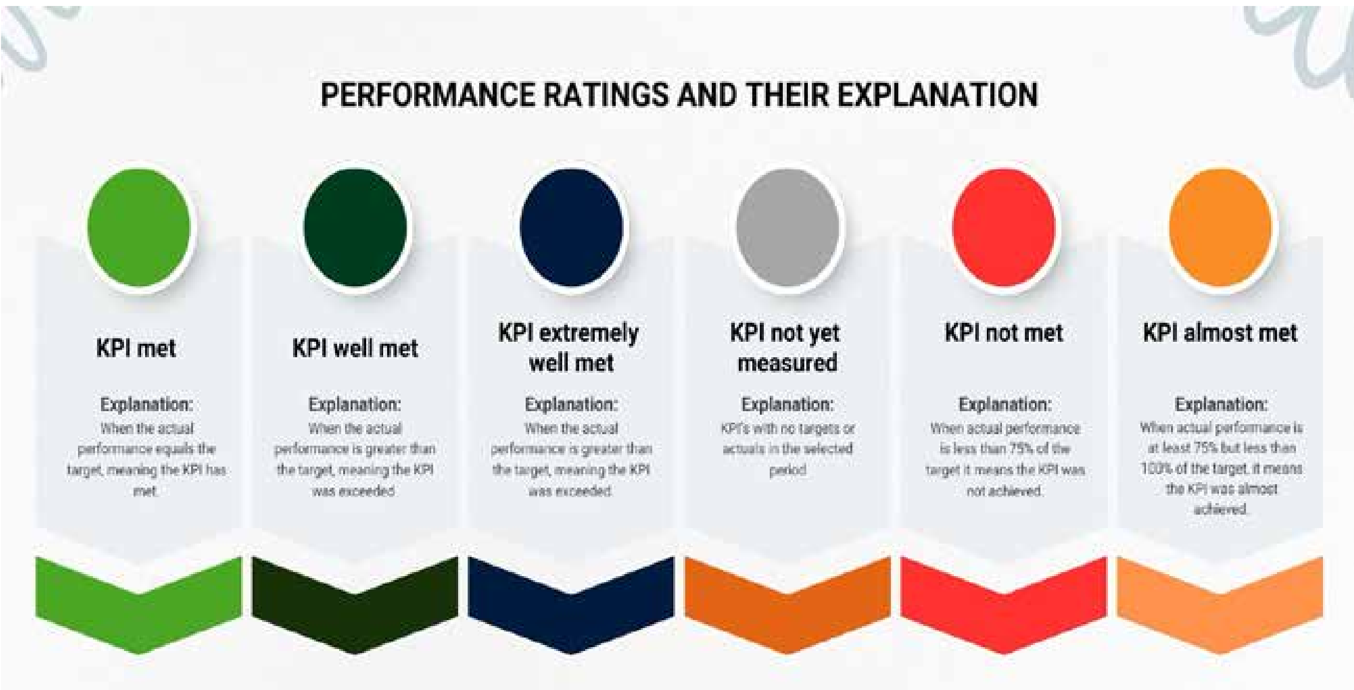
The review process will focus on addressing control weaknesses identified in relation to performance planning, monitoring, measurement, review, and reporting, and on improving the adequacy of systems and procedures for performance management, subject to institutional capacity and governance arrangements.

Progress in this regard will be monitored through the Municipality's audit action plan and reported through the appropriate governance structures.

3.1.5 STRATEGIC SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN

This section provides an overview on the achievement of the municipality in terms of the strategic intent and deliverables achieved. The Top Layer SDBIP assists with documenting and monitoring of the Municipality's strategic plan and shows the strategic alignment between the IDP, Budget and Performance plans. In the section below the performance achievements are illustrated against the Top Layer SDBIP KPI's applicable to 2024/25 in terms of the IDP strategic objectives.

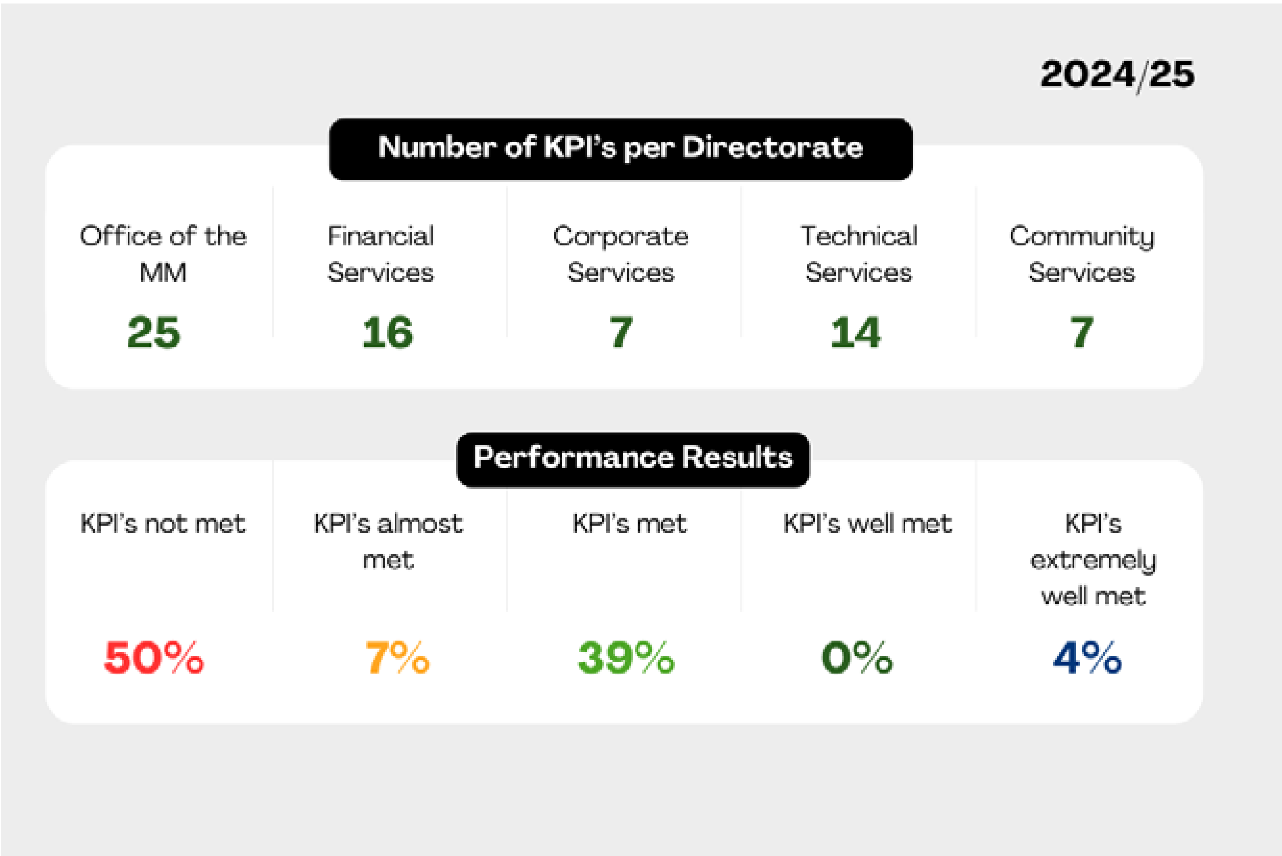
The figure below explains the method by which the overall assessment of the actual performance against the targets set for the key performance indicators (KPI's) and definition of performance ratings:



The table below present the Municipality's overall performance outcomes about the Top Layer Service Delivery and Budget Implementation Plan (SDBIP). These results demonstrate the extent to which planned targets were achieved across the various Key Performance Areas (KPAs).

	Good Governance and Public Participation	Financial Management & Sustainability	Institutional Transformation & Organisational Development	Infrastructure Development & Basic Service Delivery	Planning and Local Economic Development (LED)	Community Safety and Environmental Management
KPI Not Met	10	9	5	11	N/A	N/A
KPI Almost Met	N/A	N/A	N/A	2	N/A	3
KPI Met	10	6	2	1	4	4
KPI Well Met	N/A	N/A	N/A	N/A	N/A	N/A
KPI Extremely Well Met	N/A	1	N/A	1	1	N/A

The image below summarise the KPIS's per Directorate and percentage achievement.



KPA1: Governance & Stakeholder Participation *(Public Participation and Good Governance)*

RESPONSIBLE DEPARTMENT: Office of the Municipal Manager

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN Q1	Q2	Q3	Q4	ANNUAL TARGET 2024/25	ACTUAL RESULTS	Rating
GSP1	Overseeing functionality of the Risk management Committee	Number of risk management reports submitted to the Audit Committee by Senior Management quarterly	All	2	Risk management committee report	1	1	1	1	4	4	
Reason for variance & Corrective Action for implementation:	Reports were prepared but could not be submitted. The Council will prioritise the appointment of a new Risk Committee Chairperson to restore functionality, after which Senior Management will resume submitting quarterly risk management reports in line with legislative and governance requirements.											
GSP2	Risk management	Number of awareness workshops conducted on fraud prevention for both councillors and staff biannually	All	1	Attendance register/Distribution list for fraud awareness pamphlets	0	1	0	1	2	0	
Reason for variance & Corrective Action for implementation:	No workshops held. MM to oversee the functions of the Internal Audit and Risk function											
GSP3	Risk management	Number of risk management strategy reviewed by 30 June 2025	All	1	Council resolution	0	0	0	1	1	1	
GSP4	Risk Management	Number of risk management policy reviewed by 30 June 2025	All	1	Council resolution	0	0	0	1	1	1	
GSP5	Risk Management	Number of fraud corruption strategy reviewed by 30 June 2025	All	1	Council resolution	0	0	0	1	1	0	
GSP6	Risk Management	Number of fraud corruption policy reviewed by 30 June 2025	All	1	Council resolution	0	0	0	1	1	1	
GSP7	Compile draft IDP	Number of draft IDP submitted to Council for adoption by 31 March 2025	All	1	Council resolution	0	0	1	0	1	1	
GSP8	Compile final IDP (MSA 34)	Number of final IDP submitted to Council for adoption by 31 May 2025	All	1	Council resolution	0	0	0	1	1	1	

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	ACTUAL RESULTS	Rating
						Q1	Q2	Q3	Q4			
GSP9	Effective public participation	Number of IDP steering committee meeting held by 30 November 2024	All	1	Council resolution	0	1	0	0	1	0	
Reason for variance & Corrective Action for implementation:		No proof of steering committee meetings were supplied. Only proof submitted was of a IDP Forum workshop that was held on 19 March 2025										
GSP10	Effective public participation	Number of IDP community representative forum held by 31 March 2025	All	1	Minutes of the IDP representative forum meeting	0	0	1	0	1	1	
GSP11	Effective management of the implementation of the IDP and budget	Number of SDBIPs approved by the Mayor within 28 days after the approval the IDP	All	1	Signed SDBIP	0	0	0	1	1	1	
Reason for variance & Corrective Action for implementation:		This KPI is incorrectly formulated. Section 53(1)(c) requires that the Mayor must take all reasonable steps to ensure that the Mayor approves the Municipality's SDBIP within 28 days after the approval of the budget. The reference to 28 days after the approval of the IDP is therefore incorrect.										
GSP12	Ensure responsibility and accountability	Number of Performance agreements entered into, signed and submitted to COGTA within the required timeframe	All	3	Acknowledgement letter of receipt from COGTA	5	0	0	0	5	0	
Reason for variance & Corrective Action for implementation:		This KPI was not achieved because none of the relevant Section 57 posts were occupied by permanent appointees during the reporting period, with all incumbents serving in an acting capacity. As a corrective measure, the Municipality will prioritise the permanent filling of all vacant Section 57 posts through a structured recruitment process. In the interim, formalised performance agreements will be developed and concluded with acting appointees to ensure accountability and alignment with institutional performance objectives.										
GSP13	Mid-year review of the performance of the Municipality (MFMA s72)	Number of mid-year assessment reports submitted to Council within the required timeframe	All	1	Council resolution	0	0	1	0	1	1	
GSP14	Compilation of Annual Report (MFMA S121)	Number of draft annual report compiled and submitted to AGSA by 31 August 2024	All	1	Acknowledgement of receipt from AGSA	1	0	0	0	1	0	
Reason for variance & Corrective Action for implementation:		Delays in finalising inputs from various departments affected the timely compilation of the draft annual report. As a corrective measure, the Municipality will enforce stricter internal deadlines aligned to statutory timeframes, assign clear responsibilities for departmental submissions, and establish a project plan to ensure the draft annual report is compiled and submitted to AGSA by 31 August in future cycles.										
GSP15	Tabling of Annual Report (MFMA s127)	Number of draft annual report tabled in Council by 31 January 2025	All	1	Council resolution	0	0	1	0	1	0	

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY & BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	ACTUAL RESULTS	Rating
						Q1	Q2	Q3	Q4			
Reason for variance & Corrective Action for implementation:		Delays in finalising inputs from various departments affected the timely compilation of the draft annual report. As a corrective measure, the Municipality will enforce stricter internal deadlines aligned to statutory timeframes, assign clear responsibilities for departmental submissions, and establish a project plan to ensure the draft annual report is compiled and submitted to AGSA by 31 August in future cycles.										
GSP16	Compilation of the oversight report on Annual report [MFMA 129(1) and MSA s46(2)]	Number of oversight report adopted by Council on or before 31 March 2025	All	0	Council resolution	0	0	1	0	1	0	
Reason for variance & Corrective Action for implementation:		Due to delays in finalising the draft annual report and subsequent late tabling before the Municipal Public Accounts Committee (MPAC), the timely adoption of the oversight report was affected. As a corrective measure, the Municipality will ensure that the draft annual report is tabled to MPAC immediately after submission to AGSA, and MPAC will be required to adhere to a strict review and reporting schedule to enable timely adoption by Council before 31 March in future years.										
GSP17	Effective internal quality assurance	Number of Three year strategic rolling and Internal Audit Plans developed and approved by 30 June 2025	All	1	Three year strategic rolling and Internal Audit plan	0	0	0	1	1	1	
GSP18	Functional Internal Audit Unit [MFMA 62(1)]	Number of Internal Audit Performance reports submitted to Audit and Performance Committee quarterly	All	2	Audit Committee minutes with internal audit reports	1	1	1	1	4	0	
Reason for variance & Corrective Action for implementation:		The Municipality will enforce accountability through performance review processes, ensuring that the Performance Management Unit adheres to a set reporting schedule aligned with quarterly targets. Additionally, the Municipal Manager will be assigned oversight responsibility to monitor compliance and intervene promptly in cases of non-performance.										
GSP19	Effective good governance	Number of Audit Committee reports submitted to Council quarterly	All	0	Council resolution with Audit Committee report	1	1	1	1	4	0	
Reason for variance & Corrective Action for implementation:		Ensure that the Council convenes at least quarterly, in accordance with legislative requirements, and that Audit Committee reports are submitted on time for tabling at each scheduled meeting.										
GSP20	Improved audit outcome	Monitoring the implementation of AGSA audit action plan and report quarterly	All	0	Updated Audit Action Plan	0	0	1	1	2	0	
Reason for variance & Corrective Action for implementation:		Due to the late submission of the AFS to the AGSA, the AG Management report was only received on 4 June 2025. Audit Action Plan update is therefore in progress. The Municipality will ensure that the AFS is submitted to the AGSA in a timely manner in the following financial year.										

KPA2: Financial Management & Sustainability

RESPONSIBLE DEPARTMENT: Directorate of Financial Services

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	ACTUAL RESULT	Rating
						Q1	Q2	Q3	Q4			
FMS1	Effective expenditure management	Number of expenditure management reports submitted to Municipal Manager for approval on a quarterly basis	All	10	Approved expenditure reports	1	1	1	1	4	4	
FMS2	Effective revenue management	Number of income management reports submitted to Municipal Manager for approval on a quarterly basis	All	10	Approved income reports	1	1	1	1	4	4	
FMS3	Compilation of Annual Financial Statements	Number of AFS compiled and submitted to AGSA on or before 31 August 2024	All	1	Acknowledgement letter of receipt from AGSA	1	0	0	0	1	0	
Reason for variance & Corrective Action for implementation:		The AFS could not be submitted to AGSA by 31 August 2024 due to the Municipality's transition to a new financial system, delays in appointing a service provider, and administrative instability. The CFO post remained vacant for most of the year and was only filled through a secondment in March 2024, which further limited the Municipality's ability to comply with this KPI and the related KPI (FMS10) on the updated asset register. The Municipality has prioritised stabilising the finance function by ensuring the CFO position is filled, strengthening internal capacity, and securing technical support service providers well in advance of reporting deadlines. Additional training and support on the new financial system will be implemented, and stricter project management controls will be introduced to ensure the timely preparation and submission of the AFS and related supporting documents to AGSA going forward.										
FMS4	Effective Supply Chain Management	Number of irregular expenditure reports submitted to Council for approval on a quarterly basis	All	0	Council resolution	1	1	1	1	4	2	
Reason for variance & Corrective Action for implementation:		The CFO was unable to submit irregular expenditure reports to Council every quarter as required. Only two reports were submitted during the year, as the Council convened only once, on 29 March 2025, due to the broader institutional instability previously outlined. This limited the ability to meet the quarterly reporting requirement. The Municipal Manager will oversee strict compliance with quarterly submissions going forward, regardless of Council meeting schedules. A compliance calendar has been implemented to ensure that reports are prepared and ready quarterly, with mechanisms for tabling at the next available Council sitting. This measure, together with the stabilisation of Council's meeting schedule, will ensure full compliance with the KPI in future.										

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	ACTUAL RESULT	Rating
						Q1	Q2	Q3	Q4			
FMS5	Effective Supply Chain Management	Number of deviation reports on the procurement process submitted to Municipal Manager for acknowledgement quarterly	All	0	Deviation on procurement processes report	1	1	1	1	4	1	
Reason for variance & Corrective Action for implementation:		Only one report, covering the period April to June 2025, was submitted. This was mainly due to instability in the administration and the fact that the CFO was only seconded from CoGTA in March 2025, which disrupted consistent oversight of compliance processes. The Municipal Manager will now directly oversee adherence to the quarterly submission schedule. A compliance tracking system has been introduced to ensure that all deviation reports are prepared and submitted in a timely manner each quarter for acknowledgement. Stabilisation of leadership following the secondment will provide regular monitoring and enforcement of this KPI going forward.										
FMS6	Effective internal control and compliance	Number of reports on unauthorised expenditure submitted to MPAC for investigation quarterly	All	0	Unauthorised expenditure report	1	1	1	1	4	1	
Reason for variance & Corrective Action for implementation:		No proof of submission could be provided for the reporting period, reflecting weaknesses in record-keeping and compliance monitoring within the finance function. The Municipal Manager will enforce stricter internal controls to ensure that unauthorised expenditure reports are prepared and submitted quarterly to MPAC, with evidence of submission filed for audit purposes. A compliance register has been introduced to track all MPAC submissions, and quarterly oversight by the CFO will ensure accountability and proper record management.										
FMS7	Effective internal control and compliance	Number of reports on wasteful expenditure submitted to MPAC for investigation every quarter	All	0	Wasteful expenditure report	1	1	1	1	4	1	
Reason for variance & Corrective Action for implementation:		No proof of submission to MPAC was provided as required by KPI. Please see the corrective measures above.										
FMS8	Effective internal control and compliance	Number of reports on fruitless expenditure submitted to MPAC for investigation on a quarterly basis	All	0	Fruitless expenditure report	1	1	1	1	4	1	
Reason for variance & Corrective Action for implementation:		Although reports were submitted, no proof of submission to MPAC was provided as required by KPI. Please see the corrective measures above.										

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	ACTUAL RESULT	Rating
						Q1	Q2	Q3	Q4			
FMS9	Effective internal control and compliance	Reports on awards above R100 000 submitted to Municipal Manager for approval on a quarterly basis	All	0	Report on awards above R100 000	1	1	1	1	4	1	
Reason for variance & Corrective Action for implementation:		Only one report, covering the period April to June 2025, was submitted. This was mainly due to instability in the administration and the fact that the CFO was only seconded from CoGTA in March 2025. The Municipal Manager will now directly oversee adherence to the quarterly submission schedule. Stabilisation of leadership following the secondment will ensure regular monitoring and enforcement of this KPI going forward.										
FMS10	Effective asset management	Number of asset registers updated and submitted to AGSA on or before 31 August 2024	All	1	Acknowledgement of receipt from AGSA	1	0	0	0	1	0	
Reason for variance & Corrective Action for implementation:		The updated asset register was not submitted with the AFS due to delays caused by the transition to a new financial system, the late appointment of a service provider, and instability in the finance function. The vacancy in the CFO post until March 2024 further weakened the capacity to comply with this KPI. Please refer to the corrective measures outlined in FMS3 above.										
FMS11	Effective asset management	Number of reports on asset count on a quarterly basis	All	0	Report on asset count	1	1	1	1	4	1	
Reason for variance & Corrective Action for implementation:		Proof of submission was only available for the third quarter, indicating gaps in record-keeping and monitoring of this KPI. The CFO will ensure that asset count reports are prepared and submitted consistently each quarter, with proper records maintained for audit purposes. A compliance checklist has been introduced to track all quarterly submissions, and oversight by the Municipal Manager will enforce accountability for timely and documented reporting.										
FMS12	Municipal Funded budget	Number of draft budgets submitted to Council for adoption on or before 31 March 2025	All	1	Council resolution for adoption of a draft budget	0	0	1	0	1	1	
FMS13	Municipal Funded budget (MFMA s24)	Number of final budgets submitted to Council for adoption on or before 31 May 2025	All	1	Council resolution for adoption of a final budget	0	0	0	1	1	1	
FMS14	Effective revenue management	Number of indigent household application for subsidy approved	All	0	Indigent application forms	600	600	600	600	2 400	5954	
FMS15	Municipal funded budget	Number of adjustment budgets submitted to Council for adoption on or before 28 February 2025	All	1	Council resolution for adoption of adjustment budget	0	0	1	0	1	1	

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	ACTUAL RESULT	Rating
						Q1	Q2	Q3	Q4			
FMS16	Compilation of MFMA s71 reports	Number of MFMA s71 reports submitted to Provincial and National Treasury on a quarterly basis	All	New KPI	MFMA s71 reports and proof of submission	3	3	3	3	12	12	

KPA3: Institutional Transformation & Organisational Development

RESPONSIBLE DEPARTMENT: Directorate Corporate Services

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	Actual Results	RATING
						Q1	Q2	Q3	Q4			
ITOD1	Healthy and productive workforce	Number of employee wellness awareness workshops conducted	All	0	Agenda & attendance registers	0	0	1	1	2	1	
Reason for variance & Corrective Action for implementation:		Of the two required sessions, only one was conducted, focusing on financial planning for individuals. The department is required to implement a structured wellness awareness programmes with a clearly defined schedule of workshops. All sessions must be adequately documented, including attendance registers, agendas, and supporting materials. Future Portfolios of Evidence (POE) must include proof of multiple group interventions, rather than only individual cases, to demonstrate full compliance with the KPI.										
ITOD2	Healthy and productive workforce	Number of employee awareness on municipal policies	All	0	Agenda & attendance registers	0	1	0	1	2	0	
Reason for variance & Corrective Action for implementation:		No awareness sessions on municipal policies were conducted during the reporting period. This constitutes non-compliance with the KPI requirement for regular employee awareness initiatives. The absence of such sessions limits employees' understanding of municipal policies, increases the risk of inconsistent application, and weakens organisational governance. The department must develop and implement a structured schedule for regular awareness sessions on municipal policies and procedures. Comprehensive records, including attendance registers, training materials, and detailed session summaries, must be maintained and included in future Portfolios of Evidence (POE) to demonstrate compliance with the KPI.										
ITOD3	Effective and efficient administration	Number of ordinary Council sitting as per year plan	All	2	Agenda and Minutes	1	1	1	1	4	1	
Reason for variance & Corrective Action for implementation:		Only one meeting was held during March 2025. Owing to instability within the Municipality, the Ordinary Council was unable to convene as scheduled. To address this, a revised Council meeting schedule for the 2025/2026 financial year was prepared, submitted to Council, and duly approved.										
ITOD4	Capable workforce	Number of employees who received training	All	0	Proof of registration & attendance registers	0	0	0	120	120	23	
Reason for variance & Corrective Action for implementation:		Proof provided for 23 municipal employees enrolled at LGSETA. Prioritise enrolment and training of municipal employees only. Develop a structured training plan targeting the KPI of 120 employees.										
ITOD5	Safe and secure work environment	Number of OHS committee meetings held bi- annually	All	0	Attendance registers & Meeting minutes	0	1	0	1	2	2	
ITOD6	Capable workforce	Number of WSP developed and approved and submitted to LGSETA on or before 30 April 2025	All	1	Acknowledgement of receipt from LGSETA	0	0	0	1	1	1	
ITOD7	Legal compliance	Percentage of municipal policies reviewed and approved by 31 March 2025 30 June 2025	All	0	Council resolutions for approved policies	0	0	100%	100%	100%	0%	
Reason for variance & Corrective Action for implementation:		Ensure that the KPI's set are achieved. The Director of Corporate Services should implement a review plan for the 2025/26 financial year.										

KPA4: Infrastructure Development & Basic Service Delivery

RESPONSIBLE DEPARTMENT: Directorate of Technical Services

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	Actual	Rating
						Q1	Q2	Q3	Q4			
IDBS1.0	Access to sufficient sanitation infrastructure	Kilometres of sewer pipeline upgraded in Trompsburg on or before 30 September 2024	2	1.5km	Progress report Practical completion certificate	1.5km	0	0	0	1.5km	930m	
Reason for variance & Corrective Action for implementation:		As at 30 September 2024, only 930 metres of pipeline had been laid. By 30 June 2025, this had increased to 1.44 kilometres. Progress was hindered by the poor performance of the Contractor appointed for the pump station construction, which in turn delayed the pipeline works. Intervention: 1. An Intention to Terminate the contract was issued to (14-day Notice) 2. The Municipality has put the Contractor on notice. 3. A Subcontractor was appointed through a cession to work on the pump station to ensure progress with the project.										
IDBS1.1	Access to sufficient sanitation infrastructure	Number of pump stations upgraded in Trompsburg on or before 30 September 2024	2	0	Progress report Practical completion certificate	1	0	0	0	1	0	
Reason for variance & Corrective Action for implementation:		According to the progress report dated September 30, 2024, there was 0% progress on the upgrade of the pump station. The initially appointed Contractor failed to perform, resulting in the termination of their contract. The Municipality subsequently appointed a new contractor, which contributed to delays in the project's completion. Session with a specialised contractor who is currently busy with the project were also implemented to ensure continued progress. Due to financial constraints the Municipality also struggled to pay the Contractor on time and the Contractor left the site. The Contractor was paid in July and is expected to return to the site in August.										
IDBS2.0	Access to sufficient sanitation infrastructure	Number of sewer pump station refurbished in Edenburg on or before 30 June 2025	8	New KPI	Progress report Practical completion certificate	1	1	1	1	1	0	
Reason for variance & Corrective Action for implementation:		According to the progress report dated July 4, 2025, the overall progress on the refurbishment of the sewer pump station and wastewater treatment works stood at 18.54%. The services of the initial Contractor were terminated due to poor performance. Consequently, the Municipality was required to restart the tender process, and the newly appointed Contractor commenced work in July 2025.										
IDBS2.1	Access to sufficient sanitation infrastructure	Number of treatment plant refurbished in Edenburg on or before 30 June 2025	8	New KPI	Progress report Practical completion certificate	1	1	1	1	1	0	

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	Actual	Rating
						Q1	Q2	Q3	Q4			
Reason for variance & Corrective Action for implementation:		According to the progress report dated July 4, 2025, the overall progress on the refurbishment of the sewer pump station and wastewater treatment works stood at 18.54%. The services of the initial Contractor were terminated due to poor performance. Consequently, the Municipality was required to restart the tender process, and the newly appointed Contractor commenced work in July 2025.										
IDBS3	Access to sustainable municipal facilities	Percentage of sports facility upgraded in Philippolis on or before 30 June 2025	5	0	Progress report Practical completion certificate	25%	50%	75%	100%	1	84%	
Reason for variance & Corrective Action for implementation:		As of 30 June 2025, it is reported that the overall progress was 84%. The project is now managed in-house by the Municipality. There were also changes to the project's scope of work. Initially, the scope was valued at 19.5 million. Approval from MIG was for only R6 million, leading to the scaling down of the project. The appointed Contractor is currently busy with the multi-purpose court.										
IDBS4	Access to electricity	Number of household electricity connections in Reddersburg on or before 30 September 2024	1	0	Monthly progress report	600	0	0	0	600	383	
Reason for variance & Corrective Action for implementation:		Due to non-occupation of the households, the Municipality could only connect 383 that were occupied. Unoccupied houses are not connected to the network to prevent vandalism and theft.										
IDBS5	Access to electricity	Number of household electricity connections in Ipopeng on or before 30 September 2024	7	0	Monthly progress report	120	0	0	0	120	25	
Reason for variance & Corrective Action for implementation:		Only 25 of the proposed 120 connections were made.										
IDBS6	Access to electricity	Number of household electricity infill in Slovoville on or before 30 September 2024	7	0	Monthly progress report	11	0	0	0	11	0	
Reason for variance & Corrective Action for implementation:		None of the households identified were connected.										
IDBS7	Access to electricity	Number of household electricity infill in Fauresmith on or before 30 September 2024	7	0	Monthly progress report	25	0	0	0	25	0	
Reason for variance		None of the households identified were connected.										

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	Actual	Rating
						Q1	Q2	Q3	Q4			
IDBS8	Access to electricity	Number of household electricity infill in Jagersfontein on or before 30 September 2024	6	0	Monthly progress report	90	0	0	0	90	90	
IDBS9	Sustainable environment	Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024	2	60%	Progress report	20%	20%	0	0	100%	65%	
Reason for variance & Corrective Action for implementation:		The Contractor has left the site because MISA refused to pay due to the substandard work done by the Contractor. The contractor's services were terminated due to non-performance. Progress was 65% of the initial scope. The progress report identifies the following factors contributing to delays: 1. A new contractor had to be appointed to continue with the project 2. Adverse weather conditions after the new Contractor was appointed 3. Cash flow and late payments to the Contractor lead to delays The newly appointed Contractor has already applied for an extension of the completion period due to the reasons mentioned above.										
IDBS10	Sustainable environment	Percentage of waste transfer constructed in Gariep Dam on or before 30 September 2024	9	80%	Progress report	20%	0	0	0	100%	99.34%	
IDBS11	Sustainable capital infrastructure grant expenditure	Percentage spending on MIG on or 30 June 2025	All	50%	MIG expenditure report	25%	50%	75%	100%	100%	66.00%	
Reason for variance & Corrective Action for implementation:		Due to the instability in the Municipality, the appointment and payments of service providers were, in some instances, delayed due to cash flow problems. As mentioned above, progress in some projects was delayed due to the non-performance of service providers whose services were terminated. It necessitated the re-advertising of tenders, which further slowed progress. SCM processes concerning the appointment of technical service providers should be improved to ensure service providers with verifiable past performance are appointed to complete sizeable construction projects										
IDBS12	Sustainable capital infrastructure grant expenditure	Percentage spending on DOE on or 30 June 2025	All	75%	DOE expenditure report	25%	50%	75%	100%	100%	0	
Reason for variance & Corrective Action for implementation:		No allocation was made to the Municipality. No projects were initiated during the financial year.										
IDBS13	Sustainable capital infrastructure grant expenditure	Percentage spending on EPWP on or 30 June 2025	All	100%	EPWP expenditure report	25%	50%	75%	100%	100%	129%	

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	Actual	Rating
						Q1	Q2	Q3	Q4			
Reason for variance & Corrective Action for implementation:	The Municipality also contributed its funding to speed up service delivery.											
IDBS14	Sustainable capital infrastructure grant expenditure	Percentage spending on WSIG on or 30 June 2025	All	New KPI	RBIG expenditure report	25%	50%	75%	100%	100%	28%	
Reason for variance & Corrective Action for implementation:	Due to instability, contractors were not paid on time, and as a result, they left the site and returned once they had been paid. In terms of the Section 139 intervention, DWS needed to provide assistance, which was not realised in the 2024/25 financial year. Vaal Central was appointed during the current financial year to assist the Municipality with implementation.											

KPA5: Planning & Local Economic Development (LED)

RESPONSIBLE DEPARTMENT: Office of the Municipal Manager

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN Q1	Q2	Q3	Q4	ANNUAL TARGET 2024/25	Actual Results	Rating
PLED1	Conducive environment for the local economy	Number of LED strategies reviewed on an annual basis	All	0	Council resolution	0	0	0	1	1	1	
PLED2	Economy and employment	Number of jobs created through the Municipality's local economic initiatives including capital projects	All	125	Signed employment contracts	125	125	125	125	500	613	
Reason for variance:		Through EPWP projects, the Municipality created 397 jobs. Additional Local Economic Development (LED) initiatives generated a further 216 jobs within the municipal area.										
PLED3	Effective implementation of spatial development framework	Percentage of land use applications submitted to the MPT within 20 days after receipt of applications quarterly	All	New KPI	Applications and register	100%	100%	100%	100%	100%	100%	
Reason for variance & Corrective Action for implementation:		Cannot calculate the target based on the information provided. Missing information relates to the date the application was received. Management should calculate the percentage and submit proof of the date when the application was received.										
PLED4	Conducive environment for local economy	Number of training opportunities provided for entrepreneurs and SMMEs bi-annually	All	0	Invitations and attendance registers	0	1	0	1	2	2	
PLED5	Conducive environment for local economy	Number of LED forums conducted bi-annually	All	New KPI	Invitations and attendance registers	0	1	0	1	2	2	

KPA6: Community Safety & Environmental Management

RESPONSIBLE DEPARTMENT: Directorate of Community Services

IDP REF NO	INDICATOR (ACTIVITY/ PROJECT/ PROGRAMME/ KEY INITIATIVE)	UNIT OF MEASUREMENT	WARD	BASELINE (2023/24 ACTUAL RESULT)	SOURCE OF EVIDENCE	TOP LAYER: SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN				ANNUAL TARGET 2024/25	Actual Results	Rating
						Q1	Q2	Q3	Q4			
CSEM1	Access to water	Percentage of internal water reticulation repaired based on the complaints received on a quarterly basis	All	0	Complaints registers and H24 forms	100%	100%	100%	100%	100%	100%	
CSEM2	Access to sufficient clean water supply	Percentage of households with access to basic water	All	0	Community services register	100%	100%	100%	100%	100%	93%	
Reason for variance & Corrective Action for implementation:		The IDP indicates that there are 14,578 households in the municipal area. According to the Community Service register, 13,587 households have access to water.										
CSEM3	Access to clean environment	Percentage of households with access to refuse removal	All	0	Community services register	100%	100%	100%	100%	100%	95%	
Reason for variance & Corrective Action for implementation:		The IDP indicates that there are 14,578 households in the municipal area. According to the Community Service register, 13,815 households have access to weekly refuse removal.										
CSEM4	Access to municipal facilities	Percentage of municipal hall rented out as per application on quarterly basis	All	0	Hall bookings register and direct income register	100%	100%	100%	100%	100%	98%	
CSEM5	Access to municipal facilities	Percentage of municipal stadiums rented out as per application on quarterly basis	All	0	Sport grounds bookings register and direct income register	100%	100%	100%	100%	100%	100%	
CSEM6	Effective human settlement and land use scheme	Percentage of approved building plans as received per application on a quarterly basis	All	0	Approved building plans register	100%	100%	100%	100%	100%	97%	
Reason for variance & Corrective Action for implementation:		Two units (Gariepdam and Philippolis) reported that they did not receive any building plans.										
CSEM7	Effective human settlement and land use scheme	Percentage of land distributed to the community per application received on a quarterly basis	All	0	Permission to occupy	100%	100%	100%	100%	100%	100%	

3.2 FUNCTIONAL & SERVICE DELIVERY PERFORMANCE OVERVIEW

The following table indicates the functional areas that the Municipality are responsible for in terms of the Constitution:

Municipal Functions Constitution Schedule 4, Part B functions:	Function Applicable to Municipality (Yes / No)
Building regulations	Yes
Child care facilities	Yes
Electricity Reticulation	Yes
Firefighting services	Yes
Local tourism	Yes
Municipal planning	Yes
Municipal public transport	Yes
Stormwater management systems in built-up areas	Yes
Trading regulations	Yes
Water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems	Yes
Cemeteries	Yes
Cleansing	Yes
Fencing and fences	Yes
Local sport facilities	Yes
Municipal parks and recreation	Yes
Municipal roads	Yes
Public Places	Yes
Refuse removal, refuse dumps and solid waste disposal	Yes
Street trading	Yes
Street lighting	Yes
Traffic and parking	Yes

Meeting and sustaining basic service provisioning standards remains a pressing priority for Kopanong Local Municipality, given the size of the municipal area, its predominantly rural settlement pattern and the ongoing pressures on institutional and financial capacity.

Other key departmental highlights and challenges are explained under the sections that follow.

3.2.1 WATER PROVISION

3.2.1.1 INTRODUCTION TO WATER PROVISION

Water provision in Kopanong Local Municipality focuses on balancing available bulk supply with demand across a largely rural area, while progressively improving the reliability of water reticulation systems for households. Bulk water is supplied by the Water Board, with the Municipality responsible for distribution, operation, and maintenance. During 2024/25, emphasis was placed on stabilising ageing infrastructure, improving operational reliability, and addressing priority maintenance needs to support access to basic water services.

While full compliance with Blue Drop drinking water quality standards has not yet been achieved, steps were taken to strengthen monitoring, maintenance, and targeted interventions in high-risk areas. Service delivery efforts were directed at reducing water losses, improving continuity of supply, and prioritising vulnerable communities identified through service backlogs and indigent data. The Municipality continues to work with its Water Board and internal service units to incrementally improve performance and move towards full compliance with national water services standards..

(a) Water Service Delivery Levels

Water services Description	2021/22 Actual No.	2022/23 Actual No.	2023/24 Actual No.	Households 2024/25 Actual No.
Water: **(above min level)**				
Piped water inside dwelling	14 053	14 053	14 053	14 053
Piped water inside yard (but not in dwelling)				
Using public tap (within 200m from dwelling)	None	None	None	None
Other water supply (within 200m)	Jojo's	Jojo's	Jojo's	Jojo's
Minimum Service Level and Above sub-total	14 053	14 053	14 053	14 053
Minimum Service Level and Above Percentage	98%	98%	98%	98%
Water: **(below min level)**				
Using public tap (more than 200m from dwelling)		None	None	None
Other water supply (more than 200m from dwelling		Jojo's	Jojo's	Jojo's
No water supply	0	0	0	0
Below Minimum Service Level sub-total	–	–	–	–
Below Minimum Service Level Percentage	0%	0%	0%	0%
Total number of households	**14 297**	**14 297**	**14 297**	**14 297**

(b) Access to water

Access to Water		
	Proportion of households with access to water points	Proportion of households with access to piped water
2022/23	14 053	14 053
2023/24	14 053	14 053
2024/25	14 053	14 053

(c) Water Services Employees

Water Employees					
Job Level	2023/24	2024/25			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	0	0	0	0	0%
4 - 6	23	23	20	3	13%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	**23**	**23**	**20**	**3**	**13%**

(d) Capital Expenditure Water Services

No capital expenditure for the service for the financial year.

3.2.2 WASTE WATER (SANITATION) PROVISION

The municipality's sanitation services strategy is directed at achieving and sustaining universal access to safe and functional sanitation infrastructure, while systematically addressing historical backlogs and areas of service vulnerability. The current service level stands at 98.2% of households across the Kopanong area, with 1 089 out of 14 297 households still below the minimum basic level of service. The strategy prioritises targeted capital investment in wastewater treatment and reticulation infrastructure, operational stabilisation of existing assets, and compliance with national norms and standards to close this remaining gap.

During the reporting period, focused interventions were implemented to redress identified shortfalls, supported by an actual capital expenditure of R11 066 000. Key projects included the Edenburg Wastewater Treatment Works, the Gariep Dam Wastewater Treatment Works, and the Trompsburg 3 km sanitation-related infrastructure project. These investments have strengthened treatment capacity, improved system reliability, and reduced environmental and health risks, directly contributing to improved service coverage and laying the foundation for achieving full compliance with basic sanitation service standards across the municipality.

(a) Sanitation/Sewage Service Levels

Sanitation/Sewage Services				
Description	2021/22 Outcome No.	2022/23 Outcome No.	2023/24 Outcome No.	2024/25 Actual No.
Sanitation/sewerage: (above minimum level)				
Flush toilet (connected to sewerage)	14045	14045	14045	14045
Flush toilet (with septic tank)	None	None	None	None
Chemical toilet	None	None	None	None
Pit toilet (ventilated)	None	None	None	None
Other toilet provisions (above min. service level)				
Minimum Service Level and Above sub-total	14045	14045	14045	14045
Minimum Service Level and Above Percentage	98,2%	98,2%	98,2%	98,2%
Sanitation/sewerage: (below minimum level)				
Bucket toilet	50	50	50	50
Other toilet provisions (below min. service level)	–	–	–	–
No toilet provisions	–	–	–	–
Below Minimum Service Level sub-total	0	0	0	0
Below Minimum Service Level Percentage	0,3%	0,3%	0,3%	0,3%
Total households	**14297**	**14297**	**14297**	**14297**

(b) Sanitation Service Delivery Levels below the minimum

Households - Sanitation Service Delivery Levels below the minimum						
	2021/22	2022/23	2023/24	2024/25		
Sanitation/Sewage Services	Actual No.	Actual No.	Actual No.	Original Budget No.	Adjusted Budget No.	Actual No.
Formal Settlements						
Total households	14 297	14 297	14 297	34 108 000	24 020 000	2 552 500
Households below minimum service level	0	0	0			
Proportion of households below minimum service level	0	0	0			
Informal Settlements						
Total households	14 297	14 297	14 297			
Households below minimum service level	1 089	1 089	1 089			
Proportion of households below minimum service level	8%	8%	8%			

(c) Employees Sanitation Services

Employees Sanitation Services					
		2023/24		2024/25	
Job Level	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	10	12	10	2	17%
4 - 6	0	0	0	0	0%
7 - 9	0	0	0	0	0%
10 - 12	0	0	0	0	0%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	10	12	10		0%

(d) Financial Performance Sanitation Services

Financial Performance 2024/25: Sanitation Services					R'000
Details	2023/24	2024/25			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	41596	46 032	11 120	134 310	66%
Expenditure:					
Employees	17855	19 818	8 298	15 571	-27%
Repairs and Maintenance	0				0%
Other	41888	45 904	43 880	53 037	13%
Total Operational Expenditure	59743	65 722	52 179	68 608	4%
Net Operational Expenditure	18147	19 690	41 059	(65 702)	130%

(e) Capital Expenditure: Sanitation Services

Capital Expenditure 2024/25: Sanitation Services					
					R' 000
Capital Projects	2024/25				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	**20 425**	**20 425**	**11 066**	**-85%**	**20 425**
Project: Edenburg WWTP	8 514	8 514	1 688	-404%	11 747
Project: Gariep Dam WWTP	2 297	2 297	1 886	-22%	2 297
Project: Trompsburg 3km	9 615	9 615	7 492	-28%	9 615

3.2.3 ELECTRICITY

The municipality's electricity service delivery strategy focuses on sustaining reliable and equitable access while closing the small remaining service gap. Of the 14 297 households in the municipal area, 14 251 have access to electricity, representing a coverage level of approximately 99.7%. The emphasis is therefore on maintaining existing infrastructure, addressing network reliability, and implementing targeted interventions—particularly in rural, informal, or newly developed areas—in collaboration with Eskom and other service providers to achieve full household electrification and compliance with basic service delivery standards.

(a) Electricity Service Levels

Electricity Service Delivery Levels				
Description	2021/22 Actual No.	2022/23 Actual No.	2023/24 Actual No.	2024/25 Actual No.
Energy: **(above minimum level)**				
Electricity (at least min. service level)				
Electricity - prepaid (min. service level)	14 251	14 251	14 251	14 251
Minimum Service Level and Above sub-total	14 251	14 251	14 251	14 251
Minimum Service Level and Above Percentage	99,7%	99,7%	99,7%	99,7%
Energy: **(below minimum level)**				
Electricity (< min. service level)				
Electricity - prepaid (< min. service level)	14 251	14 251	14 251	14 251
Other energy sources	0	0	0	0
Below Minimum Service Level sub-total	14 251	14 251	14 251	14 251
Below Minimum Service Level Percentage	99,7%	99,7%	99,7%	99,7%
Total number of households	14 297	14 297	14 297	14 297

(b) Employees Electricity Services

Employees: Electricity Services					
Job Level	2023/24	2024/25			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%

Employees: Electricity Services					
Job Level	2023/24	2024/25			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

(c) Financial Performance 2024/25: Electricity Services

Financial Performance 2024/25: Electricity Services					R'000
Details	2023/24	2024/25			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	41596	46 032	11 120	134 310	66%
Expenditure:					
Employees	17855	19 818	8 298	15 571	-27%
Repairs and Maintenance	0				100%
Other	41888	45 904	43 880	53 037	13%
Total Operational Expenditure	59743	65 722	52 179	68 608	4%
Net Operational Expenditure	18147	19 690	41 059	(65 701)	130%

(d) Capital Expenditure Electricity Services

No capital expenditure for the service for the financial year.

3.2.4 WASTE MANAGEMENT (THIS SECTION TO INCLUDE: REFUSE COLLECTIONS, WASTE DISPOSAL, STREET CLEANING & RECYCLING)

Waste management within the municipality encompasses refuse collection, waste disposal, street cleaning, and recycling, and is aimed at safeguarding public health, environmental protection, and the maintenance of clean and sustainable communities. The municipality currently provides waste management services to all households within its area of jurisdiction and, during the reporting period, invested R9 511 000 in strengthening this function through the Trompsburg Landfill project and the Gariep Dam Waste project, thereby improving disposal capacity, compliance, and overall service reliability in line with basic service delivery standards.

(a) Solid Waste Service Delivery Levels

Solid Waste Service Delivery Levels				
Description	2021/22	2022/23	2023/24	2024/25
	Actual	Actual	Actual	Actual
	No.	No.	No.	No.
Solid Waste Removal: **(Minimum level)**	14 297	14 297	14 297	14 297
Removed at least once a week	14 297	14 297	14 297	14 297
Minimum Service Level and Above sub-total	14 297	14 297	14 297	14 297

Solid Waste Service Delivery Levels				
Description	2021/22 Actual No.	2022/23 Actual No.	2023/24 Actual No.	2024/25 Actual No.
Minimum Service Level and Above percentage	100,0%	100,0%	100,0%	100,0%
<u>*Solid Waste Removal:*</u> (Below minimum level)				
Removed less frequently than once a week	None	None	None	None
Using communal refuse dump	None	None	None	None
Using own refuse dump	None	None	None	None
Other rubbish disposal	None	None	None	None
No rubbish disposal	None	None	None	None
Below Minimum Service Level sub-total	–	–	–	–
Below Minimum Service Level percentage	0,0%	0,0%	0,0%	0,0%
Total number of households	14 297	14 297	14 297	14 297

NO INFORMATION WAS PROVIDED FOR EMPLOYEES OF SOLID WASTE MANAGEMENT

(b) Financial Performance '2019/20: Solid Waste Management Services

Financial Performance 2024/25: Solid Waste Management Services					
					R'000
Details	2023/24	2024/25			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	41 596	46 032	11 120	134 310	66%
Expenditure:					
Employees	17 855	19 818	8 298	15 571	-27%
Repairs and Maintenance	0				0%
Other	41 888	45 904	43 880	53 037	13%
Total Operational Expenditure	59 743	65 722	52 179	68 608	4%
Net Operational Expenditure	18 147	19 690	41 059	(65 702)	130%

(c) Capital Expenditure Waste Management Services

Capital Expenditure '2024/25: Waste Management Services					**R' 000**
Capital Projects	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	13 331	13 331	9 511	-40%	
Project: Trompsburg Landfill	8 131	8 131	6 391	-27%	8 131
Project: Gariep Dam Waste	5 200	5 200	3 120	-67%	5 200

3.2.5 HOUSING

The municipality does not provide this service. This is a Provincial Competency.

3.2.6 FREE BASIC SERVICES & INDIGENT SUPPORT

Financial Performance '2019/20: Cost to Municipality of Free Basic Services Delivered					
Services Delivered	2023/24	2024/25			
	Actual	Budget	Adjustment Budget	Actual	Variance to Budget
Water	51 226	58 300	0	53 961	-8%
Waste Water (Sanitation)	25 525	34 108	0	17 507	-95%
Electricity	96 779	102 820	0	14 914	-589%
Waste Management (Solid Waste)	19 838	23 108	-	13 147	-76%

3.3 ROADS & STORMWATER

This component covers the provision and maintenance of roads, transport infrastructure, and wastewater-related stormwater drainage systems, all of which are critical to mobility, economic activity, and the protection of built environments from flooding and infrastructure damage. The municipal road network consists of approximately 96.42 km of gravel roads and 43.08 km of surfaced (tarred) roads, requiring ongoing maintenance and targeted upgrading to ensure safe and reliable access. During the reporting period, the municipality invested R2 370 000 in the Jagersfontein Paved Road project, contributing to improved road conditions, enhanced traffic safety, and greater resilience of the transport network.

3.3.1 ROADS

The Municipality's road infrastructure network during the 2024/25 financial year comprised **96.42 kilometres of gravel roads** and **43.08 kilometres of tarred roads**. No new gravel or tarred roads were constructed during the year, and no existing gravel roads were upgraded to tar. In addition, no re-tarring, re-sheeting, or routine maintenance of tarred roads was undertaken in the reporting period. These outcomes reflect the constrained financial and operational environment within which the Municipality operates, with available resources prioritised towards maintaining essential services and addressing critical infrastructure pressures in other service delivery areas.

(a) Capital Expenditure on Road Services

Capital Expenditure '2024/25: Road Services					R' 000
Capital Projects	2024/25				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	8 326	8 326	2 370	-251%	
Project: Jagersfontein Paved Road	8 326	8 326	2 370	-251%	8 326

(b) Employees Road Services

Employees: Road Services					
Job Level	2023/24	2024/25			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No.	No.	No.	No.	%
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0	0%
7 - 9	6	8	6	2	25%
10 - 12	7	15	7	8	53%
13 - 15	9	15	9	6	40%
16 - 18	11	21	11	10	48%
19 - 20	18	30	18	12	40%
Total	55	93	55	38	41%

3.3.2 WASTE WATER (STORMWATER DRAINAGE)

(a) Capital Expenditure on Stormwater

No capital expenditure was incurred for Stormwater during the 2024/25 financial year.

3.4 PLANNING & DEVELOPMENT

This component includes: planning; and local economic development.

3.4.1 LED (INCLUDING TOURISM & MARKET PLACES)

Local Economic Development (LED), including tourism, focuses on stimulating sustainable economic growth, job creation, and income-generating opportunities within the municipal area. The municipality's LED approach prioritises support for local enterprises, promotion of tourism assets, and the development of an enabling environment for investment, recognising tourism as a key driver for economic diversification, skills development, and inclusive growth, particularly in rural and small-town contexts.

Local Economic Development (LED) services during the 2024/25 financial year were delivered by a fully staffed, small and stable team comprising three employees across job levels 7–15. The staffing establishment remained unchanged from the previous financial year, with all three approved posts filled and no vacancies recorded. This reflects continuity in LED capacity and provides a stable platform for the coordination and support of local economic development initiatives within the Municipality, notwithstanding broader institutional and resource

3.5 COMMUNITY & SOCIAL SERVICES

This component covers services such as libraries and archives, museums, arts and galleries, community halls, cemeteries and crematoria, childcare, aged care, social programmes, and theatres, which play an important role in social development and community wellbeing. These services are not provided by the municipality, as they fall outside its functional competence and are the responsibility of the district municipality or provincial and national spheres of government.

3.6 SECURITY & SAFETY

The security and safety function, which includes fire services, policing, disaster management, animal licensing and control, and the control of public nuisances, is not provided by the municipality. These services fall within the mandates of the district municipality or the provincial and national spheres of government, and are therefore rendered through those competent authorities rather than at local municipal level.

3.7 CORPORATE POLICY OFFICES AND OTHER SERVICES

This component comprises corporate policy offices, financial services, human resource services, ICT services, and property services, which collectively provide the internal support functions necessary for effective municipal governance and administration. Corporate policy offices play a central role in providing strategic, governance, and administrative support, ensuring compliance with legislative requirements, alignment of policies with Council resolutions and strategic objectives, and the effective coordination of decision-making structures to promote accountable and transparent governance.

Financial services are responsible for the management of municipal finances, including budgeting, revenue collection, expenditure control, supply chain management, and financial reporting, with a focus on compliance with the MFMA and supporting service delivery priorities. Human resource services contribute through workforce planning, recruitment, labour relations, skills development, and performance management to ensure organisational capacity and legislative compliance. ICT services support efficient and secure operations by maintaining information systems and digital infrastructure, while property services oversee the management, maintenance, and optimal use of municipal buildings and facilities in support of sustainable service delivery..

3.7.1 EXECUTIVE & COUNCIL

This section provides an overview of the Municipality's political leadership and governance structures, comprising the Executive and Council. These structures are responsible for providing strategic direction, policy oversight, and leadership in the pursuit of the Municipality's developmental mandate. Despite operating within a challenging financial and institutional environment, the Executive and Council continued to fulfil their oversight and decision-making roles during the reporting period, ensuring that governance processes were maintained and that the needs of communities remained central to municipal planning and service delivery.

(a) Employees: Executive & Council

Employees: The Executive and Council					
Job Level	2023/24	2024/25			
	Employees No.	Posts No.	Employees No.	Vacancies (fulltime equivalents) No.	Vacancies (as a % of total posts) %
0 - 3	0	0	0	0	0%
4 - 6	0	0	0	0	0%
7 - 9	2	2	2	0	0%
10 - 12	7	7	7	0	0%
13 - 15	0	0	0	0	0%
16 - 18	2	2	2	0	0%
19 - 20	0	0	0	0	0%
Total	**11**	**11**	**11**	**0**	**0%**

(b) Financial Performance: Executive & Council

Financial Performance '2024/25: The Executive & Council					
					R'000
Details	2023/24	2024/25			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	41 596	46 032	11 120	134 310	66%
Expenditure:					
Employees	17 855	19 818	8 298	15 571	-27%
Repairs and Maintenance	0				0%
Other	41 888	45 904	43 880	53 037	13%
Total Operational Expenditure	59 743	65 722	52 179	68 608	4%
Net Operational Expenditure	18 147	19 690	41 059	(65 702)	130%

(c) Capital Expenditure: Executive & Council

No capital expenditure for the service for the financial year.

3.7.2 FINANCIAL SERVICES

This section outlines the financial services provided by the Municipality in support of effective governance, service delivery, and compliance with applicable legislation. The financial function is responsible for budgeting, revenue management, expenditure control, supply chain management, asset management, and financial reporting, all of which are critical to ensuring the sustainable use of public resources. These services are rendered within a constrained fiscal environment and are aimed at maintaining basic financial controls, supporting operational stability, and enabling Council to make informed decisions while progressively strengthening financial management systems and compliance.

Debt Recovery					
					R' 000
Details of the types of account raised and recovered	2023/24		2024/25		
	Actual for accounts billed in year	Proportion of accounts value billed that were collected in the year %	Billed in Year	Actual for accounts billed in year	Proportion of accounts value billed that were collected %
Property Rates					
Electricity - B	82 599			83 008	
Electricity - C					
Water - B	142 182			109 362	
Water - C					
Sanitation	19 581			21 984	
Refuse	14 740			16 520	
Other	(6 268)			(5 013)	

The municipality's debt recovery performance reflects the ongoing challenges associated with billing, affordability constraints, and collection efficiency across core service accounts. Electricity (Business) billing remained stable, increasing marginally from R82.6 million in 2023/24 to R83.0 million in 2024/25, indicating consistent demand and billing levels. Water (Business) showed a notable decrease from R142.2 million to R109.4 million, which may point to reduced consumption, billing adjustments, or enforcement and credit control interventions.

Sanitation and refuse services both recorded increases in billed amounts, rising from R19.6 million to R22.0 million and from R14.7 million to R16.5 million respectively, reflecting tariff adjustments, improved billing coverage, or expanded service reach. The "Other" category reflects net credits or reversals in both years, suggesting account corrections or write-backs.

Overall, the figures highlight the importance of strengthening revenue management, improving collection rates, and sustaining targeted debt recovery measures to support the municipality's financial viability.

(a) Employees: Financial Services

No information provided

(b) Financial Performance: Financial Services

No information provided

(c) Capital Expenditure: Financial Services

No Capital Expenditure for the year under review.

3.7.3 HUMAN RESOURCE SERVICES

Human resource management in a municipality plays a critical role in ensuring that the organisation is appropriately structured, staffed, and capacitated to fulfil its service delivery and governance mandate. It encompasses workforce planning, recruitment and selection, labour relations, performance management, skills development, and compliance with applicable labour legislation and municipal regulations, all of which are essential to organisational stability and effective service delivery. The municipality's human resource function consists of five approved posts, of which one is currently vacant.

(a) Employees: HR Services

Employees: Human Resource Services					
Job Level	2023/24	2024/25			
	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	0	0	0	0%
7 - 9	2	2	2	0	0%
10 - 12	2	3	2	1	33%
13 - 15	0	0	0	0	0%
16 - 18	0	0	0	0	0%
19 - 20	0	0	0	0	0%
Total	**4**	**5**	**4**	**1**	**20%**

(b) Financial Performance: HR Services

Financial Performance '2024/25: HR Services					
					R'000
Details	2023/24	2024/25			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	41 596	46 032	11 120	134 310	66%
Expenditure:					
Employees	17 855	19 818	8 298	15 571	-27%
Repairs and Maintenance	0				0%
Other	41 888	45 904	43 880	53 037	13%
Total Operational Expenditure	59 743	65 722	52 179	68 608	4%
Net Operational Expenditure	18 147	19 690	41 059	(65 702)	130%

(c) Capital Expenditure: HR Services

No Capital Expenditure for the year under review.

3.7.4 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

ICT services in a municipality are responsible for enabling efficient, secure, and reliable operations through the provision and maintenance of information systems, networks, communication platforms, and user support. The function supports financial management, service delivery systems, records management, and internal administration, while also ensuring data security, system integrity, and alignment with digital governance requirements. ICT Services were delivered during the 2024/25 financial year by a fully staffed team of two employees at job level 10–12, with all approved posts filled and no vacancies recorded.

Financial Performance: ICT Services

Financial Performance '2024/25: ICT Services					
					R'000
Details	2023/24	2024/25			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue	41 596	46 032	11 120	134 310	66%
Expenditure:					
Employees	17 855	19 818	8 298	15 571	-27%
Repairs and Maintenance	0				0%
Other	41 888	45 904	43 880	53 037	13%
Total Operational Expenditure	59 743	65 722	52 179	68 608	4%
Net Operational Expenditure	18 147	19 690	41 059	(65 702)	130%

(a) Capital Expenditure: ICT Services

No capital expenditure for ICT Services for the financial year.

CHAPTER 4: ORGANISATIONAL DEVELOPMENT

4.1 COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

4.1.1 EMPLOYEE TOTALS, TURNOVER & VACANCIES

During the 2024/25 financial year, the Municipality employed a total of 366 employees and recorded twelve resignations and one appointment. This results in an overall staff turnover rate of approximately 3.3%, indicating low workforce movement despite the challenging operating environment.

Vacancy Rate

Vacancy Rate: '2024/25			
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	1	100%
CFO	1	1	100%
Other S57 Managers (excluding Finance Posts)	2	2	100%
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)	0	0	0%
Highly skilled supervision: levels 9-12 (excluding Finance posts)	1	1	100%
Highly skilled supervision: levels 9-12 (Finance posts)	1	1	100%
Total	**8**	**8**	100%

4.2 COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

Municipal workforce management entails the planning, coordination, and administration of human resources to ensure that the municipality is able to deliver services effectively while complying with legislative requirements. In terms of section 67 of the Municipal Systems Act, 2000, municipalities are required to maintain fair, efficient, effective, and transparent personnel administration systems aligned with the Employment Equity Act, 1998, and other applicable labour legislation.

During the year under review, no workforce or human resource policies were reviewed or amended, and the municipality continued to apply existing policies and practices to support day-to-day operations and labour relations. Notwithstanding this, regular policy review is necessary in order to comply with section 19 of the Employment Equity Act 55 of 1998, which requires employers to identify and eliminate employment barriers, promote equal opportunity, and ensure that policies and practices do not unfairly discriminate or perpetuate systemic inequities within the workforce.

4.2.1 POLICIES

During the year under review, no workforce or human resource policies were developed or revised. The municipality continued to rely on existing policy frameworks to guide personnel administration and workforce management. Going forward, the municipality has identified the need to prioritise the review and development of workforce policies to ensure compliance with section 19 of the Employment Equity Act, 55 of 1998, address identified employment barriers and align human resource practices with current legislative requirements and organisational needs.

4.2.2 SICKNESS & SUSPENSIONS

Number of days and Cost of Sick Leave (excluding injuries on duty)					
Salary band	Total sick leave Days	Proportion of sick leave without medical certification %	Employees using sick leave No.	Total employees in post No.	Average sick leave per Employees Days
Lower skilled (Levels 1-2)	14	0%	5	180	0,04
Skilled (Levels 3-5)	2	0%	1	55	0,01
Highly skilled production (levels 6-8)	6	0%	26	56	0,02
Highly skilled supervision (levels 9-12)	0	0%	0	62	0,00
Senior management (Levels 13-15)	0	0%	0	12	0,00
MM and S57	0	0%	0	1	0,00
Total	**22**	**0%**	**32**	**366**	**0,06**

Sick leave utilisation during the reporting period remained very low across all salary bands, indicating stable attendance levels and limited operational disruption due to employee illness. A total of 22 sick leave days were recorded across the municipality's workforce of 366 employees, resulting in an average sick leave usage of 0.06 days per employee. No sick leave was taken without medical certification, reflecting full compliance with sick leave control measures and internal leave management procedures.

Sick leave usage was concentrated mainly within the lower skilled (Levels 1–2) and highly skilled production (Levels 6–8) categories, while no sick leave was recorded for employees in supervisory, senior management, or section 57 positions. The low incidence of sick leave and the absence of uncertified leave suggest effective leave monitoring and a generally healthy workforce, with minimal impact on service delivery during the year under review.

4.2.3 PERFORMANCE REWARDS

No performance rewards were paid to employees.

4.2.4 HUMAN RESOURCE ADDITIONAL INFORMATION

The municipality's human resource practices during the 2024/25 financial year reflect compliance with approved organisational structures, job evaluation outcomes, and remuneration controls. No employees received salary increases as a result of post upgrades, indicating that no regrading or upgrading of positions took place during the year.

Furthermore, there were no instances of employees earning salaries above the grades determined through the job evaluation process, and no appointments were made to posts that were not formally approved. These indicators demonstrate adherence to governance requirements, cost containment measures, and disciplined human resource management practices.

Human Resource Practices	2024/25
Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded	0
Employees Whose Salary Levels Exceed The Grade Determined By Job Evaluation	0
Employees appointed to posts not approved	0

4.3 COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

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
Financial Officials			
Accounting officer	1		1
Chief financial officer	1		1
Senior managers	3		3
Any other financial officials			
Supply Chain Management Officials			
Heads of supply chain management units	0		0
Supply chain management senior managers	0		0
TOTAL	5	0	5

Workforce capacity development within the municipality focuses on ensuring that employees, particularly those in critical governance and financial management positions, possess the required competencies to perform their functions effectively and in compliance with legislative requirements. A key area of emphasis is financial competency development, as prescribed by the Municipal Finance Management Act and the associated regulations, which require appropriately qualified and competent officials in senior financial and supply chain management roles.

During the year under review, the municipality employed a total of five officials who fall within the category of financial officials, comprising the Accounting Officer, Chief Financial Officer, and three senior managers. No officials were employed within the designated supply chain management head or senior management categories. The municipality continues to prioritise compliance with minimum competency requirements and recognises the need for ongoing capacity development to strengthen financial governance, enhance regulatory compliance, and support sustainable service delivery outcomes.

CHAPTER 5: FINANCIAL PERFORMANCE

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

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

5.1 COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

The financial information reflected in the reconciliation of Table A1 indicates that the Municipality continued to operate in a **highly constrained financial environment** during the 2024/25 financial year, with long-standing structural pressures between revenue capacity and expenditure obligations remaining unresolved. While adjustment budgeting resulted in notable increases to the original operating budget, particularly in property rates and service charges, these changes largely reflect revised billing assumptions and efforts to stabilise revenue projections rather than a material expansion of the underlying revenue base. Operational grant funding remained unchanged, limiting the Municipality’s ability to offset operating pressures through additional intergovernmental support.

On the expenditure side, the Municipality faced significant cost pressures that contributed to total expenditure exceeding operating revenue, resulting in a substantial operating deficit for the year. Increases in employee-related costs and other operating expenditure point to challenges in budget predictability, historical cost commitments, and in-year adjustments required to sustain operations under difficult conditions. High levels of debt impairment continue to constrain financial performance, as a significant portion of billed revenue could not be realised in cash, placing pressure on liquidity and limiting funding available for service delivery and infrastructure renewal.

Although capital transfers supported the implementation of priority infrastructure projects, these resources were insufficient to offset operating imbalances. Cash flow from operating activities was marginally positive, largely driven by non-cash accounting adjustments, while investment-related outflows resulted in a negative year-end cash position. Overall, the table reflects a Municipality that has maintained basic financial operations under severe constraints, but which requires continued focus on strengthening revenue collection, improving expenditure control, enhancing budget realism, and reinforcing financial governance to support long-term stability and sustainability.

5.1.1 STATEMENTS OF FINANCIAL PERFORMANCE

Reconciliation of Table A1 Budget Summary						
Description	2024/25					
R thousands	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget
Financial Performance						
Property rates	48 897	21 900	70 797			70 797
Service charges	218 336	50 021	268 357			268 357
Investment revenue		160	160			160
Transfers recognised - operational	122 121		122 121			122 121
Other own revenue	24 935	5 948	30 883			30 883
Total Revenue (excluding capital transfers and contributions)	414 289		414 289			414 289
Employee costs	170 484	91 001	261 485			261 485
Remuneration of councillors	7 520	1 407	8 927			8 927
Debt impairment	136 486		136 486			136 486
Depreciation & asset impairment	50 419	5 094	55 513			55 513
Finance charges	56 021	1 450	57 471			57 471
Materials and bulk purchases	98 580		98 580			98 580
Transfers and grants	2 332		2 332			2 332
Other expenditure	69 668	182 658	252 326			252 326
Total Expenditure	591 510		591 510			591 510
Surplus/(Deficit)	-177 222		-177 222			-177 222
Transfers recognised - capital	37 259		37 259			37 259
Contributions recognised - capital & contributed assets			0			0
Surplus/(Deficit) after capital transfers & contributions						
Share of surplus/ (deficit) of associate	-139 962	-203 582	-343 544			-343 544
Surplus/(Deficit) for the year	-139 962		-139 962			-139 962
Capital expenditure & funds sources						
Capital expenditure	37 259					
Transfers recognised - capital	37 259	-100 352	-63 093			-63 093
Public contributions & donations			0			0
Borrowing			0			0
Internally generated funds			0			0
Total sources of capital funds	37 259					
Cash flows						
Net cash from (used) operating	17 113		17 113			17 113
Net cash from (used) investing	-53 931		-53 931			-53 931
Net cash from (used) financing			0			0
Cash/cash equivalents at the year end	-36 818					

Financial Performance of operational services

Financial Performance of Operational Services						
						R '000
Description	2023/24	2024/25			2024/25 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Operating Cost						
Water	51 266	58 300	20 001	52 961	-10,1%	62,2%
Waste Water (Sanitation)	25 525	34 108	24 020	17 507	-94,8%	-37,2%
Electricity	96 779	102 820	6 000	14 914	-589,4%	59,8%
Waste Management	19 838	23 108	–	13 147	-75,8%	100,0%
Housing	–			490	100,0%	100,0%
Component A: sub-total	**193 408**	**218 336**	**50 021**	**99 019**	**-120,5%**	**49,5%**
Waste Water (Stormwater Drainage)					0,0%	0,0%
Roads					0,0%	0,0%
Transport					0,0%	0,0%
Component B: sub-total	**–**	**8 455**	**8 624**	**9 554**	**11,5%**	**9,7%**
Planning	84				0,0%	0,0%
Local Economic Development					0,0%	0,0%
Component B: sub-total	**84**				**0,0%**	**0,0%**
Planning (Strategic & Regulatory)					0,0%	0,0%
Local Economic Development					0,0%	0,0%
Component C: sub-total					**0,0%**	**0,0%**
Community & Social Services					0,0%	0,0%
Environmental Protection					0,0%	0,0%
Health					0,0%	0,0%
Security and Safety					0,0%	0,0%
Sport and Recreation					0,0%	0,0%
Corporate Policy Offices and Other					0,0%	0,0%
Component D: sub-total	–	–	–	–	0,0%	0,0%
Total Expenditure	**193 492**	**226 791**	**58 645**	**108 574**	**-108,9%**	**46,0%**

The financial performance of operational services for 2024/25 indicates significant under-expenditure across most service areas when compared to both the original and adjusted budgets. Total actual expenditure amounted to R108.6 million against an adjusted budget of R226.8 million, reflecting overall spending of approximately 46%. This points to delays in implementation, constrained operational capacity, or over-budgeting at the planning stage.

Core services under Component A, including water, sanitation, electricity, and waste management, all recorded actual expenditure well below budgeted levels, with particularly sharp reductions in sanitation, electricity, and waste management spending compared to the prior year. Limited or no expenditure was recorded for several other service components, suggesting that these functions were either inactive, funded through alternative mechanisms, or deferred. Overall, the trend reflects weak alignment between budget allocations and actual operational delivery, with potential implications for service sustainability if underspending persists.

5.2 GRANTS

Grant Performance					
					R' 000
Description	2024/25			2024/25 Variance	
	Budget	Adjustments Budget	Actual	Original Budget (%)	Adjustments Budget (%)
Operating Transfers and Grants					
National Government:	–	–	**111 556**	**100%**	**100%**
Equitable share			110 449	100%	100%
Municipal Systems Improvement				0%	0%
Department of Water Affairs				0%	0%
Levy replacement				0%	0%
INEP			1 107	100%	100%
Provincial Government:	–	–	**1 107**	**100%**	**100%**
Health subsidy				0%	0%
Housing				0%	0%
Ambulance subsidy				0%	0%
Sports and Recreation				0%	0%
INEP			1 107	100%	100%
District Municipality:	–	–		**0%**	**0%**
[insert description]				0%	0%
				0%	0%
Other grant providers:	–	–	**2 016 231**	**100%**	**100%**
MIG			16 231	100%	100%
WSIG			2 000 000	100%	100%
Total Operating Transfers and Grants	–	–	**2 128 894**	**100%**	**100%**

Operating transfers and grants for the 2024/25 financial year were fully realised, with actual receipts aligning 100% with both the original and adjusted budgets. National government transfers amounted to R111.6 million, largely driven by the equitable share, providing critical support to the municipality's operating budget. Additional funding was received from other grant providers, most notably the Municipal Infrastructure Grant (MIG) and the Water Services Infrastructure Grant (WSIG), which together contributed R2.02 million.

The full receipt of operating transfers and grants indicates effective grant management and compliance with funding conditions. These transfers remain a key revenue source, supporting the municipality's ability to sustain service delivery in the context of constrained own-revenue performance and ongoing financial pressures.

5.2.1 ASSET MANAGEMENT

The absence of repair and maintenance expenditure during the year, with actual spending recorded at R0, indicates that no resources were directed towards the upkeep of municipal infrastructure and assets. This level of expenditure is not adequate, particularly given the municipality's extensive infrastructure base and the reliance on aging service delivery systems. The lack of maintenance spending increases the risk of asset deterioration, service interruptions, higher long-term rehabilitation costs, and non-compliance with good asset management practices.

The zero-expenditure variance further suggests either that no provision was made in the budget for repairs and maintenance or that planned maintenance activities were not implemented during the year. This highlights a critical weakness in operational planning and asset lifecycle management and underscores the need to prioritise funded and scheduled maintenance programmes to protect infrastructure investments and ensure sustainable service delivery going forward.

National Treasury's norm for repairs and maintenance (R&M) expenditure is at least 8% of the carrying value of Property, Plant and Equipment (PPE) per annum. In practice, Treasury guidance and MFMA circulars also indicate that anything below 5% is a clear risk indicator, while 5–8% is marginal and 8% or more is regarded as acceptable for sustaining infrastructure assets.

Against this benchmark, R0 expenditure is materially non-compliant and signals a serious asset sustainability and service delivery risk.

5.3 COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

5.3.1 CAPITAL SPENDING ON 5 LARGEST PROJECTS

Capital expenditure on major infrastructure projects during the 2024/25 financial year was undertaken under significant financial and institutional constraints, which influenced the pace of implementation. Variances between actual expenditure and the adjusted budget primarily reflect phased delivery, procurement processes, and contractor-related delays, rather than a scaling back of the approved capital programme. The fact that original capital budgets were maintained underscores Council's continued prioritisation of infrastructure investment despite capacity limitations.

The Trompsburg 3 km Pipeline project accounted for the highest level of capital expenditure and represents a strategic intervention to improve sewer system stability and reduce spillage risks. While implementation was temporarily affected by contractor cash-flow challenges, corrective measures were implemented to sustain progress. On completion, the project is expected to deliver improved operational performance and environmental protection benefits for the community..

Capital Expenditure of 5 largest projects					
					R' 000
Name of Project	Current: '2024/25			Variance: Current '2024/25	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
A -Philippolis Uprade of Sports facilities	6 000	6 000	4 817	0%	20%
B-Trompsburg Landfill site	8 131	8 131	6 391	0%	21%
C-Gariep Waste Transfer	5 200	5 200	3 120	0%	40%
D-Trompsburg 3km	9 615	9 615	7 492	0%	22%
E-Edenburg WWTP	8 514	8 514	1 688	0%	80%
F-Gariep Dam WWTP	2 297	2 297	1 886	0%	18%
G-Jagersfontein Paved Road	8 326	8 326	2 370	0%	72%
Projects with the highest capital expenditure in '2024/25					
Name of Project - A	Trompsburg 3km Pipeline				
Objective of Project	To prevent and remediate spillage and blockage occurrences that compromise system performance.				

Capital Expenditure of 5 largest projects					
					R' 000
Name of Project	Current: '2024/25			Variance: Current '2024/25	
	Original Budget	Adjustment Budget	Actual Expenditure	Original Variance (%)	Adjustment variance (%)
Delays	Due to main contractor who had cashflow problems, was terminate and new contractor was appointed				
Future Challenges	No anticipated future challenges have been identified, as the underlying factors contributing to spillage have been fully mitigated.				
Anticipated citizen benefits	Enhanced environmental protection by preventing uncontrolled spillage that may pollute soil and water resources .				

5.3.2 BASIC SERVICE & INFRASTRUCTURE BACKLOGS – OVERVIEW

This section provides an overview of basic service and infrastructure backlogs within the Municipality, reflecting the extent to which households have access to services that meet at least the prescribed minimum standards. The backlog profile must be understood within the context of a largely rural municipal area, ageing infrastructure, and persistent financial and institutional constraints that influence the pace and sequencing of service delivery interventions.

Service Backlogs as at 30 June '2024/25				
				Households (HHs)
	Service level above minimum standard		Service level below minimum standard	
	No. HHs	% HHs	No. HHs	% HHs
Water	14 053	95%	677	5%
Sanitation	14 045	95%	685	5%
Electricity	14 251	97%	479	3%
Waste management	13 165	89%	1 565	11%

The basic services backlog profile indicates that the majority of households in the municipality continue to receive services **at or above minimum standards**, despite the Municipality operating under severe financial and institutional constraints. Water and sanitation services show strong coverage, with approximately **95% of households** receiving services above the minimum standard, leaving a relatively small backlog of about **5%**. These figures suggest that core water and sanitation infrastructure has largely been established, with remaining backlogs concentrated in specific settlements or service extensions rather than systemic failure.

Electricity services reflect the highest level of coverage, with **97% of households** above the minimum service standard, indicating sustained progress in electrification despite implementation challenges. Waste management presents the largest relative backlog, with **11% of households** below the minimum standard. This reflects the operational and logistical pressures associated with refuse collection and waste services in a largely rural municipality with dispersed settlements. Overall, the backlog figures demonstrate a generally stable basic services platform, while also highlighting targeted areas where incremental improvements remain necessary to progressively address service delivery gaps.

Municipal Infrastructure Grant (MIG) Expenditure '2024/25 on Service backlogs						
						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		Major conditions applied by donor
				Budget	Adjustments Budget	
Infrastructure - Road transport						
Roads, Pavements & Bridges	8 326	8 326	2 370	0%	72%	
Storm water						
Infrastructure - Electricity						
Generation						
Transmission & Reticulation						
Street Lighting						
Infrastructure - Water						
Dams & Reservoirs						
Water purification						
Reticulation						
Infrastructure - Sanitation						
Reticulation	9 615	9 615	7 492	0%	22%	
Sewerage purification						
Infrastructure - Other						
Waste Management	8 514	8 514	1 688	0%	80%	
Transportation	2 297	2 297	1 886	0%	18%	
Trompsburg Landfill site	8 131	8 131	6 391	0%	21%	
Gariep Waste Transfer	5 200	5 200	3 120	0%	40%	
Philippolis Uprade of Sports Facilities	6 000	6 000	4 817	0%	20%	
Total	**48 083**	**48 083**	**27 764**	**0%**	**42%**	

5.4 COMPONENT C: CASH FLOW MANAGEMENT & INVESTMENTS

5.4.1 CASH FLOW

Cash Flow Outcomes				
				R'000
Description	2023/24	Current: '2024/25		
	Audited Outcome	Original Budget	Adjusted Budget	Actual
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	119 807	133 217		7 622
Government - operating	115 172	127 728		64 895
Government - capital	53 856	53 931		132 648
Interest	9 513	10 578		169
Dividends				
Payments				
Suppliers and employees	(224 969)	(22 886)		(316 376)
Finance charges	(30 000)	(2 809)		145 697
Transfers and Grants	–	–		
NET CASH FROM/(USED) OPERATING ACTIVITIES	43 379	299 759	–	34 655
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of PPE	–	–		(38 986)
Decrease (Increase) in non-current debtors	–	–		
Decrease (increase) other non-current receivables	–	–		
Decrease (increase) in non-current investments	–	–		
Payments				
Capital assets	(53 856)	(53 931)		
NET CASH FROM/(USED) INVESTING ACTIVITIES	(53 856)	(53 931)	–	(38 986)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Short term loans	–	–		(1 370)
Borrowing long term/refinancing	–	–		
Increase (decrease) in consumer deposits	–	–		
Payments				
Repayment of borrowing	–	–		
NET CASH FROM/(USED) FINANCING ACTIVITIES	–	–	–	(1 370)
NET INCREASE/ (DECREASE) IN CASH HELD	(10 477)	245 828	–	(5 701)
Cash/cash equivalents at the year begin:				
Cash/cash equivalents at the year-end:		245 828	–	(5 701)

The cash flow outcomes for 2024/25 reflect a municipality under continued liquidity pressure, despite remaining cash-positive from operating activities. Net cash generated from operations amounted to R34.7 million, supported largely by government transfers rather than own-revenue collections, which were significantly below budget. Payments to suppliers and employees remained high, placing sustained strain on operating cash resources.

Cash outflows from investing activities, mainly related to capital asset expenditure, further reduced available cash, while financing activities had a marginal negative impact. As a result, the municipality recorded a net decrease in cash held during the year, ending the period with a negative cash position. Overall, the cash flow position underscores weak cash conversion from revenue, high operating cost pressure, and limited resilience to absorb shocks, reinforcing the need for stronger cash management, improved collections, and tighter expenditure control.

5.4.2 BORROWING & INVESTMENTS

The municipality recorded no borrowings and investments over the period 2022/23 to 2024/25. While the absence of borrowing limits debt exposure and interest costs, it also indicates limited access to alternative financing mechanisms to support infrastructure development and liquidity management, particularly in the context of ongoing financial and cash flow constraints.

5.4.3 PUBLIC PRIVATE PARTNERSHIPS

The municipality did not enter into Public Private partnerships during the financial year.

5.5 COMPONENT D: OTHER FINANCIAL MATTERS

5.5.1 SUPPLY CHAIN MANAGEMENT

The Auditor-General's report indicates that the Municipality has an established SCM policy framework aligned to the SCM Regulations, 2005; however, progress during the year was constrained by implementation and control challenges rather than the absence of policies. Recurrent findings relating to quotation processes, bid evaluation, tax compliance verification, and contract monitoring suggest that existing procedures were not consistently applied under difficult operational conditions. Overall, the observations point to the need for incremental strengthening of SCM implementation, record-keeping, and contract management practices to improve compliance and effectiveness within the Municipality's constrained capacity environment.

5.5.2 GRAP COMPLIANCE

The Auditor-General's report reflects that the Municipality applies GRAP as the prescribed accounting framework and prepared its annual financial statements on that basis. The resulting qualified audit opinion arose primarily from constraints related to the availability, completeness, and reliability of supporting documentation and reconciliations for certain material balances, rather than from the absence of GRAP-aligned accounting policies. The findings indicate that, while the GRAP framework is in place, further strengthening of implementation practices, record-keeping, and verification processes is required to enhance the reliability of disclosures and support improved audit outcomes in future reporting periods.

CHAPTER 6: AUDITOR GENERAL AUDIT FINDINGS

6.1 AUDITOR-GENERAL AUDIT OUTCOMES: COMPARATIVE OVERVIEW

In terms of section 121 of the Municipal Finance Management Act, the municipality reports on the Auditor-General's audit outcomes and progress in addressing matters raised in the previous financial year.

6.1.1 COMPARATIVE SUMMARY OF AUDIT FINDINGS: 2023/24 & 2024/25

Area	2023/24	2024/25	Classification
Audit opinion	The Auditor-General issued a qualified audit opinion.	The Auditor-General issued a qualified audit opinion.	Repeat
Property, Plant and Equipment (GRAP 17)	Limitations in audit evidence relating to work-in-progress, asset classification, and verification were reported.	Limitations in audit evidence relating to work-in-progress, incorrect capitalisation, and unsupported restatements were reported, affecting comparability.	Repeat
Work-in-progress (capital projects)	Sufficient appropriate audit evidence could not be obtained for projects in progress.	Work-in-progress balances were overstated and could not be substantiated.	Repeat
Receivables from exchange transactions (GRAP 104)	Differences between age analysis and financial statements were reported; impairment methodology was not correctly applied.	Impairment calculations were not correctly applied, and balances could not be substantiated.	Repeat
Receivables from non-exchange transactions (GRAP 108)	Incorrect impairment methodology applied.	Incorrect impairment methodology continued to affect comparability.	Repeat
Revenue from exchange transactions (GRAP 9)	Under-billing and unexplained differences between billing reports and the financial statements were reported.	Continued unexplained differences between billing reports and the financial statements were reported.	Repeat
Revenue from non-exchange transactions (GRAP 23)	Grant balances could not be substantiated.	Equitable share and conditional grants could not be substantiated and were incorrectly valued.	Repeat
Payables and accrued liabilities	Supporting documentation and reconciliations were not available.	Supporting documentation and reconciliations remained insufficient.	Repeat
VAT receivable	Record-keeping deficiencies affected audit assurance.	Record-keeping deficiencies continued to affect audit assurance.	Repeat
Employee-related costs	Payroll schedules did not reconcile to the financial statements.	Unexplained differences between payroll schedules and financial statements persisted.	Repeat
Irregular expenditure	Not all irregular expenditure was disclosed and investigated.	Irregular expenditure remained understated and investigations were not concluded.	Repeat
Fruitless and wasteful expenditure	Prior-year balances could not be substantiated.	Comparability remained affected; interest due to late payments continued.	Repeat
Unauthorised expenditure	Expenditure exceeded approved budget.	Unauthorised expenditure incurred due to expenditure not cash backed.	Repeat

Area	2023/24	2024/25	Classification
Commitments and contingencies	Registers were incomplete or not available.	Registers remained inadequate.	Repeat
Supply Chain Management	Non-compliance with SCM Regulations reported.	Similar SCM Regulation contraventions were reported.	Repeat
Performance information	Reported achievements were not supported by adequate evidence.	Similar weaknesses in reliability and supporting evidence were reported.	Repeat
Governance and oversight	Internal audit and audit committee oversight weaknesses were reported.	Similar governance and oversight weaknesses were reported.	Repeat
Material irregularities – pensions	Not reported.	Non-payment of pension fund contributions identified as a material irregularity.	New
Material irregularities – environmental	Pollution at Gariep Dam Wastewater Treatment Works reported.	Matter remains unresolved and referred to the Department of Water and Sanitation.	Repeat

For both the 2023/24 and 2024/25 financial years, the Auditor-General issued **qualified audit opinions**, primarily due to limitations in the availability and reliability of supporting documentation and reconciliations for certain material balances and disclosures. Several matters reported in the prior year continued to affect comparability in the current year, as noted in the Auditor-General's report.

The audit outcomes indicate that most findings in the 2024/25 financial year are repeat in nature, relating to property, plant and equipment, receivables, revenue recognition, expenditure management, supply chain management, performance information, and governance processes. In addition, a new material irregularity relating to the non-payment of pension fund contributions was reported during the 2024/25 audit cycle.

The municipality acknowledges the matters raised by the Auditor-General and continues to implement corrective actions through its audit action plan, with the objective of improving internal controls, strengthening record-keeping and reconciliation processes, and enhancing compliance with applicable legislation and accounting standards.

GLOSSARY

Terminology	Definition
Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “full and regular” 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.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe "what we do".
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	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.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive.
Baseline	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.
Basic municipal service	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.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.
Financial Statements	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.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	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.
Integrated Development Plan (IDP)	Set out municipal goals and development plans.
National Key performance areas	Service delivery & infrastructure Economic development Municipal transformation and institutional development Financial viability and management Good governance and community participation
Outcomes	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".

Terminology	Definition
Outputs	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.
Performance Indicator	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)
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards:	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.
Performance Targets:	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.
Service Delivery Budget Implementation Plan	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.
Vote:	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. Section 1 of the MFMA defines a "vote" as: 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 b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned

APPENDICES

APPENDIX A – COUNCILLORS; COMMITTEE ALLOCATION & COUNCIL ATTENDANCE

Councillors, Committees Allocated and Council Attendance					
Council Members	Full Time / Part Time FT/PT	Committees Allocated	*Ward and/ or Party Represented	Council Meetings Attendance %	Apologies for non-attendance %
X.J Tseletsele	FT	Exco Chairperson	ANC/ Ward 6	100%	0%
M.J Moitse	FT	Speaker	ANC/ Ward 7	100%	0%
I.B Mphou	PT	Section 80: Planning, Economic Development and Community Services	ANC/ Ward 1	100%	0%
M.G Mokheseng	P/T	Xhariep DM representative, Member LLF and Section 80: Infrastructure Development and Technical Services Committee	ANC/ Ward 2	100%	0%
M.M Motlohi	P/T	Section 80: Planning, Economic Development and Community Services	ANC/ Ward 3	100%	0%
V.I Jonas	P/T	Chairperson MPAC, Chairperson LLF	ANC/ Ward 4	99%	1%
N.S Spogter	P/T	Section 80: Infrastructure Development and Technical Services Committee	ANC/ Ward 5	99%	1%
M.V Malgas	P/T	Xhariep DM representative	ANC/ Ward 8	100%	0%
P.M Motantsi	P/T	Section 80: Treasury and Budget	ANC/ Ward 9	100%	0%
M.E Masana	P/T	Section 80: Planning, Economic Development and Community Services, LLF, Council Chief Whip	ANC/ PR Councillor	99%	1%
M Lottering	P/T	MPAC Member	ANC/ PR Councillor	99%	1%
H Shebe	P/T	Exco Member, Chairperson Section 80: Infrastructure Development and Technical Services Committee	DA/ PR Councillor	100%	0%
R.W Van Wyk	P/T	Xhariep DM representative, MPAC member, Section 80: Infrastructure Development and Technical Services Committee	DA/ PR Councillor	100%	0%
E.N Noordman	P/T	Section 80: Planning, Economic Development and Community Services, LLF	DA/ PR Councillor	99%	1%
K.C Litsheho	P/T	Section 80: Corporate Governance, Budget and Treasury Services Committee	EFF/ PR Councillor	98%	2%
M.E Lekoenea	P/T	Xhariep DM representative	EFF/ PR Councillor	98%	2%
B.H Lourens	P/T		VF/ PR Councillor	100%	0%

APPENDIX B – COMMITTEES & COMMITTEE PURPOSES

Committees (other than Mayoral / Executive Committee) and Purposes of Committees	
Municipal Committees	**Purpose of Committee**
Section 80: Planning, Economic Development and Community Services	It is for Management to report on Municipal Operations
Local Labour Forum	Ensure that there are Sound relations between Management and the Labour component with in the Municipality and it is a platform where matters of mutual interest are discussed
Section 80: Corporate Governance, Budget and Treasury Services Committee	It is for Management to report on Municipal Operations
Section 80: Infrastructure Development and Technical Services Committee	It is for Management to report on Municipal Operations
MPAC Committee	To investigate all financial irregularities with in the Municipality

APPENDIX C –THIRD TIER ADMINISTRATIVE STRUCTURE

Third Tier Structure	
Directorate	**Director/Manager (State title and name)**
Office of the Municipal Manager	B.C Mokomela
	M.P Makau
	T.S Mahasane
	M.A Hermans
	S.D Phama
Corporate Services Department	C.K Pitso
	T Tseuoa
	M.D Baas
Department of Treasury and Budget (Finance)	P.M Senyane
	J.C Mokoena
Department of Technical Services	M.M Madolo
Community Services Department	T.F Deeuw
	M.M Maema
	M.M Mcube
	N.E Mqungquthu
	N.E Phaku

APPENDIX D – WARD INFORMATION

Top Four Service Delivery Priorities for Ward (Highest Priority First)		
No.	Priority Name and Detail	Progress (%) During 2024/25
1	Edenburg WWTP (Ward 8)	64%
2	Gariep Waste Transfer (Ward 9)	100%
3	Jagersfontein Paved Road (Ward 6)	98.42%
4	Trompsburg 3km pipeline (Ward 2)	93%

APPENDIX D2 – BASIC SERVICE PROVISION

Basic Service Provision				
Detail	Water	Sanitation	Electricity	Refuse
Households with minimum service delivery	14 053	14 045	14 251	14 297
Households without minimum service delivery	244	252	46	-
Total Households	14 297	14 297	14 297	14 297
Houses completed in year				
Shortfall in Housing units				

APPENDIX E – RECOMMENDATIONS OF THE MUNICIPAL AUDIT COMMITTEE

Municipal Audit Committee Recommendations		
Date of Committee	Committee recommendations during '2024/25	Recommendations adopted (enter Yes) If not adopted (provide explanation)
19-Aug-24	The Audit Committee members to discuss whether to consider one member to assume the duties of Chairperson of the Risk Management Committee or the Municipality to approach the District Municipality for assistance with their Risk Committee Chairperson until the Municipality is able to appoint their own	Yes
	The Audit Committee resolved that the strategic documents (i.e. Internal audit Charter, Audit and Performance Committee Charter and the procedure manual) be aligned to the new IIA Standards that will be effect from 09/01/2025.	Yes
	The committee recommended that the audit action plan be a standing agenda item on management meetings and during audit and Performance Committee meetings, be monitored and incorporated into section 131 report	Yes
	The committee recommended that management to submit the performance management reports timeously to internal audit for audit and review before it is submitted to audit and performance committee	Not implemented, however the municipality has appointed a PMS officer to execute duties
	The Audit and Performance Committee approved the reports and urged management to address all the findings that were not implemented.	Yes
02-Oct-24	The Committee requested the secretariat to prepare a declaration of interest form that can be completed and signed annually instead of members declaring during each meeting	Yes
	The committee recommended that the vacant post of the manager internal audit be filled to ensure that the work of the internal auditor is reviewed. However whilst awaiting appointment, municipality request assistance from Provincial Treasury to review the work performed by internal audit.	

APPENDIX F – LONG TERM CONTRACTS & PUBLIC PRIVATE PARTNERSHIPS

Long Term Contracts (20 Largest Contracts Entered into during '2024/25)				
				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	Contract Value
ABSA	Provision of Banking Services for a Period of 5 years.	07/09/2023	07/09/2028	Rate based
Ubuntu Intermediary Brokers Pty Ltd	Provision of Short-Term Insurance for a period of 36 months (Re-advert).	17/08/2023	17/08/2026	3 010
Unique Co Properties	For the compilation and Maintenance of the General and Supplementary Valuation Roll	01/07/2024	30/06/2029	1 513
TDB &C	Contractor Philippolis: Upgrading of Sports Facility	2024-04-24	Upon completion of contraction	5 217
Nare Sereto	Consultant Gariep Dam: Construction of a waste transfer facility	09/12/2016	Upon completion of contraction	737
Cabani	Contractor Gariep Dam: Construction of a waste transfer facility	07/09/2023	Upon completion of contraction	3 655
Fredifuku Trading	Contractor for refurbishment of water waste treatment works and sewer pump station	25/06/2024	Upon completion of contraction	2 379
African Engineering	Consultant to Upgrade 3KM Pipeline and Pump Station in Trompsburg	17/08/2023	Upon completion of contraction	586
Boleng Trading Pty Ltd	Contractor to Upgrade 3KM Pipeline and Pump Station in Trompsburg	21/02/2024	Upon completion of contraction	8 361
Town Development Building and Construction Agency	Upgrading of Sports Facility in Philippolis for KLM	24/04/2024	Upon completion of contraction	5 217
NKGOA & Malgas Holdings Pty Ltd	Consultant Permitting and closure of existing Disposal site and construction of a new disposal site	21/02/2024	Upon completion of contraction	4 458

APPENDIX G – MUNICIPAL SERVICE PROVIDER PERFORMANCE

Municipal Entity/Service Provider Performance Schedule			
Name of Entity & Purpose (i)	(a) Service Indicators (ii)	2024/25	
		Target Previous Year (iii)	Actual (iv)
Ems Solutions	Preparation of Grap annual financial statements	Final reports by the 31st of august	
Ems Solutions	Preparation of Complaint Asset Register	Final reports by the 31st of august	Project Complete
Gerox Trading CC	Rental of photocopy machines for a period of 24 months	24 months 13/06/2025	In Progress
TDB &C Agency	Philippolis: Upgrading of sports facility	48 weeks 24/04/2024	
Nkgoa and Malgas	Trompsburg: Permitting and closure of existing disposal site and construction of a new disposal site	2024-02-21	
Cabani	Gariep Dam: Construction of a waste transfer facility	24 weeks 7/09/2023	
Boleng	Trompsburg: Upgrading of 3km sewer pipeline and pump station	16 weeks 21/02/2024	
YJ Civils	Edenburg: Refurbishment of the sewer pump station and waste water treatment works	6 months from commencement date 30/05/2025	
Fredifuku	Gariep Dam: Repairs and refurbishment of Waste Water Treatment Works and sewer pump station	2024-06-24	
Izinjomane Security	Jagersfontein: Construction of new 650m paved access road and storm water between Itumeleng and Charlesville	126 days Duration 5/05/2025	

APPENDIX H – DISCLOSURES OF FINANCIAL INTERESTS

No information provided

APPENDIX I - REVENUE COLLECTION PERFORMANCE BY SOURCE

Revenue Collection Performance by Source						
						R '000
Description	2023/24	2024/25			2024/25 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	43 591	48 897	21 900	54 626	10%	60%
Property rates - penalties & collection charges					0%	0%
Service Charges - electricity revenue	96 779	102 820		14 914	-589%	100%
Service Charges - water revenue	51 266	58 300		52 961	-10%	100%
Service Charges - sanitation revenue	25 525	34 108		17 507	-95%	100%
Service Charges - refuse revenue	19 838	23 108		13 147	-76%	100%
Service Charges - other	–	–			0%	0%
Rentals of facilities and equipment	1 317	1 590	(275)	490	-224%	156%
Interest earned - external investments	19 026	21 317		169	12522%	100%
Interest earned - outstanding debtors					0%	0%
Dividends received					0%	0%
Fines	13	14			0%	0%
Licences and permits	439	477	377		0%	0%
Agency services					0%	0%
Transfers recognised - operational	115 172	122 121			0%	0%
Other revenue	225	265			0%	0%
Gains on disposal of PPE	1 180	1 272			0%	0%
Environmental Protection					0%	0%
Total Revenue (excluding capital transfers and contributions)	374 371	414 289	22 002	153 814	-169,34%	85,70%

APPENDIX J - CONDITIONAL GRANTS RECEIVED: EXCLUDING MIG

No funding received.

APPENDIX K - CAPITAL EXPENDITURE: NEW & UPGRADE/RENEWAL PROGRAMMES

No funding received.

APPENDIX L – CAPITAL PROGRAMME BY PROJECT

Capital Programme by Project: '2024/25					
					R' 000
Capital Project	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
Solid Waste Disposal Site					
Project: Trompsburg Landfill	8 131	8 131	6 391	-27%	-27%
Project: Gariep Dam Waste Transfer	5 200	5 200	3 120	-67%	-67%
Sanitation/Sewerage					
Project: Edenburg WWTP	8 514	8 514	1 688	-404%	-404%
Project: Gariep Dam WWTP	2 297	2 297	1 886	-22%	-22%
Project: Trompsburg 3km Pipeline	9 615	9 615	7 492	-28%	-28%
Electricity	No Capital Projects for the service during the financial year under review.				
Housing					
Refuse removal					
Roads & Stormwater					
Project: Jagersfontein paved Road	8 326	8 326	2 370	-251%	-251%
Economic development	No Capital Projects for the service during the financial year under review				
Sports, Arts & Culture					
Project: Philippolis Sports	6 000	6 000	4 817	-25%	-25%
Environment	No Capital Projects for the service during the financial year under review				
Safety and Security					
ICT and Other					

APPENDIX M – CAPITAL PROGRAMME BY PROJECT BY WARD

Capital Programme by Project by Ward: '2024/25		
		R' 000
Capital Project	Ward(s) affected	Works completed (Yes/No)
Solid Waste Disposal Site		
Project: Trompsburg Landfill	Ward 2	No
Project: Gariep Dam Waste Transfer Station	Ward 9	Yes
Sanitation/Sewerage		
Project: Edenburg WWTP	Ward 8	No
Project: Gariep Dam WWTP	Ward 9	Yes
Project: Trompsburg 3km Pipeline	Ward 2	Yes
Electricity	No Capital Projects for the services in any of the Wards	
Housing		
Refuse removal		
Roads & Stormwater		
Project: Jagersfontein paved Road	Ward 6	No
Economic development	No Capital Projects for the service in any of the Wards	
Sports, Arts & Culture		
Project: Philippolis Sports	Ward 4	No
Environment	No Capital Projects for the services in any of the Wards	
Health		
Safety and Security		
ICT and Other		

APPENDIX N – DECLARATION OF LOANS AND GRANTS MADE BY THE MUNICIPALITY

No loans or grants were made by the Municipality during the financial year under review.

APPENDIX O – AUDITOR-GENERAL REPORT 2024/25

Report of the auditor-general to the Free State Provincial Legislature and the council on the Kopanong Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the Kopanong Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, 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 Kopanong Local Municipality as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).

Basis for qualified opinion

Payables from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for trade payables, salary control, retentions, unallocated deposits, accrued leave pay and payments received in advance included in payables from exchange transactions in note 14 to the financial statements due to the non-submission of information and a lack of reconciliation in support of these current liabilities. I was unable to confirm the trade payables, salary control, retentions, unallocated deposits, accrued leave pay and payments received in advance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the trade payables stated at R410 297 855 (2024: R813 051 893), salary control stated at R129 824 909 (2024: R304 457 288), retentions stated at R9 581 469 (2024: R9 581 469), unallocated deposits stated at R31 638 206 (2024: R23 066 264), accrued leave pay stated at R12 303 699 and payments received in advance stated at R12 882 601 (2024: R12 199 840) included in payables from exchange transactions in note 14 to the financial statements.

Property, plant and Equipment

4. The municipality did not account work in progress in accordance with GRAP 17, *Property plant and equipment* as assets that were recorded in the current year for work-in-progress could not

be located during the asset verification process. This resulted in work-in-progress being overstated by R31 642 059 in note 11 to the financial statements. In addition, work-in-progress included expenditure relating to repairs and maintenance resulting in work-in-progress being overstated by R23 921 732 and repairs and maintenance being understated by the same amount. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

5. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figure for property, plant and equipment. As described in note 52 to the financial statements, the restatement was made to rectify previously omitted completed projects and changes in the estimated useful lives of certain assets. However, the restatement could not be substantiated by supporting audit evidence. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the property, plant and equipment corresponding figure stated at R873 150 126 in note 11 to the financial statements.

6. During 2024, I was unable to obtain sufficient appropriate audit evidence for the work-in-progress included in the reconciliation of work-in-progress in property, plant and equipment in note 11 to the financial statements due to the non-submission of information in support of the capital projects in progress. I was unable to confirm the work-in-progress by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the work-in-progress included in the reconciliation of work-in-progress in property, plant and equipment stated at R 114 421 064 in note 11 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the work-in-progress for the current period.

7. During 2024, the municipality did not account for property, plant and equipment in accordance with GRAP 17, *Property plant and equipment* as building assets classes were incorrectly included in the asset register as community assets. Consequently, buildings were understated by R8 963 403 and community assets overstated by the same amount. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the buildings and community assets for the current period.

Receivables from exchange transactions

8. I was unable to obtain sufficient appropriate audit evidence for the receivables from exchange transactions in note 4 and 6 to the financial statements due to non-submission of information in the current year. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from exchange transactions stated at R169 726 925 in note 4 and 6 to the financial statements.

9. During 2024, I was unable to obtain sufficient appropriate audit evidence for the sundry debtors included in receivables from exchange transactions in note 4 and 6 to the financial statements

as there were unexplained material differences between the age analysis and the financial statements. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from exchange transactions stated at R149 925 824 in note 4 and 6 to the financial statements. Additionally, there was an impact on the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability on the receivables from exchange transaction for the current period.

10. The municipality did not account for allowance for impairment included in receivables from exchange transactions in note 6 to the financial statements in accordance with GRAP 104, *Financial instruments* as the municipality did not correctly apply the approved methodology in their impairment calculations. Consequently, the allowance for impairment included in receivables from exchange transactions in notes 6 to the financial statements was understated by R167 704 689 (2024: R111 116 188) and debt impairment included in note 32 to the financial statements was understated by the same amount. Additionally, there was an impact on the deficit for the year and the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the allowance for impairment for the current period.

11. During 2024, the municipality did not account for receivables from exchange transactions in accordance with GRAP 104, *Financial instruments* as the municipality did not charge interest on long outstanding consumer accounts, contrary to the it's policy. Consequently, I have not included the omitted information in this auditor's report for prior year, as it was impracticable to do so. Additionally, there was an impact on the deficit for the period and the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the allowance for impairment for receivables from exchange transaction the current period.

VAT receivable

12. I was unable to obtain sufficient appropriate audit evidence for the VAT receivable included in note 8 to the financial statements due to the status of record keeping. I was unable to confirm the VAT receivable by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the VAT receivable stated at R90 551 308 in note 8 to the financial statements.

Revenue from exchange transactions

13. I was unable to obtain sufficient appropriate audit evidence for the sale of electricity, sale of water included in the service charges in note 19 to the financial statements due to the unexplained material differences between the billing reports and the financial statements. I was unable to confirm the sale of electricity and sale of water by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to sale of electricity stated at R83 008 255 (2024: R82 599 198) and sale of water stated at R109 362 189 (2024: R142 181 926) in note 19 to the financial statements.

14. During 2024, the municipality did not account for refuse removal, sewage and sanitation included in service charges in note 19 to the financial statements in accordance with GRAP 9, *Revenue from exchange transactions* as the municipality did not bill some consumers during the year. Consequently, the refuse removal, sewerage and sanitation included in note 19 to the financial statements were understated by R6 679 701 and receivables from exchange transactions included in note 4 to the financial statements were understated by the same amount. Additionally, there was an impact on the deficit for the year and the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the revenue from exchange transactions for the current period.

15. During 2024, I was unable to obtain sufficient appropriate audit evidence for income foregone included in the service charges in note 19 to the financial statements due to the unexplained material differences between the billing reports and the financial statements. I was unable to confirm the income foregone by alternative means. Consequently, I was unable to determine whether any adjustments were necessary for income foregone stated at R6 267 972 in note 19 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the revenue from exchange transactions for the current period.

Receivables from non-exchange transactions

16. During 2024, the municipality did not account for allowance for impairment included in receivables from non-exchange transactions in notes 5 and 6 to the financial statements in accordance with GRAP 108, *Statutory receivables*, as the municipality did not correctly apply the approved methodology in their impairment calculations. Consequently, the allowance for impairment included in notes 5 and 6 to the financial statements was overstated by R9 626 927 and the debt impairment included in note 32 to the financial statements was overstated by the same amount. Additionally, there was an impact on the deficit for the period and the accumulated surplus. My opinion on the current year financial statements was also modified because of the possible effect of this matter on the comparability of the allowance for impairment for receivables form non-exchange transaction for the current period.

Other receivables from exchange transactions

17. I was unable to obtain sufficient appropriate audit evidence for the other receivables from exchange transactions included in note 7 to the financial statements due to the status of record keeping. I was unable to confirm the other receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the other receivables from exchange transactions stated at R8 655 429 (2024: R8 238 362) in note 7 to the financial statements.

Unspent conditional grants and receipts

18. I was unable to obtain sufficient appropriate audit evidence for the unspent conditional grants and receipts due to the non-submission of information in support of these unspent grants. I was unable to confirm the unspent conditional grants and receipts by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the unspent conditional grants and receipts stated at R9 389 510 in note 17 to the financial statements.

Property rates

19. I was unable to obtain sufficient appropriate audit evidence for property rates, due to the unreconciled material differences between the billing reports and the financial statements. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to property rates stated at R54 625 736 (2024: R29 666 861) in note 24 to the financial statements.

Employee related costs

20. I was unable to obtain sufficient appropriate audit evidence for employee related costs, excluding car allowance in note 26 to the financial statements, due to unexplained material differences between the payroll schedules and the financial statements. I was unable to confirm the employee related costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the employee related costs excluding car allowance stated at R129 352 354 in note 26 to the financial statements.

21. During 2024, I was unable to obtain sufficient appropriate audit evidence for the basic salaries, medical aid fund contributions and car allowance included in employee related costs in note 26 to the financial statements due to unexplained material differences between the payroll schedules and the financial statements. I was unable to confirm the basic salaries, medical aid fund contributions and car allowance by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the basic salaries stated at R110 432 835, medical aid fund contributions stated at R4 006 592 and car allowances stated at R5 793 823 included in employee related costs in note 26 to the financial statements.

Administration

22. During 2024, I was unable to obtain sufficient appropriate audit evidence for the administration expenditure due to the non-submission of information in support of administrative expenses. I was unable to confirm the administration expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the administration expenditure stated at R6 793 010 in note 28 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year’s financial statements is also modified because of the possible effect of this matter on the comparability of the administration for the current period.

Government grants and subsidies

23. I was unable to obtain sufficient appropriate audit evidence for the municipal infrastructure grant included in government grants and subsidies in note 25 to the financial statements, due to the unexplained material differences between the supporting schedules and the financial statements. I was unable to confirm the municipal infrastructure grant by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the municipal infrastructure grant stated at R16 231 166 (2024: R28 001 567) included in government grants and subsidies in note 25 to the financial statements.

24. The municipality did not account for the equitable share in accordance with GRAP 23, *Revenue from non-exchange transactions,* as the municipality did not value the equitable share received correctly which resulted in equitable share disclosed note 25 of the notes to financial statements being understated by R7 000 000.

25. During 2024, I was unable to obtain sufficient appropriate audit evidence for the water services infrastructure grant included in government grants and subsidies in note 25 to the financial statements, due to the unexplained material differences between the supporting schedules and the financial statements. I was unable to confirm the water services infrastructure grant by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the water services infrastructure grant stated at R19 980 789 included in government grants and subsidies in note 25 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the government grants and subsidies for the current period.

Finance costs

26. During 2024, I was unable to obtain sufficient appropriate audit evidence for finance costs due to the non-submission of information in support of these finance costs. I was unable to confirm the finance costs by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to finance costs stated at R107 409 210 in note 30 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the finance costs for the current period.

General expenses

27. I was unable to obtain sufficient appropriate audit evidence for general expenses due to the non-submission of information in support of these expenses. I was unable to confirm the general expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the general expenditure stated at R19 183 217 (2024: R8 138 085) in note 35 to the financial statements.

Total expenditure

28. Total expenditure was materially misstated by R7 378 869 due to the cumulative effect of individually immaterial uncorrected misstatements in the following items:

- Bulk purchases stated at R167 704 689 was understated by R2 324 305.

In addition, I was unable to obtain sufficient appropriate audit evidence to confirm the total expenditure by alternative means:

- Administration of R5 255 438
- Contracted services of R14 272 380.

Contingencies

29. I was unable to obtain sufficient appropriate audit evidence for contingencies due to non-submission of information and did not have an adequate register in support of these contingencies. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contingencies stated at R201 028 026 in note 40 to the financial statements.

Commitments

30. I was unable to obtain sufficient appropriate audit evidence for commitments due to non-submission of information and did not have an adequate register in support of these commitments. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to commitments stated at R72 729 347 (2024: R57 436 424) in note 41 to the financial statements.

Irregular expenditure

31. The municipality did not disclose all instances of irregular expenditure incurred in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. I was unable to determine the full extent of the understatement of irregular expenditure stated at R338 973 035. Consequently, I was unable to determine whether any adjustment was necessary to the irregular expenditure stated at R338 973 035 (2024: R332 247 718) in note 45 to the financial statements

Fruitless and wasteful expenditure

32. During 2024, I was unable to obtain sufficient appropriate audit evidence for fruitless and wasteful expenditure identified in the prior year due to unexplained material differences between the supporting schedule and the annual financial statements. I was unable to confirm the fruitless and wasteful expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure stated at R95 292 012 in note 44 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the

current year financial statements was also modified because of the possible effect of this matter on the comparability of the fruitless and wasteful expenditure for the current period.

Additional disclosure in terms of Municipal Finance Management Act

33. I was unable to obtain sufficient appropriate audit evidence for the electricity distribution losses included in the note additional disclosure in terms of MFMA in note 48 to the financial statements due to status of accounting records. I was unable to confirm the electricity distribution losses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to electricity distribution losses included in the note additional disclosure in terms of MFMA stated at 8 252 418 units (2024: 6 184 512 units) in note 48 to the financial statements.
34. I was unable to obtain sufficient appropriate audit evidence for pay as you earn (PAYE), Unemployment Insurance Fund (UIF), and Skills Development Levy (SDL) and pension and medical aid fund contributions included in additional disclosure in terms of MFMA in note 48 to the financial statements due to status of accounting records. I was unable to confirm the PAYE, UIF and Pension and medical aid fund contributions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to PAYE, UIF and SDL stated at SDL R53 831 774 (2024: R35 311 761) and Pension and medical aid fund contributions stated at R208 147 544 (2024: R189 769 961) included in additional disclosure in terms of Municipal Finance Management Act stated in note 48 to the financial statements

Debt impairment

35. Debt impairment was not recognised in accordance with the requirements of GRAP 104, Financial Instruments, as the amount recognised and disclosed includes VAT. Consequently, debt impairment disclosed in note 32 to the financial statements is overstated by R14 524 422 and VAT receivable is misstated by the same amount. Additionally, there was an impact on the surplus for the period and on the accumulated surplus.

Context for opinion

36. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

37. 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.

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

Emphasis of matters

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

Material uncertainties relating to going concern

40. I draw attention to note 54 to the financial statements, which indicates that provisions for landfill rehabilitation and employee benefits are not cash-backed, persistent cash flow problems resulting in major creditors not being paid timeously as well as failing to make payments as and when due to suppliers, employees, councillors, and statutory bodies due to financial constraints. As stated in note 54, these events or conditions, along with other matters as set forth in note 54, indicate that a material uncertainty exists that may cast significant doubt on the municipality`s ability to continue as a going concern.

Restatement of corresponding figures

41. As disclosed in note 52 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of errors in the financial statements of the municipality, and for the year ended, 30 June 2025.

Unauthorised expenditure

42. As disclosed in note 43 to the financial statements, unauthorised expenditure of R8 765 423 (2024: R172 029 091) was incurred, due to actual amounts exceeding the budget and conditional grants not being cash backed.

Fruitless and wasteful expenditure

43. As disclosed in note 44 to the financial statements, fruitless and wasteful expenditure of R110 334 932 was incurred, due to interest paid on late accounts.

Other matters

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

Unaudited disclosure notes

45. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

46. 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.

47. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

48. 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.

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

Report on the annual performance report

50. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof; I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

51. I selected the following material performance indicators related to Infrastructure development and service delivery presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

    - Kilometre of sewer pipeline upgraded in Trompsburg on or before 30 September 2024
    - Number of pump stations upgraded in Trompsburg on or before 30 September 2024
    - Number of sewer pump station refurbished in Edenburg on or before 30 June 2025
    - Number of treatment plant refurbished in Edenburg on or before 30 June 2025
    - Percentage of sports facility upgraded in Philippolis on or before 30 June 2025

- Number of household electricity connections in Reddersburg on or before 30 September 2024
- Number of household electricity connection in Ipopeng on or before 30 September 2024
- Number of household electricity infill in Slovoville on or before 30 September 2024
- Number of household electricity infill in Fauresmith on or before 30 September 2024
- Number of household electricity infill in Jagersfontein on or before 30 September 2024
- Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024
- Percentage of waste transfer constructed in Gariep Dam on or before 30 September 2024
- Percentage spending on MIG on or 30 June 2025
- Percentage spending on DOE on or 30 June 2025
- Percentage spending on WSIG on or 30 June 2025

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

53. I performed procedures to test whether:

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

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

54. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

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

56. The material findings on the reported performance information for the selected material indicators are as follows:

Various Indicators

57. Based on the audit evidence, the actual achievement for two indicators did not agree to the achievements reported. Consequently, the targets were not achieved and the actual achievements might be more or less than reported. In addition, adequate supporting evidence to clarify the methods and processes for measuring achievements on these indicators and their targets was not provided. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. Furthermore, measures aimed at improving performance against targets were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reporting measures were indeed taken.

Indicator	**Target**	**Reported achievement**	**Audited value**
Kilometers of sewer pipeline upgraded in Trompsburg on or before 30 September 2024	1.50 km	930 m	1.44km
Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024	100	65%	0%

Various Indicators

58. Adequate supporting evidence to clarify the methods and processes for measuring achievements on these indicators and their targets were not provided. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. Furthermore, measures taken to improve performance against underachieved targets were not reported in the annual performance report. Information was thus not provided to help with understanding the actions taken by the accounting officer to

address performance gaps and for assessing the effectiveness of strategies to improve future performance against targets.

Indicator	Target
Number of household electricity connections in Reddersburg on or before 30 September 2024	600
Number of household electricity connection in Ipopeng on or before 30 September 2024	120
Number of household electricity infill in Slovoville on or before 30 September 2024	11
Number of household electricity infill in Fauresmith on or before 30 September 2024	25

Various Indicators

59. The reported measures taken to improve performance against underachieved targets did not agree to the audit evidence. Consequently, the reported measures are not reliable for helping to understand the actions taken by the accounting officer to address performance gaps and to assess the effectiveness of strategies to improve future performance against the targets.

Indicator	Target	Reported achievement	Reported measure
Kilometers of sewer pipeline upgraded in Trompsburg on or before 30 September 2024	1.5 km	930 m	1. An Intention to Terminate the contract was issued to (14-day Notice) 2. The Municipality has put the Contractor on notice. 3. A Subcontractor was appointed through a cession to work on the pump station to ensure progress with the project.
Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024	100%	65%	The progress report identifies the following factors contributing to delays: 1. A new contractor had to be appointed to continue with the project 2. Adverse weather conditions after the new Contractor was appointed 3. Cash flow and late payments to the Contractor lead to delays The newly appointed Contractor has already applied for an extension of the completion period due to the reasons mentioned above.

Various Indicators

60. Adequate supporting evidence to clarify the methods and processes for measuring achievements on these indicators and their targets were not provided. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets. Furthermore, measures aimed at improving performance against targets were reported. However, I could not determine if the measures were actually implemented to improve performance because adequate supporting evidence was not provided for auditing. Consequently, I could not verify whether the reported measures were indeed taken.

Indicator	**Target**	**Reported achievement**	**Reported measure**
Percentage spending on MIG on or 30 June 2025	100%	66%	Per the APR, municipal instability and cash flow challenges caused delays in appointing and paying service providers. Non-performance by some contractors led to terminations and re-advertising of tenders, further slowing progress. SCM processes need improvement to ensure technically capable service providers with proven track records are appointed for large projects.
Percentage spending on WSIG on or 30 June 2025	100%	28%	Per the APR, noted that due to municipal instability and cash flow issues, contractors were not paid on time, causing them to leave the site and return after payment. DWS assistance was expected but not realized in 2024/25, and Vaal Central was appointed in the current financial year to support implementation.
Number of pump stations upgraded in Trompsburg on or before 30 September 2024	1	0	The Municipality subsequently appointed a new contractor, which contributed to delays in the project's completion. Sessions with a specialized contractor who is currently busy with the project were also implemented to ensure continued progress. Due to financial constraints the Municipality also struggled to pay the Contractor on time and the Contractor left the site. The Contractor was paid in July and is expected to return to the site in August.

Various Indicators

61. Adequate supporting evidence to clarify the methods and processes for measuring achievements on these indicators and their targets were not provided. Consequently, the municipality would have found it difficult to determine the correct achievements to be reported against the planned targets.

Indicator	Target
Number of sewer pump station refurbished in Edenburg on or before 30 June 2025	1
Number of treatment plant refurbished in Edenburg on or before 30 June 2025	1
Percentage of sports facility upgraded in Philippolis on or before 30 June 2025	100%
Number of household electricity infill in Jagersfontein on or before 30 September 2024	90
Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024	100%
Percentage of waste transfer constructed in Gariep Dam on or before 30 September 2024	100%
Percentage spending on DOE on or 30 June 2025	100%

Other matters

62. I draw attention to the matter[s] below.

Achievement of planned targets

63. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

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

Infrastructure development and basic service delivery

Targets achieved: 7%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
Kilometers of sewer pipeline upgraded in Trompsburg on or before 30 September 2024	1.5km	930 m
Number of pump stations upgraded in Trompsburg on or before 30 September 2024	1	0
Number of sewer pump station refurbished in Edenburg on or before 30 June 2025	1	0
Number of treatment plant refurbished in Edenburg on or before 30 June 2025	1	0
Percentage of sports facility upgraded in Philippolis on or before 30 June 2025	100%	84%
Number of household electricity connections in Reddersburg on or before 30 September 2024	600	383
Number of household electricity connection in Ipopeng on or before 30 September 2024	120	25
Number of household electricity infill in Slovoville on or before 30 September 2024	11	0
Number of household electricity infill in Fauresmith on or before 30 September 2024	25	0
Percentage of landfill site upgraded in Trompsburg on or before 31 December 2024	100%	65%
Percentage of waste transfer constructed in Gariep Dam on or before 30 September 2024	100%	99,34%
Percentage spending on MIG on or 30 June 2025	100%	66%
Percentage spending on DOE on or 30 June 2025	100%	0%

Percentage spending on WSIG on or 30 June 2025	100%	28%

Material misstatements

65. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for Infrastructure development and basic service delivery. Management did not correct all of the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

66. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

67. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

68. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the [type of auditee], clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Annual financial statements and annual report

70. 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 disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

71. The 2023/24 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

Expenditure management

72. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA.

73. Payments were made from the municipality's bank accounts without the approval of the accounting officer, the chief financial officer or a properly authorised official, as required by section 11(1) of the MFMA.

74. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal, payment of funds, as required by section 65(2)(a) of the MFMA.

75. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred and accounted for creditors, as required by section 65(2)(b) of the MFMA.

76. Reasonable steps were not taken to prevent irregular expenditure amounting to R6 725 317 as disclosed in note 45 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by contravention of normal municipal supply chain management regulations.

77. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the fruitless and wasteful expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed fruitless and wasteful expenditure was caused by interest and penalties that were charged as a result of late payments.

78. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by expenditure that was not budgeted for.

Strategic planning and performance management

79. A mid-year performance assessment was not performed, as required by section 72(1)(a)(ii) of the MFMA.

80. The performance management system and related controls were inadequate as they did not ensure effective implementation of key processes for performance planning, monitoring, measurement, review, and reporting, resulting in reliability and validity weaknesses in reported achievements, as required by Municipal Planning and Performance Management Regulation 7(1).

Consequence management

81. 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.

82. 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 and municipal budget and reporting regulations 75(1).

83. 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 and municipal budget and reporting regulations 75(1).

Revenue management

84. An adequate management, accounting and information system which accounts for revenue and debtors was not in place, as required by section 64(2)(e)[(i) and (ii) of the MFMA.

85. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.

86. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.

87. I was unable to obtain sufficient appropriate audit evidence that accounts for municipal tax and charges were prepared on monthly basis, as required by section 64(2)(c) of the MFMA.

Human resource management

88. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA and regulation 31 of Municipal Staff Regulations.

Utilisation of conditional grants

89. I was unable to obtain sufficient appropriate audit evidence that the Water Services Infrastructure Grant was spent for its intended purposes in accordance with Schedule 5B, as required by section 16(1) of the Division of Revenue Act (Act 24 of 2024).

90. Performance in respect of programmes funded by the Water Services Infrastructure Grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Division of Revenue Act (Act 24 of 2024).

Governance and oversight

91. The Internal Audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to internal controls, as required by section 165(2)(b)(ii) of the MFMA.

92. The Internal Audit unit did not audit the results of performance measurements, as required by MSA 45(a).

93. The internal audit unit did not submit quarterly reports on the audits of performance measurements of the auditee to the municipal manager and the performance audit committee, as required by regulation 14(1)(c)(ii) on Municipal Planning and Performance Management.
94. The audit committee did not review the annual financial statements to provide the council with an authoritative and credible view of the financial position of the auditee, its efficiency and effectiveness and its overall level of compliance with the relevant applicable legislation, as required by section 166(2)(b) of the MFMA.
95. The audit committee did not advise the council and accounting officer on matters relating to the adequacy, reliability and accuracy of financial reporting and information, as required by section 166(2)(a)(iv) of the MFMA.
96. The audit committee did not review the quarterly reports submitted by the internal auditors on the audits of performance measurement as required by regulation 14(4)(a)(i) on Municipal Planning and Performance Management.

Procurement and contract management

97. Some of the goods and services within the prescribed transaction values for formal written price quotations were procured without obtaining the required price quotations, in contravention of by SCM Regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.

98. Sufficient appropriate audit evidence could not be obtained that written quotations were accepted from prospective providers who were on the list of accredited providers and met the listing requirements as prescribed by the SCM policy, in contravention of SCM Regulations 17(1)(a) and 17(1)(b). Similar non-compliance was also reported in the prior year.

99. Sufficient appropriate audit evidence could not be obtained that contracts were only awarded to providers whose tax matters had been declared by the South African Revenue Service to be in order, as required by SCM Regulation 43

100. Some of the contracts 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 Preferential Procurement Policy Framework Act and its regulations.

101. Sufficient appropriate audit evidence could not be obtained that contracts were awarded to bidders that scored the highest points in the evaluation process as required by section 2(1)(f) of Preferential Procurement Policy Framework Act and 2022 Preferential Procurement Regulation 4(4). Similar non-compliance was also reported in the prior year.

102. 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.

103. 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.

Other information in the annual report

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

105. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

106. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

107. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

108. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

109. The matters reported below are limited to the significant internal control deficiencies that resulted in qualified opinion, the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.

110. Management should implement controls over processing of transactions, reconciling of transaction to ensure accurate and complete processing for financial and performance information.

111. Management should at all times prepare financial statements that are accurate, and were evidenced by the reliable supporting documentation, in addition to this, management should review internal controls effectiveness in detection, correction and prevention of these deficiencies.

112. Management should enhance its internal control processes to ensure regular and timeous review of compliance with relevant laws and regulations.

113. Develop, review, implement and monitor the implementation of the audit action plan on monthly basis to address the identified root causes.

114. The council should make appointments in key vacant positions to ensure stability and accountability within the municipality.

115. Management should at all times implement proper record keeping ensuring that financial statements and performance information is supported by valid and accurate information that is accessible at all times.

116. Improve documentation practices to provide clear evidence of transactions and processes as well documented procedures make it easier to demonstrate compliance during the audit.

117. Conduct regular internal audit or self-assessment to identify and rectify control weaknesses.

Material irregularities

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

Material irregularities identified during the audit

119. The material irregularities identified are as follows:

Pension fund contributions of employees not paid over to the pension funds

120. Section 13A(3)(a)(ii) of the Pension Funds Act 24 of 1956 (PFA), requires the municipality as employer to pay over the contributions relating to the members of the fund within seven days after the end of the month for which such a contribution is payable. The municipality did not make payments to the South African Municipal Workers Retirement Fund (MWRF) and the South African Local Authorities (SALA) pension fund within seven days after the end of the month during which the contributions became payable. On 30 June 2025, the total outstanding contributions, including accumulated interest, payable to SALA was R261 925 886 and to MWRF was R74 699 275

121. The non-payment of employee's pension fund contributions is likely to negatively impact the livelihood of the current employees, retired employees as well as family members of deceased employees as follows:

- Retired employees not receiving their monthly pension income although deductions were made from their salaries while employed.
- Family members of deceased employees not receiving the benefits that should have accrued to them in terms of the pension fund rules.

- Current employees not being able to perform adequate financial planning as pension fund statements are withheld and employees also do not have the certainty that they will receive a monthly income when retiring. Employees can also not make alternative arrangements as the municipality is still deducting monthly pension fund contributions from their salaries.

122. The accounting officer was notified of the material irregularity on 16 July 2025 and invited to make a written submission on the actions taken and that will be taken to address the matter. I determined that the accounting officer is not taking appropriate action to resolve the material irregularity. I am in the process of making a decision of further actions to be taken.

Status of previously reported material irregularities

Pollution of water resource not prevented – Gariep Dam wastewater treatment works

123. The Gariep Dam wastewater treatment works has totally collapsed and has not been operating effectively. This resulted in continued spilling and discharge of raw/untreated sewage into the adjacent environment, a natural water pan including the groundwater. The municipality did not take reasonable measures to prevent pollution or degradation of the environment and water resource from occurring, continuing or recurring, as required by section 28(1) of the National Environmental Management Act 107 of 1998 and section 19(1) of the National Water Act 36 of 1998. The discharge of raw/untreated sewage into the environment is likely to cause substantial harm to the communities exposed to, and dependent on, the contaminated water resources.

124. The accounting officer was notified of this material irregularity on 14 October 2022 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the Department of Water and Sanitation (DWS) on 27 February 2024 for investigation as provided for in section 5(1A) of the PAA. The referral was accepted by DWS on the same day, and the investigation is currently in progress.

Bloemfontein

30 November 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

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

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act (Act 56 of 2003)	Sections 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), Sections 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 63(2)(a), 63(2)(c), Sections 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), Sections 65(2)(e), 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), Sections 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), 72(b), Regulations 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MSA: Municipal Staff Regulations	Regulations 7(1), 31
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), Regulations 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), Regulations 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), Regulations 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), 38(a), Sections 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 54A(1)(a),56(1)(a), Sections 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1),96(b)

Legislation	Sections or regulations
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, 9(1)(a), 10(a), 12(1), Regulations 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Division of Revenue Act 5 of 2023	Sections 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), 7(1), Regulations 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

VOLUME II: ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements (AFS) to the 2024/25 financial year as submitted to the Auditor-General. The completed AFS is attached as Volume II **below** of the Annual Report.

Kopanong Local Municipality
Annual Financial Statements
for the year ended 30 June 2025

General Information

Legal form of entity	A municipality, which is an organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	A local authority providing municipal services and maintaining the best interest of the community in the Kopanong municipal area.
Mayoral committee	
Executive Mayor	XJ Tseletsele
Speaker	MJ Moitse
Chief Whip	ME Masana
Councillors	MM Motlohi
	H Shebe
	RW van Wyk
	MV Malgas
	VI Jonas
	NS Spogter
	MG Mokheseng
	PM Motantsi
	IB Mphou
	M Lottering
	EN Noordman
	KC Litseho
	BH Lourens
	ME Lekoenea
Grading of local authority	Grade 2
Accounting Officer	BC Mokamela (acting)
Chief Finance Officers (CFO)	P Senyane (appointed 3 March 2025)
	JC Mokoena (acting 1 July 2024 - 2 March 2025)
Registered office	20 Louw Street Trompsburg 9913
Postal address	Private Bag X23 Trompsburg 9913
Bankers	ABSA Bank
Auditors	The Auditor-General of South Africa
Attorneys	Mohlokonya Attorneys
	Maduba Attorneys

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Abbreviations used:

COGTA	Department of Cooperative Governance and Traditional Affairs
DBSA	Development Bank of Southern Africa
DoRA	Division of Revenue Act
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The annual financial statements set out on pages 4 - 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2025 and were signed on its behalf by:

BC Mokamela
Acting Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2025.

1. Review of activities

Main business and operations

The municipality is engaged in a local authority providing municipal services and maintaining the best interest of the community in the Kopanong municipal area and operates principally in South Africa.

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

Net surplus of the municipality was R 581 292 046 (2024: deficit R 92 278 260).

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 circumstance 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 South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards 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 this report is as follows:

BC Mokamela (acting)	South African	Appointed 1 November 2024

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.

9. Bankers

The municipality changed its primary bank account from First National Bank to ABSA Bank during the year.

10. Auditors

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

11. Non-compliance with applicable legislation

In terms of section 65(2)(e) of the MFMA, all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Due to cash flow constraints, the municipality, could not settle all money owing within the prescribed period.

In terms of section 71(1) of the MFMA, the accounting officer of a municipality must by no later than ten (10) working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month. During the financial year, the municipality did not comply with the required legislation as reports were submitted late.

Statement of Financial Position as at 30 June 2025

Figures in Rand	Notes	2025	2024
Assets			
Current Assets			
Inventories	3	73 616	67 923
Receivables from exchange transactions	4&6	169 726 925	149 925 824
Receivables from non-exchange transactions	5&6	35 632 088	21 990 473
Other receivables from exchange transactions	7	8 655 429	8 238 362
VAT receivable	8	90 551 308	70 116 898
Cash and cash equivalents	9	624 087	6 325 196
		305 263 453	**256 664 676**
Non-Current Assets			
Investment property	10	132 881 958	130 892 394
Property, plant and equipment	11	858 183 095	873 150 126
Intangible assets	12	-	223
		991 065 053	**1 004 042 743**
Total Assets		**1 296 328 506**	**1 260 707 419**
Liabilities			
Current Liabilities			
Other financial liabilities	13	-	71 161
Payables from exchange transactions	14	688 445 697	1 239 807 803
Consumer deposits	15	3 203 748	3 196 378
Employee benefit obligation	16	812 000	2 801 564
Unspent conditional grants and receipts	17	2 198 315	9 997 106
Provisions	18	14 472 278	13 313 087
		709 132 038	**1 269 187 099**
Non-Current Liabilities			
Other financial liabilities	13	-	8 311
Employee benefit obligation	16	21 178 000	12 513 331
Provisions	18	68 458 956	62 731 202
		89 636 956	**75 252 844**
Total Liabilities		**798 768 994**	**1 344 439 943**
Net Assets		**497 559 512**	**(83 732 524)**
Accumulated surplus/(deficit)		497 559 521	(83 732 528)
Total Net Assets		**497 559 521**	**(83 732 528)**

Statement of Financial Performance

Figures in Rand	Note(s)	2025	2024
Revenue			
Revenue from exchange transactions			
Service charges	19	225 860 617	252 833 603
Rental of facilities and equipment	20	753 116	793 038
Other income	21	1 248 009	424 390
Interest received - investment	22	168 881	542 644
Total revenue from exchange transactions		**228 030 623**	**254 593 675**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	54 625 736	29 666 861
Transfer revenue			
Government grants and subsidies	25	133 255 272	182 662 236
Debt forgivness	23	792 874 221	-
Total revenue from non-exchange transactions		**980 755 229**	**212 329 097**
Total revenue		**1 208 785 852**	**466 922 772**
Expenditure			
Employee related costs	26	(132 580 759)	(131 420 329)
Remuneration of councillors	27	(7 558 290)	(7 405 492)
Administration	28	(5 255 438)	(6 793 010)
Depreciation and amortisation	29	(41 787 730)	(40 628 537)
Finance costs	30	(88 516 565)	(107 409 210)
Lease rentals on operating lease	31	(520 466)	(963 090)
Debt Impairment	32	(167 704 689)	(111 116 188)
Bulk purchases	33	(140 092 086)	(116 717 794)
Contracted services	34	(14 272 380)	(10 614 568)
General expenses	35	(19 183 217)	(8 138 085)
Total expenditure		**(617 471 620)**	**(541 206 303)**
Operating surplus (deficit)		**591 314 232**	**(74 283 531)**
Loss on disposal of assets and liabilities		(1 327 915)	(12 042 398)
Fair value adjustments	36	1 989 564	(583 877)
Actuarial gains/losses	16	(7 037 192)	452 105
Impairment loss	37	(3 646 643)	(5 820 559)
		(10 022 186)	**(17 994 729)**
Surplus (deficit) for the year		**581 292 046**	**(92 278 260)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	(23 926 841)	(23 926 841)
Adjustments		
Correction of errors (refer to Note 52)	32 472 573	32 472 573
Balance at 01 July 2023 as restated*	**8 545 732**	**8 545 732**
Changes in net assets		
Surplus for the year	(92 278 260)	(92 278 260)
Total changes	(92 278 260)	(92 278 260)
Balance at 01 July 2024	**(83 732 525)**	**(83 732 525)**
Changes in net assets		
Surplus for the year	581 292 046	581 292 046
Total changes	581 292 046	581 292 046
Balance at 30 June 2025	**497 559 521**	**497 559 521**

Cash Flow Statement

Figures in Rand	Note(s)	2025	2024
Cash flows from operating activities			
Receipts			
Taxation		7 622 418	10 680 508
Sale of goods and services		64 895 277	78 310 317
Grants		132 647 675	132 975 586
Interest income		168 881	542 644
		205 334 251	222 509 055
Payments			
Employee costs		(316 376 125)	(105 703 391)
Suppliers		145 696 700	(76 071 580)
		(170 679 425)	(181 774 971)
Net cash flows from operating activities	39	**34 654 826**	**40 734 084**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(38 985 311)	(40 372 454)
Movement in intangible assets	10	(918)	-
Movement of investment property	10	-	1 405 687
Net cash flows from investing activities		**(38 986 229)**	**(38 966 767)**
Cash flows from financing activities			
Repayment of other financial liabilities		(1 369 706)	(1 400 554)
Net cash flows from financing activities		**(1 369 706)**	**(1 400 554)**
Net increase/(decrease) in cash and cash equivalents		**(5 701 109)**	**366 763**
Cash and cash equivalents at the beginning of the year		6 325 196	5 958 434
Cash and cash equivalents at the end of the year	9	**624 087**	**6 325 197**

The accounting policies on pages 13 to 32 and the notes on pages 33 to 75 form an integral part of the annual financial statements.

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	218 335 728	78 706 792	**297 042 520**	225 860 617	**(71 181 903)**	Note 53
Rental of facilities and equipment	1 590 000	(275 000)	**1 315 000**	753 116	**(561 884)**	Note 53
Interest received (trading)	21 317 112	-	**21 317 112**	-	**(21 317 112)**	Note 53
Other income	265 008	(125 008)	**140 000**	1 248 009	**1 108 009**	Note 53
Interest received - investment	-	160 000	**160 000**	168 881	**8 881**	Note 53
Total revenue from exchange transactions	**241 507 848**	**78 466 784**	**319 974 632**	**228 030 623**	**(91 944 009)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	48 897 324	21 900 000	**70 797 324**	54 625 736	**(16 171 588)**	Note 53
Licences and permits	477 000	(377 000)	**100 000**	-	**(100 000)**	Note 53
Transfer revenue						
Government grants	122 120 568	-	**122 120 568**	133 255 272	**11 134 704**	Note 53
Fines	13 788	86 212	**100 000**	-	**(100 000)**	Note 53
Other transfer revenue 1	-	-	**-**	792 874 221	**792 874 221**	
Total revenue from non-exchange transactions	**171 508 680**	**21 609 212**	**193 117 892**	**980 755 229**	**787 637 337**	
Total revenue	**413 016 528**	**100 075 996**	**513 092 524**	**1 208 785 852**	**695 693 328**	
Expenditure						
Employee related costs	(170 848 118)	(73 268 122)	**(244 116 240)**	(132 580 759)	**111 535 481**	Note 53
Remuneration of councillors	(7 519 860)	(1 417 915)	**(8 937 775)**	(7 558 290)	**1 379 485**	Note 53
Administration	-	-	**-**	(5 255 438)	**(5 255 438)**	Note 53
Depreciation and amortisation	(50 418 900)	5 418 600	**(45 000 300)**	(41 787 730)	**3 212 570**	Note 53
Finance costs	(56 021 004)	(151 450 000)	**(207 471 004)**	(88 516 565)	**118 954 439**	Note 53
Lease rentals	-	-	**-**	(520 466)	**(520 466)**	Note 53
Debt impairment	(136 846 032)	15 129 836	**(121 716 196)**	(167 704 689)	**(45 988 493)**	Note 53
Bulk purchases	(98 580 000)	15 440 147	**(83 139 853)**	(140 092 086)	**(56 952 233)**	Note 53
Contracted Services	(9 492 116)	(21 246 000)	**(30 738 116)**	(14 272 380)	**16 465 736**	Note 53
Transfers and subsidies	(2 332 008)	-	**(2 332 008)**	-	**2 332 008**	Note 53
Irrecoverable debts	-	(170 000 000)	**(170 000 000)**	-	**170 000 000**	Note 53
General expenses	(14 355 372)	(21 143 356)	**(35 498 728)**	(19 183 217)	**16 315 511**	Note 53
Total expenditure	**(546 413 410)**	**(402 536 810)**	**(948 950 220)**	**(617 471 620)**	**331 478 600**	
Operating surplus	**(133 396 882)**	**(302 460 814)**	**(435 857 696)**	**591 314 232**	**1 027 171 928**	
Disposal of assets	(1 272 000)	-	**(1 272 000)**	(1 327 915)	**(55 915)**	Note 53
Transfer and subsidies	37 259 460	-	**37 259 460**	-	**(37 259 460)**	
Fair value adjustments	-	-	**-**	1 989 564	**1 989 564**	Note 53
Actuarial gains/losses	-	805 000 000	**805 000 000**	(7 037 192)	**(812 037 192)**	Note 53
Impairment loss	-	-	**-**	(3 646 643)	**(3 646 643)**	
	35 987 460	**805 000 000**	**840 987 460**	**(10 022 186)**	**(851 009 646)**	
Surplus before taxation	**(97 409 422)**	**502 539 186**	**405 129 764**	**581 292 046**	**176 162 282**	

Kopanong Local Municipality
Annual Financial Statements for the year ended 30 June 2025

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	42 579 276	-	**42 579 276**	73 616	**(42 505 660)**	Note 53
Receivables from exchange transactions	83 437 692	-	**83 437 692**	169 726 925	**86 289 233**	Note 53
Receivables from non-exchange transactions	246 492 432	-	**246 492 432**	35 632 088	**(210 860 344)**	Note 53
Other receivables from exchange transactions	-	-	**-**	8 655 429	**8 655 429**	Note 53
VAT receivable	21 287 988	-	**21 287 988**	90 551 313	**69 263 325**	Note 53
Cash and cash equivalents	271 522 080	-	**271 522 080**	624 087	**(270 897 993)**	Note 53
	665 319 468	**-**	**665 319 468**	**305 263 458**	**(360 056 010)**	
Non-Current Assets						
Investment property	-	-	**-**	132 881 958	**132 881 958**	Note 53
Property, plant and equipment	1 061 323 334	103 852 166	**1 165 175 500**	858 183 095	**(306 992 405)**	Note 53
Intangible assets	5 604	-	**5 604**	-	**(5 604)**	Note 53
	1 061 328 938	**103 852 166**	**1 165 181 104**	**991 065 053**	**(174 116 051)**	
Total Assets	**1 726 648 406**	**103 852 166**	**1 830 500 572**	**1 296 328 511**	**(534 172 061)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(10 308 516)	(900 000 000)	**(910 308 516)**	688 445 697	**1 598 754 213**	Note 53
Payables from non-exchange transactions	13 445 040	-	**13 445 040**	-	**(13 445 040)**	Note 53
Consumer deposits	3 921 480	-	**3 921 480**	3 203 748	**(717 732)**	Note 53
Employee benefit obligation	-	-	**-**	812 000	**812 000**	Note 53
Unspent conditional grants and receipts	-	-	**-**	2 198 315	**2 198 315**	Note 53
Provisions	-	-	**-**	14 472 278	**14 472 278**	Note 53
	7 058 004	**(900 000 000)**	**(892 941 996)**	**709 132 038**	**1 602 074 034**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	21 178 000	**21 178 000**	Note 53
Provisions	-	-	**-**	68 458 956	**68 458 956**	Note 53
	-	**-**	**-**	**89 636 956**	**89 636 956**	
Total Liabilities	**7 058 004**	**(900 000 000)**	**(892 941 996)**	**798 768 994**	**1 691 710 990**	
Net Assets	**1 719 590 402**	**1 003 852 166**	**2 723 442 568**	**497 559 517**	**(2 225 883 051)**	
Reserves						
Accumulated surplus/(deficit)	1 719 590 402	1 003 852 166	**2 723 442 568**	497 559 521	**(2 225 883 047)**	Note 53

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	24 789 168	-	**24 789 168**	7 622 418	**(17 166 750)**	Note 53
Sale of goods and services	107 528 532	-	**107 528 532**	64 895 277	**(42 633 255)**	Note 53
Grants	181 659 204	-	**181 659 204**	132 647 675	**(49 011 529)**	Note 53
Interest income	10 577 748	-	**10 577 748**	168 881	**(10 408 867)**	Note 53
Other receipts	898 896	-	**898 896**	-	**(898 896)**	Note 53
	325 453 548	**-**	**325 453 548**	**205 334 251**	**(120 119 297)**	
Payments						
Suppliers and employees	(274 632 252)	-	**(274 632 252)**	(170 679 421)	**103 952 831**	Note 53
Finance costs	(33 708 000)	-	**(33 708 000)**	-	**33 708 000**	Note 53
	(308 340 252)	**-**	**(308 340 252)**	**(170 679 421)**	**137 660 831**	
Net cash flows from operating activities	**17 113 296**	**-**	**17 113 296**	**34 654 830**	**17 541 534**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(53 931 468)	-	**(53 931 468)**	(38 985 311)	**14 946 157**	Note 53
Purchase of other intangible assets	-	-	**-**	(918)	**(918)**	
Net cash flows from investing activities	**(53 931 468)**	**-**	**(53 931 468)**	**(38 986 229)**	**14 945 239**	
Cash flows from financing activities						
Repayment of other financial liabilities	-	-	**-**	(1 369 706)	**(1 369 706)**	Note 53
Net increase/(decrease) in cash and cash equivalents	(36 818 172)	-	**(36 818 172)**	(5 701 105)	**31 117 067**	Note 53
Cash and cash equivalents at the beginning of the year	-	-	**-**	6 325 196	**6 325 196**	Note 53
Cash and cash equivalents at the end of the year	**(36 818 172)**	**-**	**(36 818 172)**	**624 091**	**37 442 263**	

Significant Accounting Policies

1. Significant accounting polices

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

1.1 Basis of preparation

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

These accounting policies are consistent with the previous period.

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 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 municipality 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.

Significant Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and 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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including change/update in technology, supply demand, together with economic factors such as exchange rates inflation interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in Note 18 - Provisions.

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 16.

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.

Significant Accounting Policies

1.5 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 entity 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.

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.

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Significant Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	25 years
Other property, plant and equipment	Straight-line	1-10 years
Infrastructure	Straight-line	5-100 years

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.

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 municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see Note 11).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see Note 11).

1.7 Intangible assets

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

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.

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	1-5 years

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial instruments

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

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

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

A financial asset is:

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

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

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

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

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

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- 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.

1.9 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

1.9 Statutory receivables (continued)

In estimating the future cash flows, a municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

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

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

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

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.

Significant Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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.

1.11 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.

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.

1.12 Impairment of cash-generating assets

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

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

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

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

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

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.

1.13 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

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

a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Post-employment benefits: Defined contribution plans

Recognition and measurement

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

a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

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.

Significant Accounting Policies

1.14 Provisions and contingencies (continued)

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.

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 40.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Significant Accounting Policies

1.14 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.16 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.

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, 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.

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.

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.

1.17 Revenue from non-exchange transactions (continued)

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.

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.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Significant Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

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.

Significant Accounting Policies

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.

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 is expenditure that is contrary to the Municipal Finance Management Act, 2003 (Act No.56 of 2003), the Municipal Systems Act, 2000 (Act No.32 of 2000), and the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.24 Segment information

A segment is an activity of an entity:
- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by 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 2023/07/01 to 2024/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Significant Accounting Policies

1.26 Related parties (continued)

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its annual financial statements.

1.27 Events after 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.

1.28 Debt forgivness

Creditor interest write-off (debt forgiveness) refers to a situation where a creditor voluntarily cancels or waives interest previously payable by the municipality, resulting in a reduction of the liability without an outflow of municipal resources.

Recognition and Measurement

Derecognition of Liability

Interest that is formally forgiven by a creditor is derecognised from the corresponding accounts payable when:

The creditor communicates the write-off in writing; and

The municipality no longer has a present obligation to settle the interest.

Recognition of Income

Significant Accounting Policies

1.28 Debt forgivness (continued)

The reduction in the liability arising from the creditor's forgiveness of interest is recognised as income in the Statement of Financial Performance, as a debt forgivness.

Measurement

The income is measured at the carrying amount of the liability that is derecognised.

1.29 Contracted services

Contracted services refer to services that are outsourced to external suppliers where the municipality does not retain control over the service provider's employees, and the service is provided under a contract or agreement.

These typically include:

Cleaning services
Refuse removal and waste management
Maintenance and repairs outsourced
ICT support and system management

Recognition

Expenditure on contracted services is recognised when:

The service is rendered by an external provider; and

The amount can be measured reliably; and

It is probable that the economic benefits or service potential associated with the service will be consumed by the municipality.

Measurement

Contracted services expenditure is measured at the transaction price agreed with the service provider, including:

VAT (where applicable)

Contractually binding costs

Any variable considerations (e.g., call-outs, overtime) supported by valid documentation

1.30 Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of Section 7(1)(a) of the VAT Act, 1991 (Act No. 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of Section 11, exempted in terms of Section 12 of the act or are scoped out for VAT purposes.

The municipality accounts for VAT on a monthly basis.

1.31 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments relating to income and expenditure are debited/credited against accumulated surplus when retrospective adjustments are made.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 on Presentation of Financial Statements (amended 2022)	To be determined	The impact of the is not material.
• GRAP 103 on Heritage assets (amended)	To be determined	Unlikely there will be a material impact
• GRAP 104 on Financial instruments (amended)	01 April 2025	Unlikely there will be a material impact
• GRAP 105 on Transfer of Functions Between Entities Under Common Control (amended)	To be determined	Unlikely there will be a material impact
• GRAP 106 on Transfer of Functions Between Entities Not Under Common Control (amended)	To be determined	Unlikely there will be a material impact
• GRAP 107 on Mergers (amended)	To be determined	Unlikely there will be a material impact
• IGRAP 22 on Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact
• Improvements to Standards of GRAP (2023)	To be determined	Unlikely there will be a material impact

GRAP 104 (as revised): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

Financial guarantee contracts issued

Loan commitments issued

Classification of financial assets

Amortised cost of financial assets

Impairment of financial assets

Disclosures

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the revisions is 01 April 2025

The municipality has not applied the Standard for the annual financial statements yet. These will be applied in the 2025/26 financial year.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

3. Inventories

Water levels	73 616	67 923
Inventories recognised as an expense during the year	299 985	179 812

No inventory was written-off during the year.

Inventory pledged as security

No inventory was pledged as security.

4. Receivables from exchange transactions

Electricity	14 914 047	9 474 568
Water	52 960 668	92 681 389
Sewerage	17 507 241	8 894 401
Refuse	13 147 251	6 921 505
Housing rental	490 254	501 815
Sundries	70 707 464	31 452 146
	169 726 925	**149 925 824**

5. Receivables from non-exchange transactions

Rates	35 632 088	21 990 473
Statutory receivables included in receivables from non-exchange transactions above are as follows:		
Rates	35 632 088	21 990 473
Total receivables from non-exchange transactions	35 632 088	21 990 473

Statutory receivables general information

Rates

Revenue type - non-exchange revenue
Legislation that gives rise to the transactions - Municipal Property Rates Act (Act 6 of 20224).
Rates and interest rates - Municipal Tariff policy, interest charged.
Impairment consideration - Individual collection rates, interest charged at discount rate.

Interest or other charges levied/charged

No interest or other charges are levied on statutory receivables.

There are no restrictions or conditions on these receivables.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors disclosure

Gross balances		
Rates	98 941 206	51 933 889
Electricity	16 954 130	11 514 651
Water	362 573 963	246 877 720
Sewerage	65 517 355	42 087 962
Refuse	49 483 243	31 879 229
Housing rental	2 507 827	1 648 279
Sundry	430 339 518	452 563 212
	1 026 317 242	**838 504 942**
Less: Allowance for impairment		
Rates	(63 309 118)	(29 943 416)
Electricity	(2 040 083)	(2 040 083)
Water	(309 613 295)	(154 196 331)
Sewerage	(48 010 114)	(33 193 561)
Refuse	(36 335 992)	(24 957 724)
Housing rental	(2 017 573)	(1 146 464)
Sundry	(359 632 054)	(421 111 066)
	(820 958 229)	**(666 588 645)**
Net balance		
Rates	35 632 088	21 990 473
Electricity	14 914 047	9 474 568
Water	52 960 668	92 681 389
Sewerage	17 507 241	8 894 401
Refuse	13 147 251	6 921 505
Housing rental	490 254	501 815
Sundry	70 707 464	31 452 146
	205 359 013	**171 916 297**
Included in above is receivables from exchange transactions:		
Electricity	14 914 047	9 474 568
Water	52 960 668	92 681 389
Sewerage	17 507 241	8 894 401
Refuse	13 147 251	6 921 505
Housing rental	490 254	501 816
Sundry	70 707 464	31 452 149
	169 726 925	**149 925 828**
Included in above is receivables from non-exchange transactions:		
Rates	35 632 088	21 990 473
Net balance	**205 359 013**	**171 916 301**
Rates		
Current (0 - 30 days)	16 310 464	5 829 074
31 - 60 days	3 549 874	1 802 965
61 - 90 days	3 462 498	1 789 373
91 - 120 days	3 466 527	1 753 417
121 + days	72 151 844	40 759 060
Less: Impairment	(63 309 119)	(29 943 416)
	35 632 088	**21 990 473**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors disclosure (continued)

Electricity		
Current (0 - 30 days)	2 310 396	2 310 396
31 - 60 days	1 219 495	1 219 495
61 - 90 days	795 099	795 099
91 - 120 days	12 629 140	7 189 661
Less: Impairment	(2 040 083)	(2 040 083)
	14 914 047	**9 474 568**
Water		
Current (0 - 30 days)	10 509 600	11 172 549
31 - 60 days	11 607 255	7 443 054
61 - 90 days	8 527 609	7 427 359
91 - 120 days	45 573 391	64 459 546
121 + days	286 356 108	156 375 212
Less: Impairment	(309 613 295)	(154 196 331)
	52 960 668	**92 681 389**
Sewerage		
Current (0 - 30 days)	1 940 484	1 981 250
31 - 60 days	1 967 501	1 786 528
61 - 90 days	2 068 897	1 780 792
91 - 120 days	2 088 118	1 772 854
121 + days	57 452 355	34 766 538
Less: Impairment	(48 010 114)	(33 193 561)
	17 507 241	**8 894 401**
Refuse		
Current (0 - 30 days)	1 480 796	1 490 629
31 - 60 days	1 510 231	1 346 385
61 - 90 days	1 562 945	1 341 936
91 - 120 days	1 571 866	1 335 525
121 + days	43 357 405	26 364 754
Less: Impairment	(36 335 992)	(24 957 724)
	13 147 251	**6 921 505**
Housing rental		
Current (0 - 30 days)	60 821	71 845
31 - 60 days	60 821	71 821
61 - 90 days	60 796	71 910
91 - 120 days	60 796	71 413
121 - 365 days	2 264 594	1 361 290
Less: Impairment	(2 017 574)	(1 146 464)
	490 254	**501 815**
Sundry		
Current (0 - 30 days)	17 251	19 783
31 - 60 days	16 903	-
61 - 90 days	22 806	29 131
91 - 120 days	20 215	155
121 - 365 days	430 262 344	438 966 343
Less: Impairment	(359 632 055)	(407 563 266)
	70 707 464	**31 452 146**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

6. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Consumers		
Current (0 - 30 days)	15 603 819	17 669 675
31 - 60 days	16 500 714	10 808 023
61 - 90 days	13 417 346	10 818 067
91 - 120 days	50 360 296	66 181 281
121 + days	797 792 390	589 256 942
	893 674 565	694 733 988
Less: Allowance for impairment	(735 518 522)	(588 271 517)
	158 156 043	**106 462 471**
Industrial/commercial		
Current (0 - 30 days)	2 232 694	3 300 821
31 - 60 days	1 056 909	1 531 278
61 - 90 days	953 665	1 464 652
91 - 120 days	1 255 219	4 037 343
121 + days	40 068 781	70 491 359
	45 567 268	80 825 453
Less: Allowance for impairment	(33 970 894)	(63 969 908)
	11 596 374	**16 855 545**
National and provincial government		
Current (0 - 30 days)	12 482 902	1 905 029
31 - 60 days	1 154 962	1 336 338
61 - 90 days	1 334 538	958 274
91 - 120 days	1 165 396	6 369 342
121 + days	68 897 522	38 828 718
	85 035 320	49 397 701
Less: Allowance for impairment	(49 428 733)	(772 419)
	35 606 587	**48 625 282**
Total		
Current (0 - 30 days)	30 319 416	22 875 525
31 - 60 days	18 712 586	13 675 639
61 - 90 days	15 705 551	13 240 923
91 - 120 days	52 780 913	76 587 967
121 + days	906 758 694	698 577 019
	1 024 277 160	824 957 073
Less: Allowance for impairment	(818 918 149)	(653 040 851)
	205 359 011	**171 916 222**

Reconciliation of allowance for impairment		
Balance at beginning of the year	653 040 851	526 120 029
Contributions movement for the year	165 877 298	126 920 822
Balance at the end of the year	**818 918 149**	**653 040 851**

Council took a resolution not to charge interest for receivables for the 2024/25 financial year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

7. Other receivables from exchange transactions

Unknown debit orders Unknown debit orders represents unauthorised debit orders against the municipality's current bank accounts. Management is investigating the source of the debit orders and have been able to recover some of the funds. A detailed report on the nature and support is expected to be tabled within the next financial year, whereafter the appropriate steps will be decided on.	719 191	719 191
Centlec surplus receivable Centlec is a balance that has been forthcoming prior to 1 July 2020. Management is investigating the source of the balance and will after confirming the origin thereof, propose the necessary corrective steps and/or accounting entries to be followed.	213 101	213 101
Electricity vendors receivable Electricity vendors receivable is represented by amounts to be paid to the municipality for pre-paid electricity sold before year end.	1 834 740	1 834 740
Sundry debtors Sundry debtors constitute various individual debtors. Management is in the process of following up on these debtors and to determine the recoverability thereof. After all necessary steps have been followed and all relevant information has been obtained, management will make a formal proposal on how to deal with these debtors.	5 471 330	5 471 330
Lesedi Africa Lesedi Africa is appointed as principal agent for electricity.	417 067	-
	8 655 429	**8 238 362**
Current assets	8 655 429	8 238 362

8. VAT receivable

VAT receivable	90 551 308	70 116 808

Statutory receivable:

- VAT transactions arise from the Value Added Tax Act, 1991 (Act No. 89 of 1991). VAT is an indirect tax on the consumption of goods and services in the economy. VAT is levied on all goods and services subject to certain exemptions, exceptions, deductions and adjustments provided for in the VAT Act.

- VAT transaction amounts are determined in line with the VAT Act.

- The rates and interest charged are determined in line with the VAT Act.

- There is no impairment on the VAT receivable, as the balance is expected to be fully recovered.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025	2024
Cash on hand	1 140	57 311
Bank balances	595 600	3 737 361
Short-term deposits	27 347	2 530 524
	624 087	**6 325 196**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
AAA	2 541 071	8 137 927

Cash and cash equivalents pledged as collateral

Cash and cash equivalents have not been pledged as collateral.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2025	30 June 2024	30 June 2023	30 June 2025	30 June 2024	30 June 2023
First National Bank - Current - 62021950276	554 584	2 864 580	127 974	554 584	2 142 400	(70 765)
Standard Bank - Current - 041917308	-	-	-	-	1 167	1 167
ABSA - Current - 411072394	(244 715)	1 833 751	-	(244 715)	1 954 451	-
Post Bank - Current - 00088133677	453	43 628	373 678	453	43 629	367 804
First National Bank - Call account - 62422626806	1 509	276 160	1 147	1 509	277 160	1 417
First National Bank - Call account - 62422630005	3 263	3 263	136	3 263	3 264	136
First National Bank - Call account - 62422629280	9 942	2 144 840	4 535 528	9 942	2 144 839	4 535 528
First National Bank - Call account - 62422632423	298	298	790	298	298	790
First National Bank - Call account - 62422631821	867	19 635	2 458	867	15 126	2 458
First National Bank - Call account - 62422630857	820	95 330	437 946	820	81 338	437 946
First National Bank - Call account - 62111778976	826	791	791	826	791	791
First National Bank - Call account - 62366782003	521	521	521	521	521	521
First National Bank - Call account - 74433523997	7 186	7 186	7 186	7 186	7 186	7 186
ABSA - Call account - 632005000000939	2 113	-	-	2 113	-	-
Total	**337 667**	**7 289 983**	**5 488 155**	**337 667**	**6 672 170**	**5 284 979**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

10. Investment property

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	132 881 958	-	132 881 958	130 892 394	-	130 892 394

Reconciliation of investment property - 2025

	Opening balance	Fair value adjustment	Total
Investment property	130 892 394	1 989 564	132 881 958

Reconciliation of investment property - 2024

	Opening balance	Fair value adjustment	Disposals	Total
Investment property	138 421 100	(583 877)	(6 944 829)	130 892 394

Pledged as security

No investment property has been pledged as security for any liabilities of the municipality.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the valuation was Sunday, 30 June 2024. The valuation was performed by an independent valuer, Mr. Daniel Benjamin Grobler. Mr. Grobler is not connected to the municipality and have recent experience in location and category of the investment property being valued.

The valuation was based on property barometer. The barometer for the area was used to adjustment the fair values to represent the market conditions and the price at which the property can be readily expected to be exchanged for between a willing buyer and willing seller.

The assumptions are based on current market conditions.

Maintenance of investment property

No repairs and maintenance were incurred on investment properties during the financial year.

11. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	54 605 566	(1 569)	54 603 997	64 289 359	(9 683 791)	54 605 568
Buildings	98 514 638	(72 788 374)	25 726 264	98 959 176	(71 372 393)	27 586 783
Community	205 407 381	(124 962 873)	80 444 508	205 470 127	(121 034 227)	84 435 900
Infrastructure	1 851 538 285	(1 160 331 954)	691 206 331	1 819 268 663	(1 119 273 280)	699 995 383
Computer equipment	2 050 333	(1 597 013)	453 320	2 090 962	(1 372 074)	718 888
Furniture and fixtures	6 302 112	(5 194 910)	1 107 202	6 288 324	(5 010 984)	1 277 340
Plant and machinery	512 235	(424 654)	87 581	657 040	(410 564)	246 476
Motor vehicles	7 763 677	(3 209 785)	4 553 892	7 880 829	(3 597 041)	4 283 788
Total	**2 226 694 227**	**(1 368 511 132)**	**858 183 095**	**2 204 904 480**	**(1 331 754 354)**	**873 150 126**

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Additions through WIP	Disposals	Change in estimate landfill site	Depreciation	Impairment loss	Total
Land	54 605 568	-	-	-	-	-	(1 571)	54 603 997
Buildings	27 586 783	-	-	(37 049)	-	(2 052 398)	228 928	25 726 264
Community	84 435 900	-	-	(3 575)	-	(3 950 653)	(37 164)	80 444 508
Infrastructure	699 995 383	-	32 899 195	(1 193 413)	(1 644 783)	(35 298 662)	(3 551 389)	691 206 331
Computer equipment	718 888	14 788	-	-	-	(181 926)	(98 430)	453 320
Furniture and fixtures	1 277 340	34 912	-	-	-	(165 281)	(39 769)	1 107 202
Plant and machinery	246 476	1 825	-	-	-	(15 531)	(145 189)	87 581
Motor vehicles	4 283 788	395 218	-	-	-	(123 055)	(2 059)	4 553 892
	873 150 126	**446 743**	**32 899 195**	**(1 234 037)**	**(1 644 783)**	**(41 787 506)**	**(3 646 643)**	**858 183 095**

Notes to the Annual Financial Statements

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Change in estimate landfill site	Depreciation	Impairment loss	Total
Land	56 312 864	-	(1 707 296)	-	-	-	54 605 568
Buildings	32 581 272	-	(11 322)	-	(2 327 296)	(2 655 871)	27 586 783
Community	90 281 858	-	(39 625)	-	(4 233 594)	(1 572 739)	84 435 900
Infrastructure	704 781 324	28 390 317	(3 100 521)	4 543 185	(33 486 440)	(1 132 482)	699 995 383
Computer equipment	624 526	300 799	(7 874)	-	(190 471)	(8 092)	718 888
Furniture and fixtures	1 493 086	9 930	(14 738)	-	(208 085)	(2 853)	1 277 340
Plant and machinery	399 939	-	-	-	(152 924)	(539)	246 476
Motor vehicles	4 793 156	-	(32 799)	-	(28 586)	(447 983)	4 283 788
	891 268 025	**28 701 046**	**(4 914 175)**	**4 543 185**	**(40 627 396)**	**(5 820 559)**	**873 150 126**

Pledged as security

No property, plant and equipment has been pledged as security for any liabilities of the municipality.

11. Property, plant and equipment (continued)

Change in estimate: landfill sites

The change in estimate reported as follows

	2025	2024
Change in estimate	(1 885 329)	8 890 679

The following projects are more than five years old, with no additional expenditure incurred recently or during the year under review. These projects show signs of being slow-moving and potentially impaired

	2025	2024
Reddersburg - Rehabilitatioin of landfill site	5 666 640	5 666 640
Reddersburg - Sport facility	7 564 854	7 564 854
Springfontein: Upgrading of Sports Facility	7 365 183	7 365 183
Springfontein: Closure of existing solid waste site and construction of a waste transfer facility Landfill	120 000	120 000
Augment water supply and increase water pressure and WDM:Reddersburg(Elevated Tank)	1 074 839	1 074 839
Philipolis: Fencing of Hall	168 496	168 496
Trompsburg: Rehabilitation of Landfill Site	1 195 463	1 195 463
Augment water supply and increase water pressure and WDM:Reddersburg(Pipeline)	9 809 744	9 809 744
Gariepdam Closure of existing solid waste and constuction of waste transfer facility	622 235	622 235
Kopanong Trompsburg water Supply Reservoir	4 017 621	4 017 621
Bulkwater Supply to Trompburg	2 837 306	2 837 306
Centlec Projects	14 918 638	14 918 638
Kopanong: Feasibility Study for Smart Water Meters	6 913 676	6 913 676
	62 274 695	**62 274 695**

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

	2025	2024
Infrastructure	154 511 450	114 421 064

Reconciliation of work-in-progress 2025

	Included within infrastructure	Included within buildings	Total
Opening balance	99 322 531	15 098 533	114 421 064
Additions/capital expenditure	40 090 386	-	40 090 386
	139 412 917	**15 098 533**	**154 511 450**

Reconciliation of work-in-progress 2024

	Included within infrastructure	Included within buildings	Total
Opening balance	162 568 356	15 098 533	177 666 889
Additions/capital expenditure	28 390 317	-	28 390 317
Transferred to completed items	(91 636 142)	-	(91 636 142)
	99 322 531	**15 098 533**	**114 421 064**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Property, plant and equipment	-	297 238

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

12. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	29 056	(29 056)	-	29 056	(28 833)	223

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Computer software	223	(223)	-

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Computer software	1 364	(1 141)	223

Pledged as security

All of the municipality's intangible assets are held under freehold interest and no intangible assets have been pledged as security for any liabilities of the municipality.

13. Other financial liabilities

	2025	2024
At amortised cost		
Mangaung Metropolitan Municipality The long-term loan at amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% accrued.	-	8 653
Mangaung Metropolitan Municipality: Road and public area lighting projects The long-term loan at amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% accrued.	-	8 311
Mangaung Metropolitan Municipality: Improvement of low voltage network The long-term loan at amortised cost is calculated at 5% interest rate, with a maturity date of 31 August 2027. Arrear payments interest is calculated at 7% accrued.	-	62 508
	-	**79 472**
Total other financial liabilities	**-**	**79 472**
Non-current liabilities		
At amortised cost	-	8 311
Current liabilities		
At amortised cost	-	71 161

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

14. Payables from exchange transactions

Trade payables	410 297 855	813 051 893
Payments received in advance	12 882 601	12 199 840
Accrued leave pay	12 303 699	11 591 271
Retentions	9 581 469	9 581 469
Unallocated deposits	31 638 206	23 066 264
Centlec payable	78 382 828	61 453 890
Salary control	129 824 909	304 457 288
Deferred revenue	-	839 720
Accrued bonus	3 534 130	3 566 168
	688 445 697	**1 239 807 803**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter the interest is charged in accordance with the credit of the various individual creditors that the municipality deals with.

The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. received in advance is due to payments received for hall hire and prepaid electricity. Payments in advance are consumer debtors' accounts paid in advance.

Accrued leave and bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions.

15. Consumer deposits

Water and electricity	3 203 748	3 196 378

Consumer deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit for the outstanding account. No interest is paid on consumer deposits held.

The management of the municipality is of the opinion that the carrying value of the consumer deposits approximate their fair value.

The fair value of the consumer deposits were determined after considering the standard terms and conditions of the agreements entered into between the municipality and its consumers.

16. 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, Key Health and SAMWU Medical Aid schemes.

The members of the Post-employment medical aid (health care) benefit plan are made up as follows:

- In-service members (employees): 152 (2024: 0)
- In-service non-members (employees): 0 (2024: 0)
- Continuation members (retirees, widowers and orphans): 0 (2024: 9)

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2024. 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.

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 current service cost for the year ending 30 June 2025 is estimated to be R 11 739 000 (2024: R 859 000), whereas the cost for ensuing year is estimated to be R 448 630 (2024: R 794 253).

The most recent actuarial valuation of the present value of the defined benefit obligation were carried out at 30 June 2025. 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 amounts recognised in the statement of financial position are as follows:

	2025	2024
Carrying value		
Present value of the Post-employment medical aid benefit liability	(11 739 000)	(4 414 753)
Present value of the Long service award liability	(10 251 000)	(10 900 142)
	(21 990 000)	**(15 314 895)**
Non-current liabilities	(21 178 000)	(12 513 331)
Current liabilities	(812 000)	(2 801 564)
	(21 990 000)	**(15 314 895)**

Changes in the present value of the post-employment medical aid benefit obligation are as follows:

	2025	2024
Opening balance	(4 414 753)	(4 509 000)
Benefits paid	-	514 000
Interest cost	(448 630)	(550 000)
Actuarial (gains) losses	(6 875 617)	130 247
	(11 739 000)	**(4 414 753)**

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

	2025	2024
Opening balance	(10 900 142)	(10 580 000)
Current service cost	(794 253)	(859 000)
Interest cost	(966 030)	(1 373 000)
Actuarial gains (losses)	(161 575)	1 590 000
Benefits paid	2 571 000	321 858
	(10 251 000)	**(10 900 142)**

Calculation of actuarial gains and losses

	2025	2024
Post-employment medical aid benefit liability	(6 875 617)	130 247
Long service award liability	(161 575)	321 858
	(7 037 192)	**452 105**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate: Post-employment medical aid benefit liability	13,03 %	10,78 %
Discount rate: Long service award liability	9,15 %	9,90 %
Health care cost inflation rate	7,44 %	7,07 %
General salary inflation	5,02 %	5,96 %
Net discount rate: Post-employment medical aid benefit liability	3,76 %	3,46 %
Net discount rate: Long service award liability	3,94 %	3,72 %
Maximum subsidy inflation rate	4,02 %	6,77 %
Net discount rate: Maximum subsidy inflation rate	8,94 %	7,07 %

16. Employee benefit obligations (continued)

Sensitivity analysis

Health care benefit rate

The effect of a 1% movement in the assumed rate of post-employment health care benefit inflation is as follows:

2025	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	2 584 000	1 842 000
Effect on defined benefit obligation	13 868 000	10 005 000

2024	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	484 330	508 000
Effect on defined benefit obligation	4 747 053	4 188 000

Long service rate

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

2025	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	1 666 000	1 483 000
Long service award liability	10 820 000	9 724 000

2024	One percentage point increase	One percentage point decrease
Effect on the aggregate of the current service cost and the interest cost	1 664 714	2 355 000
Long service award liability	10 357 000	11 134 000

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Assumed assumption have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed assumption would have the following effects:

The methods and assumptions used in preparing the sensitivity analyses and the limitations of those methods are [Provide details]

Changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses, and the reasons for such changes are [Provide details]

Asset-liability matching strategies used by the plan or the entity, including the use of annuities and other techniques, such as longevity swaps, to manage risk, are as follows: [Provide details]

16. Employee benefit obligations (continued)

Funding arrangements and funding policy that affect future contributions are as follows: [Provide details].

The expected contributions to the plan for the next reporting period is -.

The following table presents information about the distribution of the timing of benefit payments:

The following table presents information about the weighted average duration of the defined benefit obligations:

[Provide additional information about the maturity profile of each defined benefit obligation]

The entity participates in a multi-employer defined benefit plan.

The funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements, are as follows: [Describe]

The extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan, is as follows: [Describe]

Agreed allocation of a deficit or surplus on:

- Wind-up of the plan [Provide details]

- The entity's withdrawal from the plan [Provide details]

The entity accounted for the multi-employer plan [Describe] as a defined contribution plan, seeing as sufficient information is not available to enable the entity to account for the plan as a defined benefit plan.

The reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan, is [Provide details].

The expected contributions to the plan for the next reporting period is -.

Deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications for the entity is as follows [Provide details].

The level of participation of the entity in the plan compared with other participating entities is [Provide details]

The entity participates in a defined benefit plan that shares risks between entities under common control.

The binding arrangement for charging the net defined benefit cost (or the fact that there is no such arrangement), is [Provide details]

The policy for determining the contribution to be paid by the entity is [Provide details].

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	761 000	90 000
Water Services Infrastructure Grant (WSIG)	1 437 315	8 800 000
Integrated National Electrification Programme (INEP)	-	1 107 106
	2 198 315	**9 997 106**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

17. Unspent conditional grants and receipts (continued)

Movement during the year

	2025	2024
Balance at the beginning of the year	13 489 953	59 683 757
Additions during the year	105 796 362	132 975 585
Income recognition during the year	(117 088 000)	(182 662 236)
	2 198 315	**9 997 106**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National / Provincial Government.

18. Provisions

Reconciliation of provisions - 2025

	Opening Balance	Unwinding of interest	Change in estimate	Total
Environmental rehabilitation	76 044 289	8 772 274	(1 885 329)	82 931 234

Reconciliation of provisions - 2024

	Opening Balance	Unwinding of interest	Change in estimate	Total
Environmental rehabilitation	62 610 425	8 890 679	4 543 185	76 044 289

	2025	2024
Non-current liabilities	68 458 956	62 731 202
Current liabilities	14 472 278	13 313 087
	82 931 234	**76 044 289**

Landfill site disclosure:

Jagersfontein

The landfill sites of Jagersfontein are not licensed. The record of decision was not approved due to high water ground table. The municipality is busy identifying an alternative site and to change the current landfill sites to a transfer station that does not need to be licensed.

Fauresmith

The landfill sites of Fauresmith are not licensed. The municipality is busy constructing a new transfer station which does not require licensing. Once the project is completed, the old site will be closed and rehabilitated.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

18. Provisions (continued)

Edenburg

The landfill sites of Edenburg are not licensed. The transfer station is completed and currently completing the landfill site in Reddersburg where the waste will be transferred.

Environmental rehabilitation provision:

The rehabilitation requirement as per the minimum requirement for waste disposal for landfill (DWAF, 1998) creates an obligation for the municipality for future expenditure which is provided for.

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies with the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2025 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 6,27% (2024: 4,38%) for the circumstances of the municipality.

19. Service charges

Sale of electricity	83 008 255	82 599 198
Sale of water	109 362 189	142 181 926
Sewerage and sanitation charges	21 984 033	19 580 747
Refuse removal	16 519 607	14 739 704
Revenue foregone	(5 013 467)	(6 267 972)
	225 860 617	**252 833 603**

20. Rental of facilities and equipment

Premises		
Premises	753 116	690 356
Venue hire	-	102 682
	753 116	**793 038**

There were no venue hire income for the current year.

21. Other income

Building plan fees	115 511	44 021
Cemetery fees	93 483	58 441
Clearance certificates	15 190	10 086
Fines (immaterial)	-	5 823
Sundry income	1 015 067	298 402
Valuations	8 758	7 617
	1 248 009	**424 390**

22. Interest received from external investments

Interest revenue		
Bank	168 881	542 644

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 168 881 (2024: R 542 644).

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

23. Debt forgiveness

VaalCentral Water	792 874 221	-

The municipality received credit notes amounting to R792 874 221 for long outstanding debt.

During the reporting period, the municipality benefited from the forgiveness of certain amounts owed to suppliers. These amounts met the derecognition criteria for financial liabilities in accordance with GRAP 104, and the forgiveness is treated as a non-exchange transaction in terms of GRAP 23, as the municipality received value without directly giving approximately equal value in return.

Nature and circumstances of the forgiven debt

The forgiven debt primarily relates to:

VaalCentral Water

Amounts owed to suppliers who agreed to waive the debt due to the municipality havinf financial constraints and the debt only increasing every year with the interest being levied. They waived the interst for the municipality to start and settle their debt.

The forgiveness occurred where the municipality determined, in accordance with GRAP 104.45, that the financial liability should be derecognised.

24. Property rates

Rates received

Residential	(5 588 849)	5 648 125
Commercial	7 690 259	7 026 616
State	14 585 496	11 011 286
Small holdings and farms	37 938 830	5 980 834
	54 625 736	**29 666 861**

Valuations

Agricultural farms and small holdings	4 643 452 570	4 643 452 570
Commercial	162 675 550	162 675 550
Churches	47 695 000	47 695 000
Government	190 969 100	190 969 100
Hospital	54 800 000	54 800 000
Municipal	56 579 100	56 579 100
Residential	1 109 179 625	1 109 179 625
Schools	85 614 000	85 614 000
	6 350 964 945	**6 350 964 945**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

25. Government grants and subsidies received

Operating grants		
Equitable share	110 449 000	110 594 000
Financial Management Grant (FMG)	2 300 000	5 792 847
Expanded Public Works Programme (EPWP)	1 168 000	2 100 080
Local Government Sector Education Training Authority (LGSETA)	-	13 345
	113 917 000	**118 500 272**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

25. Government grants and subsidies received (continued)

Capital grants		
Water Services Infrastructure Grant (WSIG)	2 000 000	19 980 789
Regional Bulk Infrastructure Grant (RBIG)	-	2 810 715
Municipal Infrastructure Grant (MIG)	16 231 166	28 001 567
Integrated National Electrification Programme (INEP)	1 107 106	13 368 893
	19 338 272	**64 161 964**
	133 255 272	**182 662 236**

Equitable Share

Section 214(1) of the Constitution of the Republic of South Africa, 1996 (Act No. 106 of 1996) requires that every year a Division of Revenue Act determine the equitable division of nationally raised revenue between national government, the nine provinces and 257 municipalities. This process takes into account the powers and functions assigned to each sphere of government. The local government equitable share is an unconditional transfer that supplements the revenue that a municipality can raise themselves (including revenue raised through property rates and service charges).

National: Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	90 000	30 071 327
Current year receipts	16 231 166	22 931 240
Conditions met - transferred to revenue	(15 560 166)	(52 912 567)
	761 000	**90 000**

Conditions still to be met - remain liabilities (see note 17).

The 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.

All the conditions of the grant were met and no funds were withheld.

Water Services Operating Subsidy Grant

Balance unspent at beginning of year	-	3 492 847
Current-year receipts	2 300 000	-
Conditions met - transferred to revenue	(2 300 000)	(3 492 847)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

Figures in Rand	2025	2024

25. Government grants and subsidies received (continued)

National: Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	8 800 000	24 190 789
Current year receipts	2 000 000	4 590 000
Conditions met - transferred to revenue	(9 362 685)	(19 980 789)
	1 437 315	**8 800 000**

Conditions still to be met - remain liabilities (see note 17).

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability if services especially in rural municipalities; provide basic and intermittent water and sanitation supply that ensures provision of services to identified and prioritised communities, including spring protection and groundwater development; support municipalities in implementing water conservation and water demand management projects; support the close-out of the existing Bucket Eradication Programme intervention in formal residential areas; support drought relief projects in affected municipalities.

All the conditions of the grant were met and no funds were withheld.

National: Integrated National Electrification Programme (INEP)

Balance unspent at beginning of year	1 107 106	39 999
Current year receipts	-	14 436 000
Conditions met - transferred to revenue	(1 107 106)	(13 368 893)
	-	**1 107 106**

Conditions still to be met - remain liabilities (see note 17).

The grant is paid by National Treasury in order to implement the Integrated National Electrification Programme by addressing the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

All the conditions of the grant were met and no funds were withheld.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	605 714
Current year receipts	-	2 205 001
Conditions met - transferred to revenue	-	(2 810 715)
	-	**-**

Conditions still to be met - remain liabilities (see note 17).

To develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality; to implement bulk infrastructure with a potential of addressing water conservation and water demand management projects or facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructure requirements.

Figures in Rand	2025	2024

25. Government grants and subsidies received (continued)

National: Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	1 283 080
Current year receipts	1 168 000	817 000
Conditions met - transferred to revenue	(1 168 000)	(2 100 080)
	-	-

Conditions still to be met - remain liabilities (see note 17).

To incentivise the municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus area, in compliance with the EPWP guidelines.

All the conditions of the grant were met and no funds were withheld.

Local Government Sector Education Training Authority (LGSETA)

Current-year receipts	-	13 345
Conditions met - transferred to revenue	-	(13 345)
	-	-

All the conditions of the grant were met and no funds were withheld.

National: Financial Management Grant (FMG)

Current-year receipts	2 300 000	2 300 000
Conditions met - transferred to revenue	(2 300 000)	(2 300 000)
	-	-

The grant is paid by National Treasury to municipalities to help with the implementation of the financial reforms required by the MFMA. The grant also pays for the cost of the financial management internship programme.

All conditions of the grant were met and no fund were withheld.

26. Employee related costs

Basic	112 081 002	110 432 835
UIF	387 403	381 826
Leave pay provision charge	712 427	(2 439 427)
Pension fund contributions	10 224 538	8 764 796
Overtime payments	25 149	129 661
Car allowance	5 960 980	5 793 823
Housing benefits and allowances	173 846	173 825
Other allowances	(2 173 611)	264 979
Bonus	2 556 983	3 355 778
Medical aid fund contributions	2 067 027	4 006 592
Industrial council contributions	170 768	171 212
Cell phone allowance	394 247	384 429
	132 580 759	**131 420 329**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

26. Employee related costs (continued)

Remuneration of Acting Director Corporate Services: Mr EM Phaku

Annual remuneration	676 852	-
Allowances	153 744	-
Contributions to UIF, medical and pension funds	134 395	-
Acting allowance	100 206	-
Bonus	94 793	-
Other	143	-
	1 160 133	**-**

Acting Director Corporate Services from 1 August 2024 to 31 October 2024.

Remuneration of Acting Director Technical Services: Mr MM Madolo

Annual remuneration	934 970	778 720
Allowances	128 853	157 336
Bonuses	226 491	82 284
Contributions to UIF, medical and pension funds	14 223	58 366
Other contributions	143	11 885
Acting allowance	36 450	160 882
Leave payout	-	123 741
	1 341 130	**1 373 214**

Acting Director Technical Services from 1 July 2023 to 31 December 2023 and Acting Municipal Manager from 1 January 2024 to 30 September 2024.

Remuneration of Acting Director Community Services: Mr MP Makau

Annual remuneration	-	633 477
Allowances	-	176 753
Bonuses	-	107 414
Contributions to UIF, medical and pension funds	-	192 306
Other contributions	-	8 716
Acting allowance	-	80 399
	-	**1 199 065**

Acting Director Community Services from 1 July 2023 to 30 September 2023. The position was vacant from 1 October 2023 to 30 June 2024.

Remuneration of the Acting Chief Financial Officer: Mr J Stayne

Annual remuneration	-	311 235
Allowances	-	126 988
Contributions to UIF, medical and pension funds	-	139 706
Acting allowance	-	36 039
Other contributions	-	4 573
	-	**618 541**

Acting Chief Financial Officer from 1 December 2023 to 31 January 2024.

Figures in Rand	2025	2024

26. Employee related costs (continued)

Remuneration of Acting Director Corporate Services: Mr MD Baas

Annual remuneration	676 852	633 477
Allowances	133 287	136 148
Bonuses	59 966	104 662
Contributions to UIF, medical and pension funds	133 654	141 397
Other contributions	143	7 774
Acting allowance	141 792	53 269
	1 145 694	**1 076 727**

Acting Director Corporate Services from 1 November 2023 to 30 April 2024 and 1 August 2024 to 28 February 2025. The position was vacant from 1 May 2024 to 30 June 2024.

Remuneration of the Acting Chief Financial Officer: Mr JC Mokoena

Annual remuneration	676 852	633 477
Allowances	149 224	177 973
Bonuses	20 204	-
Contributions to UIF, medical and pension funds	151 976	152 030
Other contributions	143	8 827
Acting allowance	159 829	120 324
	1 158 228	**1 092 631**

Acting Chief Financial Officer from 1 February 2024 to 30 June 2025.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

27. Remuneration of councillors

Councillors	7 558 290	7 405 492

Remuneration of the Mayor

Annual remuneration	907 042	846 023
Allowances	43 200	43 902
Other contributions	47 531	8 899
	997 773	**898 824**

Remuneration of the Speaker

Annual remuneration	723 911	637 549
Allowances	43 200	43 902
Contributions to UIF, medical and pension funds	37 200	41 454
Other contributions	-	7 063
	804 311	**729 968**

Remuneration of the Chief Whip

Annual remuneration	588 148	788 043
Allowances	43 200	55 967
Contributions to UIF, medical and pension funds	40 106	117 203
Other contributions	15 619	7 929
	687 073	**969 142**

Remuneration of the Mayorial Members

Annual remuneration	1 640 466	1 049 877
Allowances	216 000	170 676
Contributions to UIF, medical and pension funds	57 830	39 606
Other contributions	34 657	12 017
	1 948 953	**1 272 176**

Remuneration of the Ordinary Councillors

Annual remuneration	2 602 634	2 886 740
Allowances	388 800	560 021
Contributions to UIF, medical and pension funds	128 747	53 831
Other contributions	-	33 592
	3 120 181	**3 534 184**

In-kind benefits

The Executive Mayor is full-time and is provided with an office and secretarial support at the cost of the council.

28. Administrative

Administration and management fees - third party	5 255 438	6 793 010

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

29. Depreciation and amortisation

Property, plant and equipment	41 787 507	40 627 396
Intangible assets	223	1 141
	41 787 730	**40 628 537**

30. Finance costs

Retirement benefit liabilities	1 414 660	1 923 000
Trade and other payables	78 329 631	95 292 012
Other financial liabilities	-	1 290 234
Provision for the rehabilitation of the landfill site	8 772 274	8 903 964
	88 516 565	**107 409 210**

31. Lease rentals on operating lease

Equipment		
Contractual amounts	520 466	963 090

32. Debt impairment

Debt impairment	167 704 689	111 116 188

33. Bulk purchases

Electricity	95 216 881	78 656 436
Water	44 875 205	38 061 358
	140 092 086	**116 717 794**

34. Contracted services

Consultants and Professional Services		
Business and advisory	14 272 380	10 614 568

35. General expenses

Advertising	143 948	120 821
Auditors' remuneration	6 195 981	708 174
Bank charges	471 184	570 422
Commission paid	4 620 696	42 153
Consumables	299 985	-
Electricity - own consumption	1 338 249	3 129 883
Entertainment	20 008	3 422
Fuel and oil	1 114 977	838 889
License fees	56 100	120 493
Operating leases	72 691	-
Other expenses	1 686 360	682 911
Printing and stationery	-	163 715
Professional bodies	1 862 162	-
Protective clothing	-	395 976
Telephone and fax	999 376	880 168
Ward committees	301 500	481 058
	19 183 217	**8 138 085**

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

36. Fair value adjustments

Investment property (Fair value model)	1 989 564	(583 877)

37. Impairment loss

Impairments		
Property, plant and equipment	3 646 643	5 820 559
The municipality applied GRAP 21 on its property, plant and equipment. The value of use was calculated for each asset in use after a detailed condition assessment was performed by an accredited engineer. Where the value in use was lower than the carrying value, the asset was impaired.		

38. Auditors' remuneration

Fees	6 195 981	708 174

39. Cash generated from operations

Surplus (deficit)	581 292 046	(92 278 260)
Adjustments for:		
Depreciation and amortisation	41 787 730	40 628 537
Gain on sale of assets and liabilities	1 327 915	12 042 398
Fair value adjustments	(1 989 564)	583 877
Finance costs: Other financial liabilities	1 290 234	1 290 234
Impairment loss	3 646 643	5 820 559
Debt impairment	167 704 689	111 116 188
Movements in retirement benefit assets and liabilities	6 675 105	225 895
Movements in provisions	6 886 945	13 433 864
Debt forgiveness	(792 874 221)	-
Prior year adjustment	-	32 472 573
Changes in working capital:		
Inventories	(5 693)	111 889
Receivables from exchange transactions	2 349 965	369 524
Consumer debtors	(201 147 404)	(190 422 307)
Payables from exchange transactions	245 936 273	180 110 213
VAT	(20 434 416)	(25 132 595)
Unspent conditional grants and receipts	(7 798 791)	(49 686 650)
Consumer deposits	7 370	48 145
	34 654 826	**40 734 084**

40. Contingencies

Unlicensed landfill sites

The municipality is operating unregistered landfill sites, which could incur potential fines and penalties, the value and likelihood cannot be estimated reliably.

The municipality managed three landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008) a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed.

Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community. There is currently no possibility of reimbursement.

Figures in Rand	2025	2024

40. Contingencies (continued)

Contingent liabilities

Litigations

Xhariep District Municipality vs Kopanong Local Municipality [State nature and type]	10 000 000	-
MWRF vs Kopanong Local municipality [State nature and type]	77 238 029	-
NA Kelepu vs Kopanong Local Municipality This is a labour matter of a former director. The former director is claiming for damages because of unfair dismissal.	376 771	376 771
Edwina Kemp vs Kopanong Local Municipality An employee was supposed to be medical boarding due to health issues, this did not happen in time and because of her not obtaining her benefit she referred the matter to the Pension Fund Adjudicator. The matter was finalised in the constitutional court thereafter the employee was dismissed, and the matter was referred to the high court.	10 047 615	10 047 615
SALA vs Kopanong Local Municipality Between the period that this matter was referred to the high court and the period when matter was finalised there where payments made, that the pension fund did not bring into consideration.	103 365 633	103 365 633

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	72 729 347	57 436 424
Total capital commitments		
Already contracted for but not provided for	72 729 347	57 436 424

This committed expenditure relates to plant and equipment and will be financed by the municipal infrastructure grant and funding allocations from the district municipality.

Commitments are disclosed exclusive of VAT.

42. Related parties

Relationships	
Accounting Officer	Refer to accounting officers' report
Councillors	Refer to Note 27
Key management	Refer to Note 26

42. Related parties (continued)

Remuneration of management

Management class: Councillors

2025

Name	Salary	Data allowance	PAYE and SDL	Other	Total
MM Motlohi	287 046	43 200	15 186	-	345 432
H Shebe	379 509	43 200	-	-	422 709
MJ Moitse	723 911	43 200	37 200	-	804 311
RW van Wyk	287 046	43 200	7 200	-	337 446
MV Malgas	348 572	43 200	17 936	16 879	426 587
XJ Tseletsele	907 042	43 200	47 531	-	997 773
VI Jonas	306 262	43 200	15 186	-	364 648
NS Spogter	287 046	43 200	15 186	-	345 432
MG Mokheseng	287 046	43 200	15 186	-	345 432
PM Motantsi	287 046	43 200	15 186	-	345 432
IB Mphou	379 509	43 200	19 383	-	442 092
M Lottering	245 830	43 200	13 311	17 780	320 121
EN Noordman	287 046	43 200	-	-	330 246
KC Litseho	287 046	43 200	27 309	-	357 555
BH Lourens	287 046	43 200	-	-	330 246
ME Masana	588 148	43 200	40 106	15 619	687 073
ME Lekoenea	287 046	43 200	25 509	-	355 755
	6 462 197	**734 400**	**311 415**	**50 278**	**7 558 290**

2024

Name	Basic salary	Data allowances	SDL	UIF	Travel and subsistence	Total
MM Motlohi	267 736	43 902	3 116	2 125	9 788	326 667
H Shebe	353 979	43 902	3 979	-	8 199	410 059
MJ Moitse	679 003	43 902	7 063	-	-	729 968
RW van Wyk	267 735	43 902	3 116	-	7 160	321 913
MV Malgas	381 525	43 902	4 060	-	19 434	448 921
XJ Tseletsele	846 023	43 902	8 899	-	-	898 824
VI Jonas	267 736	43 902	3 116	-	3 738	318 492
NS Spogter	267 736	43 902	3 116	-	5 372	320 126
MG Mokheseng	267 736	43 902	3 116	-	1 507	316 261
PM Motantsi	267 736	43 902	3 116	-	7 826	322 580
IB Mphou	353 979	43 902	3 979	-	11 937	413 797
M Lottering	261 086	43 902	2 429	-	14 266	321 683
EN Noordman	267 736	43 902	3 116	-	15 756	330 510
KC Litseho	267 736	43 902	3 116	-	-	314 754
BH Lourens	267 736	43 902	3 116	-	6 599	321 353
ME Masana	905 246	43 902	7 929	-	12 065	969 142
ME Lekoenea	267 736	43 902	3 116	-	5 688	320 442
	6 458 200	**746 334**	**69 498**	**2 125**	**129 335**	**7 405 492**

Figures in Rand	2025	2024

43. Unauthorised expenditure

Opening balance as previously reported	881 099 546	709 070 455
Add: Unauthorised expenditure - current	8 765 423	172 029 091
Closing balance	**889 864 969**	**881 099 546**

No criminal or disciplinary steps were taken in relation to the above expenditure. Liabilities have not yet been identified.

Council committee (MPAC) is in place and investigated the unauthorised expenditure, as previously reported.

The unauthorised expenditure identified in the current year is in the process of being investigated and the Council Committee will report back to council before the amount can be recovered or condoned.

Incidences of unauthorised expenditure

Corporate Services (Vote 3)	-	27 664 466
Finance Services (Vote 4)	-	134 367 519
Unspent conditional grants and subsidies (not cash-backed)	8 765 423	9 997 106
	8 765 423	**172 029 091**

The amount of unauthorised expenditure is as a result of actual amounts exceeding approved and adjusted budgets. The amount also includes non-cash items.

44. Fruitless and wasteful expenditure

Opening balance as previously reported	581 558 091	486 266 079
Add: Fruitless and wasteful expenditure identified - current	110 334 932	95 292 012
Less: Amount written-off - current	(503 783 829)	-
Closing balance	**188 109 194**	**581 558 091**

Details of fruitless and wasteful expenditure

Interest on late accounts	110 334 932	95 292 012

R 240 432 756 is under investigation by the MPAC Committee, whilst 2024: R 0 (2023: R 69 356 340) (identified in the current year) is not yet being investigated.

Fruitless and wasteful expenditure includes interest, legal costs, bank charges, fines and penalties.

Investigations have not been completed, and therefore the determination as to whether there has to be criminal or disciplinary actions taken and that fruitless and wasteful expenditure is irrecoverable has not been made.

No amount of fruitless and wasteful expenditure was certified by the council to be irrecoverable and to be written-off.

45. Irregular expenditure

Opening balance as previously reported	332 247 718	334 740 607
Add: Irregular expenditure - current	6 725 317	6 037 880
Less: Amount written-off - current	-	(8 530 769)
Closing balance	**338 973 035**	**332 247 718**

Figures in Rand		2025	2024

45. Irregular expenditure (continued)

Details of irregular expenditure

	Disciplinary steps taken/criminal proceedings		
Supply chain processes were not followed	MPAC investigations not yet completed	4 800 994	6 037 880
Overpayment of councillors and employees	MPAC investigations not yet completed	839 379	-
Continiuing multi year condoned	MPAC investigations not yet completed	1 084 944	-
		6 725 317	**6 037 880**

Amount condoned

After the council committee investigations, council adopted the council committee recommendation to condone an amount of 8 530 769 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable (Item: 49/2023/2024; 21 November 2023).

46. Risk management

Financial risk management

This note presents information about the municipality's exposure to each of the financial risks below and the municipality's objectives, policies and procedures for measuring and managing financial risks. Further quantitative disclosures are included on the annual financial statements.

The municipality monitors and manages the financial risks relating to its operations through internal risk reviews, which analyse exposures by degree and magnitude of risks. These risks include the following:

- Liquidity risk;
- Credit risk; and
- Market risk (including interest rate risk).

The municipality seeks to minimise the effects of these risks in accordance with the municipality's policies approved by Council.

The policies provide written principles on interest rate risk, credit risk, and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The municipality's exposure to liquidity risk is as a result of the funds not being available to cover future commitments. The municipality manages liquidity risk through ongoing review of commitments.

The municipality has started replacing rotational meters with prepaid meters to improve the cash funds available.

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.

All of the municipality's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the municipality.

Notes to the Annual Financial Statements

46. Risk management (continued)

The table below analyses the municipality’s financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	< 1 year	1 - 2 years	2 - 5 years	Total
Payables from exchange transactions	685 678 665	-	-	685 678 665
Consumer deposits	3 203 748	-	-	3 203 748
Unspent conditional grants	9 389 510	-	-	9 389 510
Employee benefit obligations	812 000	5 000	15 366 000	16 183 000
	699 083 923	**5 000**	**15 366 000**	**714 454 923**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2025	2024
Other receivables from exchange transactions	5 888 397	8 238 362
Receivables from non-exchange transactions	35 632 088	21 990 473
Receivables from exchange transactions	169 726 925	149 925 824
Cash and cash equivalents	624 087	6 325 196

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. The municipality's policy is to minimise interest rate cash flow risk exposures on long-term financing. Long term borrowings are therefore usually at fixed rates. The municipality's exposures to interest rates on financial assets and financial liabilities are detailed below:

- Call and notice deposits
- Current bank accounts
- Capital advances
- Interest charged on consumer receivables from exchange transactions overdue

The municipality's interest rate risk arises from the above financial instruments being linked to the prime interest rate. The prime interest rate is used as a factor in calculating the interest received or interest charged on these financial instruments.

Fluctuations in the prime interest rate during the year give rise to a possible interest rate risk affecting the entity.

Notes to the Annual Financial Statements

46. Risk management (continued)

Price risk

Price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices.

These changes are caused by factors specific to the individual financial instruments for its users or by factors affecting all similar financial instruments in the market. The municipality's financial instruments are affected by the whole sale price of electricity from Eskom.

Price risk arises primarily from changes in electricity tariffs , which can affect the municipality’s operating costs and revenue.

Tariff adjustments are approved annually by NERSA to mitigate price risk.

Sensitivity Analysis:

Risk Variable	Change	Impact on Surplus/Deficit
Electricity tariff	5%	(R4 000 000) decrease
Electricity tariff	(5%)	R4 000 000 increase

Method & Assumptions: Sensitivity analysis assumes all other variables remain constant and changes occur at year-end. No changes in methodology from prior year.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

47. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

	At amortised cost
Receivables from exchange transactions	169 726 925
Other receivables from exchange transactions	5 888 397
Cash and cash equivalents	624 087
	176 239 409

Financial liabilities

	At amortised cost
Payables from exchange transactions	669 840 836
Consumer deposits	3 203 748
Unspent conditional grants and receipts	9 389 510
	682 434 094

Provision for the rehabilitation of the landfill site

Financial assets

	At amortised cost
Other receivables from exchange transactions	8 238 362
Receivables from exchange transactions	149 925 824
Cash and cash equivalents	6 325 196
	164 489 382

Financial liabilities

	At amortised cost
Payables from exchange transactions	1 224 650 364
Consumer deposits	3 196 378
Unspent conditional grants and receipts	9 997 106
	1 237 843 848

48. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2025	2024
Opening balance	8 648 067	7 128 725
Current year membership fee	1 862 162	1 719 343
Amount paid - current year	-	(200 000)
	10 510 229	**8 648 068**

Figures in Rand	2025	2024

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

Distribution losses

Electricity	Lost units	Tariff	Value
2025: Unaccounted electricity losses	8 252 418	2,80	23 106 770
2024: Unaccounted electricity losses	6 184 512	2,12	13 111 166

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.

Volumes in kWh per year		
System input volume	10 957 560	37 526 879
Billed consumption	(2 705 142)	(31 342 367)
	8 252 418	**6 184 512**
Percentage distribution loss (%)	24,69 %	16,48 %

Water	Lost units	Tariff	Value
2025: Unaccounted water losses	683 469	9,99	6 827 855
2024: Unaccounted water losses	636 443	9,99	6 358 066

Water losses occur due to inter alia, tampering of meters, incorrect ratio used on bulk meters, faulty meters and illegal connections.

Volumes in kL per year		
System input volume	2 402 547	2 398 083
Billed consumption	(1 719 078)	(1 761 640)
	683 469	**636 443**
Percentage distribution loss (%)	28,45 %	26,54 %

Audit fees

Opening balance	5 627 679	9 929 542
Current year audit fee	6 425 378	11 628 665
Amount paid - current year	(2 200 000)	(4 019 702)
Interest	644 554	-
Credit notes	-	(11 910 826)
	10 497 611	**5 627 679**

PAYE, UIF and SDL

Opening balance	35 311 761	31 379 295
Current year payroll deduction	18 655 029	17 803 105
Amount paid - current year	(135 016)	(13 870 639)
	53 831 774	**35 311 761**

Pension and medical aid fund contributions

Opening balance	189 769 961	163 343 068
Current year contributions	23 711 439	40 448 965
Amount paid - current year	(5 333 856)	(14 022 072)
	208 147 544	**189 769 961**

Figures in Rand	2025	2024

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

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 Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident		
Impractical or impossible to obtain at least three quotations	490 500	2 738 373

49. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s):

Details of the arrangements are as follows:

Lesedi Africa:

The municipality and Lesedi Africa has entered into an agreement in terms of which Lesedi Africa manages, delivers and maintains all aspects of electricity sales, the associated debt collection and maintenance of the electricity network.

The agreement became effective on 31 August 2024 and shall be in place for a period of three years or until terminated on written notice of at least three months by either party.

Transactions undertaken on behalf of the municipality include the sale of electricity to consumers, both on credit and prepaid (by the way of vendors), the collection of the debtors book and expenses incurred on behalf of the municipality.

Lesedi Africa shall only be permitted to charge such electricity tariffs for purposes of electricity distribution as may be approved by Kopanong and NERSA annually.

Whether the entity is the principal or agent and any significant judgement applied in making this assessment.

Based on the agreement described above, the municipality is party to a principal-agent arrangement. The municipality directs Lesedi Africa (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit and is therefore the principal.

Significant terms and conditions of the arrangements and whether any changes occurred during the reporting period; and No changes to the significant terms and conditions, as stated above, occurred during the reporting period.

An explanation of the purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship.

Risk with regard to the network or any portion thereof shall, notwithstanding the use and operation thereof by Centlec, be borne by Kopanong Local Municipality, as owner of the network.

Centlec (SOC) Limited:

The municipality and Centlec (SOC) Limited has entered into an agreement in terms of which Centlec manages, delivers and maintains all aspects of electricity sales, the associated debt collection and maintenance of the electricity network.

The agreement became effective on 25 October 2007 and terminated 31 August 2024.

Transactions undertaken on behalf of the municipality include the sale of electricity to consumers, both on credit and prepaid (by the way of vendors), the collection of the debtors book and expenses incurred on behalf of the municipality.

Centlec shall only be permitted to charge such electricity tariffs for purposes of electricity distribution as may be approved by Kopanong and NERSA annually.

Whether the entity is the principal or agent and any significant judgement applied in making this assessment.

Figures in Rand	2025	2024

49. Accounting by principals and agents (continued)

Based on the agreement described above, the municipality is party to a principal-agent arrangement. The municipality directs Centlec (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit and is therefore the principal.

Significant terms and conditions of the arrangements and whether any changes occurred during the reporting period; and No changes to the significant terms and conditions, as stated above, occurred during the reporting period.

An explanation of the purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship.

Risk with regard to the network or any portion thereof shall, notwithstanding the use and operation thereof by Centlec, be borne by Kopanong Local Municipality, as owner of the network.

Entity as principal

Resources (including assets and liabilities) of the entity under the custodianship of the agent

The resources (including assets and liabilities) of the entity that are under the custodianship of an agent and whether or not those resources have been recognised by the agent, any resources remitted during the period along with the expected timing of remittance of any remaining resources back to the entity (where applicable) or to third parties.

No assets of the municipality are under the custodianship of Centlec or Lesedi Africa.

Centlec and Lesedi Africa have, and will have, no title, ownership, lien, leasehold rights or any right of limited ownership in respect of the network or any part thereof. Title to the network, including all improvement thereto from time to time, shall at all times vest and remain vested in Kopanong.

Fee paid

Fee paid as compensation to the agent	5 255 438	6 793 010

Resource and/or cost implications for the entity if the principal-agent arrangement is terminated

Discussion of the resource or cost implications for the principal if the principal-agent arrangement is terminated.

The municipality will, from date of termination, source its own vendors for the continued vending of pre-paid electricity to the municipal consumers and be responsible for the meter readings, billing and collection of credit customers.

50. Segment information

General information

Identification of segments

The municipality has assessed the applicability of GRAP 18 for the current year and determined that segment reporting is not required. This conclusion is based on the absence of management's regular review of the segments for performance evaluation and / or resource allocation.

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

51. Change in estimate

Property, plant and equipment

A change in the estimated useful life of various assets of the municipality has resulted in the following decreases (increases) in depreciation for the mentioned asset categories for the financial year:

	2025	2024
Other property, plant and equipment	90 087	402 514
Infrastructure assets	1 705 441	8 078 468
Buildings	87 340	664 438
	1 882 868	**9 145 420**

52. Prior period errors

Statement of Financial Position	Audited AFS 2024	Corrections	Restated 2024
Cash and cash equivalents	6 836 722	(511 526)	6 325 196
Investment property	127 468 394	3 424 000	130 892 394
Property, plant and equipment	844 201 539	28 948 587	873 150 126
Payables from exchange transactions	(1 260 576 298)	20 768 495	(1 239 807 803)
Unspent conditional grants	(13 489 953)	3 492 847	(9 997 106)
Accumulated surplus	(139 854 933)	(56 122 403)	(195 977 336)
	(435 414 529)	**-**	**(435 414 529)**

Statement of Financial Performance	Audited AFS 2024	Corrections	Restated 2024
Government grants and subsidies	(179 169 389)	(3 492 847)	(182 662 236)
Employee related costs	152 188 824	(20 768 495)	131 420 329
Depreciation and amortisation	39 905 957	722 580	40 628 537
Loss on disposal of assets	12 109 527	(67 129)	12 042 398
Fair value adjustments	627 818	(43 941)	583 877
	25 662 737	**(23 649 832)**	**2 012 905**

Cash and cash equivalents

A discrepancy was noted between the bank balances and the cash book balances.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	
Cash and cash equivalents	(511 526)
Accumulated surplus	511 526

Statement of financial performance

FMG Grant

The FMG grant was fully utilised by year-end and, having met the applicable conditions, was appropriately recognised as revenue.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	
Unspent conditional grants	3 492 847

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Prior period errors (continued)

Statement of financial performance

Government grants and subsidies	(3 492 847)

Property, plant and equipment

Physical verification revealed that certain projects had been completed in prior years. In addition, changes in the estimated useful lives of certain assets were confirmed, which impacted depreciation, loss on disposal of assets, and fair value adjustments.

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	
Investment properties	3 424 000
property, plant and equipment	28 948 587
Accumulated surplus	(32 984 097)
Statement of financial performance	
Depreciation and amortisation	722 580
Loss on disposal of assets	(67 129)
Fair value adjustments	(43 941)

Salary control account

Investigation revealed that certain transactions were not cleared through the salary control account and employee-related cost accounts, resulting in discrepancies between the payroll report and the general ledger. This requires corrective action to ensure accurate reconciliation

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	
Payables from exchange transactions	17 343 240
Statement of financial performance	
Employee related costs	(17 343 240)

Accrued leave pay

A prior year calculation was reperformed to correctly account for accrued leave pay

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position	
Payables from exchange transactions	3 425 255
Statement of financial performance	
Employee related costs	(3 425 255)

Notes to the Annual Financial Statements

Figures in Rand	2025	2024

52. Prior period errors (continued)

Cash Flow Statement

Cash flow from operating activities		
Suppliers		(1 333 711)
Cash flow from investing activities		
Purchase of property, plant and equipment		(29 671 167)
Proceeds from sale of property, plant and equipment		21 444 212
Movement in investment property		(1 405 687)
		(9 632 642)
Cash flow from financing activities		
Net increase/(decrease) in cash and cash equivalents		(511 525)

53. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (15% over approved budget) for is due to:

Statement of financial performance:

Service charges: Higher revenue collection due to improved billing and/or increased consumption.

Debt Forgiveness: A once-off recognition of debt forgiveness that was not anticipated in the budget.

Rental of facilities and equipment: Lower demand/utilisation of municipal facilities than anticipated, compared to that of the previous year.

Interest received - trading: Management do not levy interest on outstanding debtor accounts.

Interest received - investment: immaterial

Licences and permits: Due to the challenges faced by the municipality, there were not access to certain services throughout the year.

Fines: Fines are immaterial to the operations of the municipality and were not accounted for during the year.

Employee related costs: This is due to cost cutting on pension and medical contributions.

Administration and impairment loss: Not budgeted for separately.

Depreciation and amortisation: Due to financial constraints experienced by the municipality, certain projects were not completed during the year. This resulted in the property, plant and equipment balance being less than anticipated, as well as the capital expenditure (acquisition of assets) and the relating depreciation expense.

Lease rentals on operating leases: Not budgeted for separately.

Debt impairment: The debt impairment is an estimation based on the debtors' age analysis information. For the current year, the movement is less than the budgeted amount.

Bulk purchases: The budgeted amount was insufficient, even compared to the actual results of the previous year.

Transfers and subsidies: Although budgeted for, no such transactions occurred.

Inventory consumed: Although budgeted for, no such transactions occurred.

53. Budget differences (continued)

General expenses: Due to the challenges faced by the municipality, all invoices were not recorded timeously resulting in the expenditure and relating creditors not being complete.

Loss on disposal of assets: Not budgeted for separately.

Fair value adjustments: Not budgeted for separately.

Actuarial gains (losses): Not budgeted for separately.

Statement of financial position:

Inventories: The budgeted amount was found to be excessive.

VAT receivable: Due to the financial challenges faced by the municipality, creditors are not settled which is resulting in the input VAT not being claimed back from SARS (registered on the payments basis).

Receivables from exchange transactions: Major increase in outstanding consumer debtors, reflecting weak revenue collection.

Receivables from non-exchange transactions: Major increase in outstanding consumer debtors, reflecting weak revenue collection.

Other receivables from exchange transactions: Not budgeted for separately.

Cash and cash equivalents: Cash position much weaker than anticipated due to non-collection of revenue and overspending

Investment property and Property, plant and equipment: Investment property are budgeted under property, plant and equipment and not seperately. The difference of 3.2% is immaterial

Intangible assets: Although immaterial, the effect of the amortisation expense was not taken into account.

Other financial liabilities: Not budgeted for separately.

Payables from exchange transactions: Significant increase in creditors, indicating liquidity constraints and late payments.

Payables from non-exchange transactions: No transactions materialised.

Employee benefit obligations: Not budgeted for separately as this is a non-cash item.

Unspent conditional grants: Not budgeted for separately as this is a non-cash item.

Provisions: Not budgeted for separately as this is a non-cash item.

Cash flow statement:

Receipts from Sale of Goods & Service: Low collections from consumers.

Grants received: Non-receipt of certain conditional/unconditional grants.

Suppliers & Employees Payments: Cash flow savings due to delayed payments to creditors (but leading to high payables).

Purchase of PPE: Capital projects not fully implemented

Overall summary:

The main revenue variance arose from unbudgeted debt forgiveness (R792.9m), while grant shortfalls and poor collections negatively affected cash inflows.

On expenditure, bulk purchases and finance costs exceeded budget, but this was offset by underspending on debt impairment, employees, and inventory.

Notes to the Annual Financial Statements

53. Budget differences (continued)

On the balance sheet, the municipality is under financial stress, with high receivables and payables and cash balances well below budget.

54. Going concern

We draw attention to the fact that at 30 June 2025, the municipality had an accumulated surplus of **R497 559 521** and that total assets exceed liabilities by the same amount. However, material uncertainty exists regarding the municipality's ability to continue as a going concern. Key factors include:

- Provisions for landfill rehabilitation and employee benefits are not cash-backed.
- Persistent cash flow problems resulted in major creditors not being paid timeously.
- Receivables from exchange and non-exchange transactions are materially impaired.
- Water distribution losses increased to **28.45%** (2024: 26.54%).

Material Uncertainties Identified:

- **Failing to make payments as and when due** to suppliers, employees, councillors, and statutory bodies due to financial constraints.
- **Defaulting on financial obligations or risk of default** on critical financial commitments, including obligations arising from contingent liabilities.
- **Net current or net liability position**, indicating liquidity stress.
- **Revenue generation and collection constraints**, including poor debt recovery and high impairment of receivables.
- **Cash flow constraints and uncontrolled budget spending**, resulting in late payments and reliance on equitable share.
- **Deterioration in assets used to generate revenue and/or cash flow**, leading to service delivery risks.
- **Significant factors impacting going concern** within 12 months after year-end, including provincial intervention.

Management's Plans to Address Going Concern Risks
Payment Prioritisation and Compliance

- Prioritise payments to Eskom, Water Boards, SARS, and AGSA.
- Negotiate payment arrangements with major creditors to avoid litigation.

Debt Management

- Engage creditors for restructuring or extended repayment terms.

Liquidity Improvement

- Tighten expenditure controls and freeze non-essential appointments.
- Dispose of non-core assets to generate cash for operations.

Revenue Enhancement

- Intensify credit control and debt collection campaigns, including prepaid meter rollout.
- Introduce incentive schemes for early payments and expand revenue streams (e.g., service fees for non-core activities).

Cash Flow and Budget Control

- Enforce strict budget controls and monthly variance analysis.

Asset Renewal and Maintenance

- Allocate resources for maintenance of revenue-generating assets.
- Prioritise infrastructure renewal projects using conditional grants and explore PPPs for upgrades.

Strategic and Legislative Compliance

- Continuous engagements with Provincial and National Treasury for intervention support and MFMA compliance.
- Develop a turnaround strategy with clear milestones and timelines.

55. Subsequent events

There was no subsequent events for the year the year.