PHUMELELA LOCAL MUNICIPALITY
MASIPALA MUNICIPALITY MUNICIPALITEIT

2023/2024

FINAL ANNUAL REPORT

52 KUHN STREET, VREDE 9835 FREE STATE – TEL: 058 913 8300

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CHAPTER 1

FOREWORD AND EXECUTIVE SUMMARY

Component A: Mayor’s Forew

It is my privilege to present the 2023/2024 Annual Report for the Phumelela Local Municipality. As I reflect on the yesteryear, there is much to be proud of, and this success has further strengthened our sense of purpose. We remain deeply committed to working alongside our stakeholders toward the fulfillment of Phumelela's Vision and Mission Statement.

Among our notable achievements is the attainment of an unqualified audit report for the fifth consecutive year. This accomplishment was the result of significant effort and collaboration, and I commend all involved, particularly the municipal management team led by the Accounting Officer, for their dedication to achieving this remarkable outcome. As we look back, we do so with pride and humility, counting our blessings with a grateful heart.

The past financial year saw the implementation of several major initiatives designed to strengthen service delivery and build upon the gains we have made as an institution. Despite the ongoing financial challenges, Phumelela remains steadfast in its commitment to delivering quality, uninterrupted services to all of our communities.

Key Service Delivery Improvements:

- Acquisition of yellow fleet (2 TLBs and a Front-end Loader)
- Establishment of a Community Safety Forum
- Formation of an Anti-Drug Forum
- Refurbishment of Thembalihle Sports Grounds (Combo courts)
- Construction of Sewer Reticulation and house connections for 250 erven in Warden

While we celebrate these successes, we remain mindful of the challenges raised by the Auditor-General, including issues of irregular expenditure. We have developed an Audit Action Plan aimed at addressing these matters, with the goal of achieving a clean audit in the future.

Good Governance and Public Participation

In the past financial year, we welcomed our new Municipal Manager, Mrs. GPN Mhlongo-Ntshangase, whose expertise has been invaluable in assisting the municipality to maintain the unqualified audit opinion from previous years. We are optimistic about receiving an even more favorable audit opinion in the current financial year.

In an effort to enhance communication and public engagement, we have launched social media platforms including Facebook, Instagram, TikTok, WhatsApp, and an active website. These platforms have proven to be powerful tools for raising public awareness about the municipality's work, vision, mission, and values. Social media has provided us with a means to engage directly with our communities, express our commitment to social justice, and advocate for collaboration in addressing the challenges facing our municipality.

Throughout this journey, we continue to be guided by the country's Constitution, particularly Chapter 7 on Local Government and Chapter 3 on Cooperative Governance. Our focus remains on key priorities such as:

- Poverty Eradication
- Agrarian Transformation and Food Security
- Infrastructure Development
- Human Resource Development
- Public Sector and Institutional Transformation

Despite our successes, we continue to face challenges that require our attention:

- Replacing aging infrastructure
- Addressing the growing demand for residential sites
- Coping with the persistent drought, particularly in Vrede
- Combating the vandalism of municipal and public properties
- Improving revenue collection, which remains at an unsatisfactory level, though measures such as *Operation Patala* are in place to encourage payment for services.

We are unwavering in our commitment to implement all necessary measures to address these challenges and improve service delivery for the benefit of our people. It is essential that government, community stakeholders, and our citizen's work together to find collective solutions that will drive the progress of Phumelela.

As we continue this journey, I am reminded of the words of Breyten *Breytenbach*, who wrote: *"In every situation, there is the possibility of change, and each person has the power to influence it."*

In our collective efforts to overcome challenges, I believe we are all empowered to bring about positive change for the future of Phumelela.

Cllr. M.D Kobeni
Mayor
Phumelela Local Municipality

EXECUTIVE SUMMARY

1.2 Municipal Manager's Overview

Service Delivery performance

We are reasonably satisfied that we, as managers, have contributed positively towards Council's service delivery successes in 2023/24 financial year.

MIG Projects 2023/24

Project Name	Town	Actual Expenditure during 2023/2024 Financial Year	% Complete (Construction)	Expected Completion Date
Memel/Zamani: Construction of 1.0km of paved road and storm water (MIS:353524)	Vrede	R0	100%	14/05/2024
Memel/Zamani: Construction of Sewer reticulation and House connections for 118 erven (MIS:377721)	Memel	R3 675 482.51	100%	20/03/2024
Vrede/Thembalihle: Construction of 1km paved road and storm water (MIS:413511)	Vrede	R2 208 657.73	100%	20/03/2024
Warden/Ezenzeleni: Construction of 1km paved road and storm water (MIS:413528)	Warden	R2 056 193.38	100%	11/03/2023
Warden/Ezenzeleni: Upgrading of Recreational and Sport Facilities Phase 5 (MIS:432841)	Warden	R0	100%	28/04/2023
Construction of water Reticulation network for 250 erven Phase2 (Ext1)	Warden	R11 695 243.64	80%	30/06/2024
Construction of sewer Reticulation network for 250 erven Phase2 (Ext1	Warden	R12 917 200	50%	30/06/2025

INEP 2023/2024.

Project Name	Town	Actual Expenditure during 2023/24 Financial Year	% Complete (Construction)	Expected Completion Date
Electrification of 300 houses and upgrading of infrastructure in Memel	Memel	R0	100%	30/06/2025
Warden 11Kv Bulk line in Warden/Ezenzeleni	Warden	R4 465 798.02	100%	30/06/2024

WSIG Projects 2023/2024

Project	Town	Actual Expenditure during 2023/24 Financial Year	% Complete (Construction)	Expected Completion Date
Upgrading of Outfall sewer line and revamping of pump station #3 and WWTW in Warden/Ezenzeleni.	Vrede	R0	98%	30/08/2024
Upgrading of outfall sewer in ext4 in Vrede/Thembalihle	Vrede	R 2 787 635.60	100%	27/11/2023
Upgrading of the Warden sewer -Phase 1	Warden	R 12 746 421.74	31%	30/08/2025

COGTA special grant 2023/24.

Project Name	Town	Actual Expenditure during 2023/24 Financial Year	% Complete (Construction)	Expected Completion Date
Warden/Ezenzeleni: Construction of water Reticulation Phase2 (Ext1) Warden/Ezenzeleni: Construction of sewer Reticulation Phase2 (Ext1)	warden	R3 967 500,00	100%	30/06/2025

I sincerely want to thank the Honourable Mayor: Cllr M.D Kobeni for his sterling effort in ensuring that there is smooth interface between myself and Council. I also want to thank Councillors for guiding us towards the right direction by providing necessary support to both Myself, Acting Managers, and Administration. I also wish to thank our dedicated, committed personnel who have been appointed on the acting position to assist municipality to achieve its objectives made it possible that we comply in all respect. I will not be doing justice if I omit the critical role played by our foot-solder (staff members) that has worked tirelessly to ensure that our communities' lives are improved within the legislative process. Our shop stewards have been a vanguard of the working force by ensuring that they adhere to labour related principles although there is still much to be done.

We have managed to make important progress towards a better life for all our communities and have improved our institutional response systems and capacity considerably. We took it upon ourselves to reduce unnecessary expenditure and formed part of our cost cutting measures. Yet, there is no denying that there is still more to be done.

Alignment of municipal activities towards the IDP and Council resolutions

Our municipality has conducted a comprehensive review of our IDP according to the provincial simplified IDP and Process Plan. This, together with the resolutions of Council during the year, provided us with the governance and management framework according to which we have planned, organised, and

Implemented our activities during the year. In this regard, I wish to specifically refer to the following issues:

- Council's emphasis on improving access of our communities to basic services, with specific reference to water, sanitation, electricity and refuse removal. We have managed to improve the quality of our drinking water through our participation in the blue drop assessment process.
- Our governance structure namely, Council, EXCO, shared Audit committee, Risk Committee and Local Labour Forum has improved as compared to previous years.
- The Municipality has successfully managed to source financial support through the National Department of Water and Sanitation for the upgrading of one (1) sewer pump stations, sewer treatment works for Vrede and Thembalihle, and the rising main of sewer network from the sewer treatment works to Vrede Town. Such development will have a long-term benefit that will cater for our sewer infrastructure in both Vrede and Thembalihle.
- Our community engagement and participation processes and structures have improved. In this regard our emphasis in the coming financial year will be on actively partnering with our communities in our efforts to develop our local area.
- Our commitment to work towards a clean audit opinion by 2023, in support of the aims of Operation Clean is non-negotiable.

Service Delivery performance

We are reasonably satisfied that we, as managers, have contributed positively towards Council's service delivery successes in 2023/2024. However, there are still several challenges that need to be addressed. In this regard, the following could be highlighted:

- Maintain (and even expand) access to high level of basic services, in spite of ageing infrastructure and limited resources.
- Schools and households in rural areas without access to basic services, with specific reference to water and sanitation.
- Variety of awareness campaigns, including water, sanitation, HIV and Aids, environmental awareness, and waste disposal campaigns.
- The finalisation of the process of re-location the landfill sites and making sure that they are properly registered.
- Cemeteries maintenance plan must still be developed
- Inadequate capacity to address the urgent need for local economic development initiatives, and therefore to implement the LED Strategy.
- Municipality providing water and sewerage infrastructure to new development areas in Memel-Zamani and Warden-Ezenzeleni (Greenfield areas).
- All registered indigent households to receive free basic water according to national requirements
- Full waterborne systems of sanitation in Memel (oxidation ponds)
- Sewerage treatment works in Warden

Financial Viability and Management

We are striving to ensure a sustainable improvement in the operational cash flow situation of the municipality. Although our cash flows are under severe pressure for a number of consecutive financial years, we have managed to close the 2023/2024 financial year with a positive bank balance.

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

The municipality is experiencing some financial difficulties, indicators are as follows:

- Suppliers are not paid within the legislative 30 days.
- Employee benefit obligations are unfunded.
- High levels of distribution losses.
- Slow collection and low recoverability of outstanding consumer accounts; and
- Unfavourable financial ratios.
- Unspent conditional grants not cash backed for the financial period.

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

Priority issues related to Financial Management

1. Data cleansing remain critical (Data cleansing may reduce value of debtor's book – real values will only be available after cleansing. Only then realistic targets for collection could be set.
2. Ensure that all critical vacant positions in the municipality are filled: Revenue and Expenditure Manager.
3. Establish an independent debt management.
4. Draw up an Action Plan to address the audit queries
5. Sourcing capacity-building interventions from Provincial Treasury and COGTA
6. Establishment of IT infrastructure and accessibility of Internet connections to all staff members are critical for Finance to perform its functions

Policies and related administrative matters

The municipality has maintained registers of the required administrative and financial policies throughout the 2023/2024 financial year. The Municipality is in a process of developing employment equity plan. The employment equity report was reviewed and progress reports about its implementation submitted to the Department of Labour. The following important plans and policies were also approved and/or implemented:

- The Property Rates Act
- Infrastructure Procurement and Delivery Management Policy
- Tariff and Services Policy
- Credit Control and Debt Collection Policy
- The Indigent Register
- The Supply Chain Management and Procurement Policy
- Bank and Investment Policy
- Budget and Virements Policy
- Debt impairment Policy
- SPLUMA Tariffs

- Accounting policies
- Authorised, Irregular, Fruitless and Wasteful Expenditure Policy
- Cost Containment Policy
- Travelling and Subsistence Policy
- PMS Policy
- A risk management plan has been finalized

We have also managed to establish ward committees who will in turn have to be available to assist our ward Councilors in performing their duties.

1.2.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Municipal Functions

In accordance with Section 155/156 of the Constitution and Chapter 3 of the Municipal Systems Act.

Access to services such as potable water, basic sanitation, safe energy sources and refuse removal services ensures that households enjoy a decent standard of living. To satisfy these basic requirements, the municipality contributed as reflected below during 2023/2024.

Indicator	2011 Census	Status Quo	Difference 2011 vs Now	Back- Log
Access to Portable Water	30,6%	79,9%	49,3%	20,1%
Access to Sanitation	59%	64,5%	5,5%	35,5%
Access to Electricity	74%	79%	5%	21%
Access to Roads & Storm Water	164.7%	185 km	19.7km	75km Dirt Roads
Access to Refuse	61%	61%	0%	39%

Local Economic Development

Our municipality intended to undertake a formal local economic development program structured in accordance with a properly analyzed and mechanized Local Economic Development Strategy. Our hope to source support from FSCOGTA in this instance was not successful leaving us currently with little option but to source private support for the development of such a strategy.

This however did not hinder the municipality from undertaking a number of LED related projects that empowers individuals and groupings throughout the municipality with the support from various government departments and agencies. With the current institutional skills gap and general skills gap throughout the municipality area, numerous individuals were afforded opportunities to enhance their skills by way of training provided and or facilitated. The municipality continues to source from capacitated individuals and groups to address challenges related to.

MUNICIPALITY	NAME OF PROJECT	NUMBER OF PARTICIPANTS	WAGE/RATE	NUMBER OF DAYS	BUDGET
Phumelela LM	Memel/Zamani: Construction of Sewer reticulation and House connections for 118 erven (MIS:377721)	20	180	369	R231 114
Phumelela LM	Vrede/Thembalihle: Construction of 1km paved road and storm water (MIS:413511)	13	180	583	R109 980
Phumelela LM	Warden/Ezenzeleni: Construction of 1km paved road and storm water (MIS:413528)	22	180	2 545	R482 880
Phumelela LM	Construction of water Reticulation network for 250 erven Phase2 (Ext1)	8	180	5605	R1 008 900.00
Phumelela LM	Construction of sewer Reticulation network for 250 erven Phase2 (Ext1	9	202.50	339	133 803.05
Phumelela LM	Warden 11Kv Bulk line in Warden/Ezenzeleni	7	180	259	R46 620
Phumelela	Upgrading of the Warden sewer -Phase 1	16	208.71	5008	R1 151 176.85

117 other labor-intensive projects to assist the unemployed market and provide possible income for indigent households, the municipality continues to suffer not being able to access crucial data and information pertaining the job markets, economic growth centers, growth forecasts, regional economic data that influences migration and settlement patterns.

A strong research drive is required to continuously assess local capacity, development, and potential growth opportunities.

Phumelela, the continuous search for success

The Phumelela municipal area stretches over 8 183 square kilometers in extend and includes the following towns –Vrede, Warden and Memel as well as part of the Riemland and Drakensberg TRCs. The municipality is home to an estimated 47,772 people approximately 7% of the Thabo Mofutsanyane District population to which it forms part. The current households register at 12 888, consisting of both urban 75% and farming 25%.

The political and administrative center of Phumelela Municipality is situated in the town of Vrede, though Council from time to time congregates in Warden and Memel as part of its outreach program.

Agriculture is the primary employing sector within the Phumelela area, followed retail trade, followed by catering and accommodation.

Economic Overview

The highest contributing sectors to the Growth Domestic Product (GDP) are:

- Agriculture
- Retail trade, catering, and accommodation
- Finance, insurance, real estate, and business services
- Transport, storage
- Building and Construction

Labour Profile

Statistics South Africa defines unemployment as those people aged between15-65:

- Who did not work during the 7 days prior to 10 October (when the census commenced).
- Who want to work and are available to start work within a week of the interview; and
- Who have taken active steps to look for work or to start some form of self-employment in the 7 days prior to commencement of the Census

Persons who have become discouraged from seeking work, or who no longer take active steps to find work, are not classified as unemployed. It is thus likely that unemployment figures, tabled below, are higher than that provided in these statistics. According to Statistics South Africa, the official unemployment figure for the Phumelela area is estimated at 3624.

It should be noted, however, that the "Other not economically active" participants amount to an overwhelming 12 336 In terms of youth unemployment, 34.6% of persons aged between 15-34 years within the Phumelela area are unemployed

Demographics within the Phumelela Municipality

The preferred languages for the people of the Phumelela area are IsiZulu 52.2%, Sesotho 32% and Afrikaans 7.4% whilst other national languages all register below 1.5%.

According to the 2011 Statistics SA census survey Phumelela demographics can be summarized as follows:

- The total population size increased to 47 772 persons to reflecting 7% of the total population of the Thabo Mofutsanyane District municipal area.

Population Growth

The population growth based on the 2016 Community survey indicates a positive growth in relation to the negative growth of -0.8%% recorded in 2011 census. Our current population was officially recorded at **50054** in October of 2016.

Population Groups

Sex by Ratio

There are more females than males across all wards except wards 5 and 7 where 49.7% and 49% is registered whereas ward 8 shows an equal total of males and females.

Table 8 Sex by Ratio of Phumelela

Province, District and Local Municipality	Gender		Total	Sex ratio (Males per 100 Females)
	Male	Female		
Free State	**1379965**	**1454749**	**2834714**	**95**
DC19: Thabo Mofutsanyane	**366168**	**413432**	**779600**	**89**
FS191: Setsoto	55537	62095	117632	**89**
FS192: Dihlabeng	67562	72482	140044	**93**
FS193: Nketoana	31142	33751	64893	**92**
FS194: Maluti a Phofung	161275	192177	353452	**84**
FS195: Phumelela	**24709**	**25345**	**50054**	**97**
FS196: Mantsopa	25943	27583	53526	**94**

Data source: Statistics South Africa, Community Survey 2016

Functional Age Group

The majority of the population is made up of the functional age group in Phumelela.

Table 9 Distribution of the population by functional age group in Phumelela municipal area

Province, District and Local Municipality	0-14 Children	15-34 Youth	35-64 Adults	65+ Elderly	TOTAL	Dependency Ratio
Free State	**797265**	**1058948**	**732863**	**245638**	**2834714**	**58,2**
Thabo Mofutsanyane	**231918**	**310041**	**174745**	**62896**	**779600**	**60,8**
Setsoto	35790	45957	26010	9875	117632	**63,5**
Dihlabeng	38175	55288	35321	11259	140043	**54,6**
Nketoana	19557	25240	14488	5609	64894	**63,3**
Maluti a Phofung	107879	142635	74732	28206	353452	**62,6**
Phumelela	**14470**	**19619**	**11998**	**3968**	**50055**	**58,3**
Mantsopa	16048	21301	12198	3979	53526	**59,8**

Data source: Statistics South Africa, Community Survey 2016

School attendance

Table: 10 Indicates school attendance, non-attendance and unknown in Phumelela municipal area.

Geography	School Attendance		
	Yes	No	Do not know
Free State	**859361**	**1699444**	**2402**
DC19: Thabo Mofutsanyane	**268523**	**432677**	**765**
FS191: Setsoto	42478	62626	85
FS192: Dihlabeng	44039	82926	26
FS193: Nketoana	19784	39200	-
FS194: Maluti a Phofung	128792	188249	580
FS195: Phumelela	15083	30411	57
FS196: Mantsopa	18347	29264	18

Data source: Statistics South Africa, Community Survey 2016

Highest Level of Education Attained

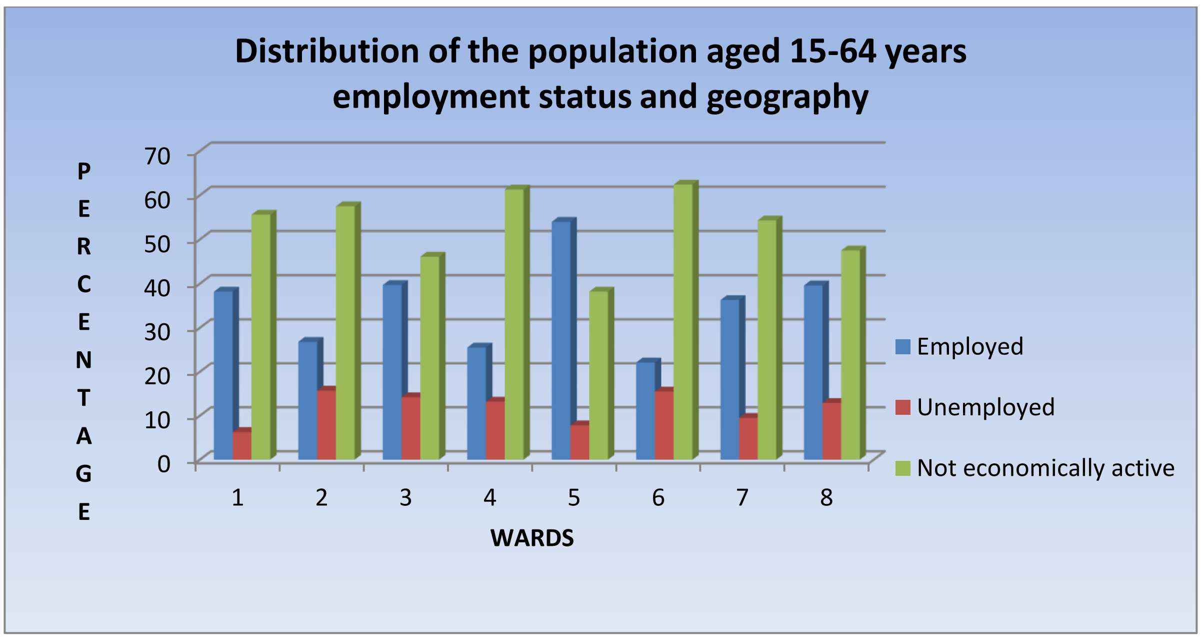
Table: 2 Education Levels in Phumelela municipal area

Education Levels	Totals
No schooling	2320
Grade 0	1650
Grade 1/Sub A/Class 1	1465
Grade 2/Sub B/Class 2	1399
Grade 3/Standard 1/ABET 1	2468
Grade 4/Standard 2	2332
Grade 5/Standard 3/ABET 2	2166
Grade 6/Standard 4	2881
Grade 7/Standard 5/ABET 3	3508
Grade 8/Standard 6/Form 1	2911
Grade 9/Standard 7/Form 2/ABET 4/Occupational certificate NQF Level 1	4126
Grade 10/Standard 8/Form 3/Occupational certificate NQF Level 2	4183
Grade 11/Standard 9/Form 4/NCV Level 3/ Occupational certificate NQF Level 3	4691
Grade 12/Standard 10/Form 5/Matric/NCV Level 4/ Occupational certificate NQF Level 3	7474
NTC I/N1	-
NTCII/N2	-
NTCIII/N3	53
N4/NTC 4/Occupational certificate NQF Level 5	95
N5/NTC 5/Occupational certificate NQF Level 5	19
N6/NTC 6/Occupational certificate NQF Level 5	127
Certificate with less than Grade 12/Std 10	-
Diploma with less than Grade 12/Std 10	35
Higher/National/Advanced Certificate with Grade 12/Occupational certificate NQF	120
Diploma with Grade 12/Std 10/Occupational certificate NQF Level 6	320

Education Levels	Totals
Higher Diploma/Occupational certificate NQF Level 7	185
Post-Higher Diploma (Master's	159
Bachelor's degree/Occupational certificate NQF Level 7	285
Honors degree/Post-graduate diploma/Occupational certificate NQF Level 8	59
Master's/Professional Master's at NQF Level 9 degree	27
PHD (Doctoral degree/Professional doctoral degree at NQF Level 10)	10
Other	180

Data source: Statistics South Africa, Community Survey 2016

Graph 3 Unemployment rate in Phumelela municipal wards



Data source: Statistics South Africa, Census 2011

Service Delivery Overview

Basic Service Delivery Achievements

Source of water

96% of households within the Phumelela area have access to municipal or service provider water, with the rest of the households sourcing water from dams, rivers, tankers, etc. Interventions to aid water security include continuous upgrades and maintenance to water purification plants in Phumelela as well as other developments to supplement the water demand.

Main Source of Water

Source of Water	Thabo Mofutsanyane	Setsoto	Dihlabeng	Nketoana	Maluti a Phofung	Phumelela	Mantsopa
Piped (tap) water inside the dwelling	2937	5693	19757	3930	24704	4092	4761
Piped (tap) water inside yard	150376	27557	22094	14163	66994	8535	11034
Piped water on community stand	5287	263	2075	867	1606	465	11
Borehole in the yard	1959	823	302	122	370	76	267
Rain-water tank in yard	419	23	39	-	333	23	-
Neighbor’s tap	4543	379	130	233	3462	331	28
Public/ Communal tap	4511	804	1304	271	1806	327	-
Watercarrier / Tanker	9488	26	456	31	8569	313	92
Borehole outside the yard	3106	1443	383	66	415	124	674
Flowing water / stream/ river	888	35	43	-	657	107	46
Well	411	49	140	-	222	-	-
Spring	986	12	79	-	835	47	11
Other	1260	279	55	-	752	148	26
Total	**246171**	**37386**	**46857**	**19683**	**110725**	**14588**	**16951**

Data source: Statistics South Africa, Community Survey 2016

Toilet Facilities

70.1%% of households make use of a flush toilet that is connected to a sewerage system, while 0.14% makes use of bucket system.

Graph 5 Distribution of households by type of toilet facility in the Phumelela municipal area.

District and Local Municipality	Main type of toilet facility used										
	Flush toilets connect to public sewerage system	Flush toilets connect to septic tank or conservancy tank	Chemical toilet	Pit latrine/ toilet - ventilation pipe	Pit latrine/ toilet without ventilation pipe	Ecological toilet (e.g., urine diversion; envirolo o; etc.)	Bucket toilet (collected by municipality)	Bucket toilet (emptied by household)	Other	None	Total
Thabo Mofutsanyane	**133785**	**7120**	**7092**	**26429**	**52141**	**885**	**8493**	**3352**	**3302**	**3572**	**246171**
Setsoto	23884	1881	51	562	1448	504	7097	718	684	560	37389
Dihlabeng	37778	1454	783	1190	3804	159	526	714	199	249	46856
Nketoana	15348	507	707	232	1920	30	180	264	121	354	19663
Maluti a Phofung	32893	2104	5473	23497	41646	192	26	1428	1600	1865	110724
Phumelela	**9412**	**813**	**39**	**520**	**3025**	**-**	**13**	**198**	**167**	**400**	**14587**
Mantsopa	14470	361	38	428	298	-	651	30	531	144	16951

Source: Statistics SA Community Survey 2016

Energy

A total of 80% of households within the Phumelela municipal area have access to electricity for household purpose. 18% of households do not have access to electricity. The municipality has committed itself to energy efficiency within the municipal area, by focusing on the increase of capacity, upgrading of networks and replacement of outdated and faulty meters, to reduce electricity loss.

Table Distribution of households using electricity for lighting, cooking, and heating in Phumelela municipal wards

Local municipality	Household access to electricity									
	In-house conventional meter	In-house prepaid meter	Connect to other source which household pays for (e.g., con	Connect to other source which household is not paying for	Generator	Solar home system	Battery	Other	No access to electricity	Total
Setsoto	2660	30401	1589	53	12	137	-	263	2272	37387
Dihlabeng	2913	37519	1714	210	38	45	-	120	4297	46856
Nketoana	1367	16285	204	66	-	130	-	21	1591	19664
Maluti a Phofung	13165	89948	1734	87	20	16	16	649	5088	110723
Phumelela	**1286**	**10263**	**74**	**13**	**54**	**46**	**22**	**151**	**2677**	**14586**
Mantsopa	1865	13238	838	162	-	59	-	47	742	16951

Source: Statistics Community Survey 2016

Reduction in outages

Water		ELECTRICTY		SEWERAGE Challenges/Spillages		OTHER Roads	
2022/2023	2023/2024	2021/2022	2022/2023	2021/2022	2022/2023	2021/2022	2022/2023
18%	22	16%	27%	13%	19%	2km's	2Km's

Data: Phumelela Technical Services department

Basic Service Delivery Challenges

Electricity and water losses experienced by the municipality over the last years are contributed to a number of factors, most of these factors or reasons for losses can be alleviated some at greater cost than others, whilst generally more awareness and consciousness of the public may assist the institution to manage such losses.

An initiative in collaboration with Eskom will address some of the losses the municipality experience in terms of collections relating to electricity, of which include the replacement of old dilapidated and faulty electricity meters. This collaborative effort will also deal with issues pertaining to current Eskom debt which also hinders our ability to service the current account.

The serious shortage of staff, specifically in the Technical Services Department is not only a disadvantage but is a direct cause of our inability to respond positively to most basic services challenges. The lack of Master / Sector plans across the organisation hinders our ability to do forecast planning and effectively plan specific long-term plans with anticipated growth considerations taken into account.

FINANCIAL HEALTH OVERVIEW - The municipality financial position is as reflected below

Financial Overview – Year 2023/2024			
Details	**Original Budget R'000**	**Adjustment Budget R'000**	**Actual R'000**
Taxes, Levies, and tariffs	108,617	98,883	114,564
Rental of facilities	889	17,926	922
Interest Income	32,706	24,080	40,458
Fines and Licenses	53	54	44
Grants (Operational & Capital)	164,368	154736	153,955
Other	2,554	2,457	19,643
Public Contributions and Donations	-	-	11,109
Sub Total	**309,187**	**298,136**	**340,695**
Less Expenditure	250,206	245,800	347,429
Net Total	58,981	52,336	-6,734
Note surplus/deficit	**Surplus**	**Surplus**	**Deficit**

Data supplied by Financial Services Department

Note: Total expenditure include both operational and capital grants

The following table some key financial management challenges experienced in 2023/24

Key Financial Challenges and Interventions	
Challenges	**Interventions (Initiated)**
Non- filling of critical positions	Revenue and Expenditure Manager positions anticipated to be filled in 2024/2025 financial year.
Low collection rate and high water and electricity distribution losses	Enhance revenue collection by offering consumers with long outstanding debts a discount up to 30 percent, provided they settled their outstanding balances within 6 months.

Financial Health

Based on our operating ration provided below the Municipality financial health is reflected as follows

Operating Ratios				
Details	**%**	**Expected Norm**	**Variance from Norm**	**Comment**
Employee Cost	28.31%	The norm for this ratio is between 25% and 37%	Zero	The actual employee cost expenditure is within the Norm.
Repairs & Maintenance	0.95%	8% of the carrying value of property land and equipment and investment property	Zero	There is no sufficient fund to spend on repairs and maintenance of Assets

Data Supplied by Financial Services Department

Capital Expenditure

Details	2021/22 R'000	2022/23 R'000	2023/24 R'000
Original Budget	60 293	53 847	60,180
Adjustment Budget	63 219	53 847	53,548
Actual	43 427	30 570	48,767

Data Supplied by Financial Services Department

ORGANISATIONAL DEVELOPMENT OVERVIEW

The municipality has an approved organizational structure. The organizational structure of the municipality provides for three (3) section 56 positions and one (1) section 57 positions of which three of them were filled during November 2018).

The overall vacancy rate of the municipality for 2020/2021 was 24.68%, 2021/2022 was 26.95% and 2022/2023 was 26.15%

Senior management is capacitated and complies with the minimum requirements in terms of the National Qualifications Framework.

As required by the Skills Development Act, Act 1998, and the Sector Education Training Authorities Grant Regulations, 2012, the Municipality submitted its Workplace Skills Plan for staff training and development in May 2022. The municipality did not have a functional Training Committee

AUDITOR GENERAL REPORT

The municipality received an unqualified audit opinion for the year 2023/24 for both the financial statements and the annual performance report.

STATUTORY ANNUAL REPORT PROCESS

Table: Annual Report Process

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 confirms 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
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalize the 4th quarter Report for previous financial year	
4	Submit draft year 1 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	NOVEMBER
7	Mayor tables unaudited Annual Report	
8	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
9	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	
10	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	DECEMBER-MARCH
11	Municipalities receive and start to address the Auditor General comments	NOVEMBER
12	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor General Report	
13	Audited Annual Report is made public, and representation is invited	
14	Oversight Committee assesses Annual Report	
15	Council adopts Oversight Report	FEBRUARY
16	Oversight report is made public	
17	Oversight report is submitted to relevant provincial councils	
18	Commencement of draft Budget/IDP finalization for next financial year. Annual Report and Oversight Reports to be used as input	

It is important to achieve the above deadlines, not only to achieve legislative compliance but to ensure the smooth running of municipal planning, budgeting, service delivery implementation and reporting cycles which all feed and depend on one another. The Municipal Annual Report also informs the planning process of other spheres of government, thus influencing our equitable share of future government grants.

The table below shows to what extend the municipality complied with legislative requirements and timeframes in terms of the 2021/2022 Annual Report Process.

Table: Legislative Compliance of the 2021/2022 Annual Report Process

Activity	Applicable Legislation	Comment
Annual Report tables to Council within 7 months after end of financial year	MFMA Section 121 (1)	Yes
Annual Report made public for public comment	MFMA Section 127 (5)	Yes
Annual Report placed on website within 5 days after tabling in Council	MFMA Section 75	Yes
Annual Report submitted to National Treasury	MFMA Section 127(5)	Yes

CHAPTER 2

GOVERNANCE

Governance

INTRODUCTION TO GOVERNANCE

Phumelela Local Municipality was established in terms of Section 12 Notice of the Municipal Structures Act of 1998. In terms of Section 12 Notice, the Municipality is a Category B Municipality which operates within the Executive System combined with the Participatory Ward Governance in Phumelela Local Municipality is composed of both the Political and Administrative Governance. Governance is the process of decision-making and the process by which decisions are implemented. Governance in the Municipality takes into account legal and constitutional accountability and responsibilities. The Political wing of the Municipality exercises their executive and legislative powers and function to govern the affairs of the municipality. The Administration wing is responsible for Corporate Governance as prescribed by various legislative frameworks.

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community.

Phumelela local Municipality has two management teams: a Political and an Administrative team. Together they exist to provide a wide range of services to residents and businesses. Municipal councils exercise both legislative and executive functions. This is intended to facilitate hands-on governance and synergy between elected representatives, the executive, and the administration. The proximity is meant to facilitate a more vibrant and responsive municipality that would ultimately result in efficient service delivery. The political team made up of councillors and directed by the Mayor and EXCO Members, make strategic and policy decisions for the residents and businesses. The Administrative Team supervised by the Municipal Manager and the Departmental Directors are to ensure that the decisions are put into effect.

POLITICAL GOVERNANCE

INTRODUCTION TO POLITICAL GOVERNANCE

MFMA section 52 (a): The Mayor must provide general political guidance over the fiscal and financial affairs of the municipality.

In terms of Chapter 7, section 151(2) of the Constitution of the Republic of South Africa, the legislative and executive functions of a municipality are vested within its Municipal Council. The Political leadership of the Municipality exercise their executive and legislative powers and functions to govern the affairs of the Municipality. The legislative function of the Council is vested within the full Council with the Speaker as its Chairperson. The passing of policies and By-laws remain the responsibility of Council.

The Mayor: Cllr Mbuyiselwa Dume Kobeni has overarching strategic and political responsibility for Phumelela local Municipality and also represents the Municipality at ceremonial functions. He receives reports from the Municipal Manager and presents these along with recommendations to Council.

The Speaker: Cllr Topsy Zwane is the Chairperson of the Council. The Speaker presides over Council meetings ensuring that meetings are held regularly, maintaining order during Council meetings and that the rules and regulations of the meeting are adhered to. The Section 79 committees are District shared Services namely: Municipal Public Accounts Committee and Audit Committee.

The Audit Committee is an independent shared committee constituted to review the control, governance, and risk management within the Municipality. It is established in terms of section 166 of the Municipal Finance Management Act (MFMA). The Committee constitutes of members, who meet quarterly as per the schedule of meetings and provide recommendations on financial and nonfinancial processes of the Municipality.

Municipal Public Accounts Committee (MPAC) exercises oversight over the executive functionaries of Council and ensures good governance in the Municipality. Its functions include the analysis of the Annual Report, and submission of the Oversight Report on the Annual report to Council with recommendations. Once the Oversight Report has been considered and approved by Council it is published in accordance with the MFMA requirements and guidance.

PHUMELELA LOCAL MUNICIPAL COUNCIL 2021-2027

COUNCILLOR M.D KOBENI
(from November 2021)

MAYOR

Functions

- To preside during the Executive Committee meetings.
- To performs the duties, including any ceremonial functions, and exercises the powers delegated to the Mayor by the Council or Executive Committee.
- Must provide general political guidance over the fiscal and financial affairs of the municipality.
- Must take all reasonable steps to ensure that the municipality performs its constitutional and statutory functions within the limits of the municipality's approved budget.
- Provide general political guidance over the budget process and the priorities that must guide the preparation of a budget.
- Co-ordinate the annual revision of the integrated development plan in terms of section 34 of the Municipal Systems Act and the preparation of the annual budget and determine how the integrated development plan is to be taken into account or revised for the purposes of the budge.

COUNCILLOR T.R ZWANE
(from November 2021)

SPEAKER

Functions:

- To preside during the Council meeting performs the duties and exercises the powers delegated to the Speaker in terms of Section 59 of the Local Government: Municipal System Act, No 32 of 2000.
- To ensure that Council meets quarterly.
- To maintain order during the Council meetings, ensure compliance in the Council and Council committees with the Code of Conduct set out in Schedule 1.
- To ensure that Council meetings are conducted in accordance with Rules and Orders of the Council.

<table>
<tr>
<td>COUNCILLOR V THELA
(from November 2021)

</td>
<td rowspan="2">1. Cllr MD Kobeni (Please see photo above)
2. Cllr V Thela
3. Cllr D.A. Wessels
To identify the needs of the Municipality
To review and evaluate the needs of the Municipality
recommend to the Municipal Council strategies, programmes, and services to address priority needs through the INTERGRATED Development plan, and the estimates of revenue and expenditure, taking into account any applicable National and Provincial development plan.
recommend or determine the best way, including partnership and other approaches, to deliver those strategies, programmes, and services to the maximum benefit of community.
To evaluate progress against the key performance indicators
To review the performance of the Municipality in order to improve
1.economy, efficiency, and effectiveness of the Municipality
2. the efficiency of credit control and revenue and debt collections services
3. implementation of municipal by-laws
Monitor the management of the municipality’s administration in accordance with policy directions of the municipal council.
oversee the provision of services to communities in the municipality in sustainable manner
Perform such duties and exercise such powers as the council may delegate to it in terms of section 32 annually report on the involvement of communities and community organisations in the affairs of the municipality ensure that regard is given to public views and report on the effect of consultation on the decisions of the council</td>
</tr>
<tr>
<td>COUNCILLOR D.A WESSELS

</td>
</tr>
</table>

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE

Note: MFMA section 60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality

.

The **Municipal Manager** as head of the administration is responsible and accountable for tasks and **functions** as provided for in, but not limited to the Local Government: **Municipal** Systems Act, No. 32 of 2000, Chapter 8 of the Local Government: **Municipal** Finance Management Act, No. 56 of 2003.The municipal manager is appointed by council. The Municipal Manager is the link between the council and the administration, of which he/she leads. The accounting officer is responsible for the municipality's income and expenditure, assets, and other obligations such as proper adherence to all legislation applicable to municipalities. Subject to the municipal council's policy directions he ensures that an economically viable, effective, efficient, and accountable administration is established and developed, that the IDP comes to fruition, that municipal services are delivered in a sustainable and balanced fashion, that a personnel corps is appointed, managed, developed and disciplined and that sound labour relations are maintained. The Municipal Manager has to personally provide reasons to council for the way in which the financial affairs of the departments of council had been conducted, and this will be conducted with the assistance of the Finance Department.

The IDP and PMS Manager is a key Department within the Municipal Managers' office. It is responsible for the Integrated Development Plan (IDP) and Performance Management.

Senior Internal Auditor and Risk Manager are also located in the Municipal Manager's office and ensure compliance with municipal legislation. It also monitors that all departments adhere to the IDP, the municipal strategy, policies, and Risk Management in the sector.

Phumelela Local Municipality has three (3) Municipal Departments that report to the Municipal Manager. These Departments are directed by Directors who ensure that services are delivered to the people of Phumelela. However, note be taken that the Position of Director Technical remains vacant.
The Municipal Manager and his team of Directors and Managers convene weekly meetings to discuss key strategic service deliverables, progress, and guidance on achieving IDP goals, staff matters as well as the monitoring of the Municipal Budget and Projects.

The Municipal Manager and Directors, together with key managers, meet formally on a weekly basis to discuss key strategic issues which are then formulated into action plans for execution by mandated managers. The senior management team on scheduled basis engages with ExCom to accelerate issues of importance which requires a political mandate or support.

The Macro structure of the municipality is currently as reflected below.

MACRO STRUCTURE OF PHUMELELA MUNICIPALITY 2022/2023

MRS. GPN MHLONGO NTSHANGASE
Appointed as Municipal Manager from November 2023)

MUNICIPAL MANAGER

Function

- Provide strategic Direction to all 3 Directors.
- IDP
- SDBIP
- Performance Management
- Local Economic
- Tourism
- Sector Plans
- Audit Management
- Risk Management
- B2B

(Section 56)
MR NF RALEBENYA
Appointed as CFO from November 2018

CHIEF FINANCIAL OFFICER

Functions

- Revenue management,
- Expenditure management,
- Asset management,
- SCM management,
- Budget and Reporting

MR NL MAYIMANE
Appointed Director Corporate Services
From 01 January 2023

DIRECTOR: CORPORATE SERVICES

Functions

- Human Resource Management
- Legal Services
- Admin and Records Management
- Information and Communication Technology
- Customer relations
- Community Services
- Traffic management & Fleet Management
- Disaster management & Firefighting Services
- Sports, Arts and Culture
- Human Settlements

MRS. P MAHLOPHE
Acting Director Technical Services
(Appointed from November 2024)

ACTING DIRECTOR: TECHNICAL SERVICES

Functions

- Roads and Storm Water Management
- Water and Sanitation
- Refuse Removal
- Waste Management
- Electricity Management
- Town Planning, Land Use, Property Management

The total number of positions on the staff establishment is for the reporting period positions the status is as follows:

2023/2024

Positions	Number
Number of positions in the staff establishment	371
Total Number of new positions filled	8

Total number of critical vacant positions	4
Total number of vacant positions during the period	93
Section 54A position is filled and 3x 56 Manager posts have been filled for the period under review and performance agreement and employment contract signed. The performance agreement is signed on an annual basis.	2
Vacant Section 56 Position	1

The Municipality has Temporary appointment created.

- 60 short term appointments created through EPWP, the municipality did receive the funding for 2024/2025 amounted to R 1 234 000.

Meeting the requirements for Political and Administrative Governance

This section reports on how the municipality met requirements of participation, rule of law, transparence, responsiveness, consensus, equity/inclusiveness, effectiveness/efficiency, accountability, and sustainability with regard to handling its governance mechanisms/structures.

Sustainability

Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources.

Productivity

The municipality's political and administrative governance structures remained productive throughout the financial year (2023/2024) and complied well with legislative requirements. The following meetings were held:

Table 10: Council and ExCom Meetings held and attended in 2023/2024

Meetings	2021/2022	% Attendance	2022/2023	% Attendance	2023/2024	% Attendance
Executive Committee Meetings	2	100%	4	100%	9	100%
Special Executive Committee Meetings	0	0%	0	0%	1	1000%
Council Meetings	7	99.9%	7	95%	10	95.5%
Special Council Meetings	6	100%	7	90%	8	90%

Table 11 Ward Committee Meetings held in 2023/24

Ward Committee	Chairperson	Number of Meetings
Ward 1,	Cllr S.O Magubane	7
Ward 2,	Cllr V.P Mahlaba	6
Ward 3,	Cllr M.D Kobeni	6
Ward 4,	Cllr K.A Sibeko	9
Ward 5,	Cllr L.L Molefe	6
Ward 6,	Cllr T.P Tsotetsi	7
Ward 7,	Cllr B.A Motsoeneng	6
Ward 8	Cllr V Thela	6

53 Ward Committee Meetings were held in 2023/2024

Table 12: Audit Committee Meetings and Attendance

Members	Position	25/04/2024 Ordinary Meeting	20/06/2024 Ordinary Meeting	26/08/2024 Ordinary Meeting	29/08/2024 Special Meeting
Mr S.A Dube CA(SA)	Audit & Performance Committee Chairperson	✓	✓	✓	✓
Mr. H. Maritz	RMC Chairperson	✓	✓	✓	✓
Mrs . S. Makhathini CA(SA)	Member	✓	✓	✓	✓
Mr. P.T Tshitannye	Member	✓	X	✓	✓
Ms. G.M Mogodi	Member	✓	✓	✓	X

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should at a minimum meet 4 times per annum as per the approved terms of reference. In the year under review (2023/2024), Three (4) meetings were held.

Name of member and Number of meetings attended

Mr S.A Dube CA (SA) (Chairperson) 4 meetings attended
Mrs. S. Makhathini CA (SA) (Member) 4 meetings attended
Mr. P.T Tshitannye (Member) 3 meetings attended
Ms. G.M Mogodi (Member) 3 meetings attended
Mr. H. Maritz (RMC Chairperson) 4 meeting attended

MPAC Committee

MPAC exercises oversight over the executive functionaries of council to ensure good governance in the municipality and this includes oversight over municipal entities. The Oversight Committee met on the following dates:

- 19 March 2024
- 19 June 2024
- 17 September 2024

Accountability, Transparency and Rule of Law

Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law. Transparency means that stakeholders are provided with information on decisions taken that directly affect them. Rule of law means that legal frameworks are enforced impartially.

The municipality's political and administrative governance structures are held accountable through various measures all of which are adhered to by the Phumelela Municipality.

Table 13: Governance Structures and Accountability Measures

Governance Structure	Measure of Accountability
Council	To approve the budget and encourage culture of community participation to community. Ensure that administration provide support to Council and to approve policies and by-laws
Executive Committee (EXCO)	To present strategic plan to council and make recommendations to council
Ward Committees	To assist the Ward Councilors with community needs and make recommendations to Council. They also serve as link to Council and residents
Portfolio Committees	Monitors municipal service delivery and budget implementation. Discuss matters affecting portfolio and submit reports to EXCO
MPAC Committee	The Oversight Committee serves as an oversight committee - to determine the institutional functionality of the Municipal Council in terms of effectiveness. An Oversight Report is tabled to Council

Governance Structure	Measure of Accountability
The municipality reports its annual performance and financial statements to the Auditor General	The Auditor General delivers an AG Report and expresses an audit opinion
The municipality reports its financial status and performance to its communities annually	The approved Annual Report is made available to the public
Municipal structures, employees, operations, procedures, and processes are ruled by legislation	Policies, Bylaws, Legislation, Regulations and Codes are available
Worker Representative Unions represent employees on organizational structures and observe the legality of labour practices procedures and processes	Unions serve as link between administration and labour. They assist labors in term of unfair labour practice by employer
Internal Auditing ensures the management of risk exposure and monitors adherence to legislation	The unit identifies municipal risk and generates a Municipal Risk Register Audit Committee reports are generated and tabled to Council
The Audit Committee is responsible for the oversight of internal controls, financial reporting and Compliance with regulatory matters.	Audit Committee approves the Internal Audit Plan and reports to Council
Community participation in the development of Policies and Strategies	Participative processes are scheduled
IDP and Budgeting Participation	Participative processes are ensured with a Council approved Process Plan
Performance Management Committee	An evaluation panel, established in terms of Section 6.6 of the Performance Agreement evaluates the performance of employees. Performance Agreements are signed on acceptance.
Organizational and Service Delivery Performance reporting to Council	Quarterly Performance Reports on the SDBIP are tabled to Council
Municipal Website promotes transparency	The municipality website has since not been functional due to budgetary constraints, the municipality relied on office of the premier to update the municipality information with the office of the premier which was not effective. The municipality is currently in the progress to source funding to operate its own website and all mandatory information will be place in the website as per section 75 of the MFMA.

Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal. In this instance, those governance structures and processes that ensure that the community needs are met, with the best use of resources

Table 14: Governance Structures and Measures of Effectiveness and Efficiency

Governance Structure	Measure of Effectiveness and Efficiency
Portfolio Committees monitors municipal service delivery and budget implementation	Quarterly Reporting to Council on the SDBIP

Executive Committee ensures the mid-term assessment of performance, spending and budget	Mid-Term Assessment Report tabled to Council Adjustment Budget Tabled to Council if needed Adjusted SDBIP tabled to Council if needed
Audit Committee ensures oversight of internal auditing and risk management processes	Internal Audit Plan Audit Committee Reports tabled to Council Risk Register Number of fraud cases reported, and losses recovered
Performance Management Committee	The performance Management System is designed to reward superior performance. This linking increase overall organizational motivation and efficiency by focusing the executive management on the successful implementation of the IDP and Budget.)

Equity and Inclusiveness

Society's wellbeing depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.

The political and administrative governance structures of Phumelela Municipality reflect equitable representation of the area's population structure. Different Political Parties are well-represented in Council.

.Consensus orientated

Good governance requires mediation of the different interests in society. To be consensus orientated means striving towards reaching a broad consensus on what is in the best interest of the whole community and how this can be achieved.

Consensus on what is in the best interest of the whole community and how it can be achieved is a process that unfolds through the municipality's scheduled, consultative IDP, Budgeting and Ward Based Planning processes

Responsiveness

Responsiveness means that institutions and processes try to serve all stakeholders within a responsible timeframe.

The governance structures of Phumelela Municipality mainly adhere to set Council schedules, process plans approved by Council and reporting cycles determined by Provincial and National Government spheres. This is monitored through administrative compliance monitoring and oversight by the Audit Committee.

Participation

Participation can be direct and/or through legitimate intermediate institution or representatives.

Community participation in the governance structures of the Phumelela Municipality is mainly achieved through the Ward Committees System and consultative meetings with the community and sectors in the scheduled IDP/Budget process. Community Participation in the development of Policies and Strategies has otherwise been achieved through scheduled consultation sessions and/or workshops and/or through website uploads for community review and comments.

Table 15: Website Uploads for Community Review and Comments 2023/2024

Municipal Website: Content and Currency of Material		
Documents published on the Municipality's Website	**Yes/No**	**Publishing Date**
Current annual and adjustment budgets and all budget related documents	Yes	Loaded unable to provide the exact date – Function not enabled
All current budget related policies	Yes	Loaded unable to provide the exact date - Function not enabled
The previous annual report	No	Nothing on the website
The annual report (2020) published / to be published	Yes	
All current performance agreements required in terms of section 57 (1)(b) of the MSA (2020) and resulting scorecards	No	Nothing on the website
All service delivery agreements	No	Nothing on the website
All long-term borrowing contracts	No	Nothing on the website
All supply chain management contracts above a prescribed value	Yes	Loaded unable to provide the exact date - Function not enabled
Information statement containing a list of assets over a prescribed value that have been disposed of its section 14(2)	No	Nothing on the website
Contracts agreed in 2019 to which subsection (1) of section 33 apply, subject to subsection (3)	No	Nothing on the website
Public private partnerships agreements referred to in section 120 made in 2020	No	Nothing on the website
All quarterly reports tabled in the council in terms of section 52 (d) during 2020	No	Nothing on the website

The municipality website has since not been functional due to budgetary constraints, the municipality relied on office of the premier to update the municipality information with the office of the premier which was not effective. The municipality is currently in the progress to source funding to operate its own website and all mandatory information will be place in the website as per section 75 of the MFMA.

B. INTER-GOVERNMENTAL RELATIONS

The Municipal Systems Act, Section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Constitution Section 41.

Phumelela municipality strives to uphold its legislative authority and co-operative governance as required by the Constitution and other relevant legislation. In doing so, the Municipality maintains good co-operative and inter-governmental relations with the district municipality, neighboring municipalities, Provincial and National Government and other government agencies. Maintaining good relations with other spheres of government makes it possible to benefit from the various contributions to service delivery offered by government, by aligning municipal planning to the development objectives and targets of provincial and national sector departments.

Such contributions include various grants, skills development, and capacity building rollouts which strengthen local government in its quest to improve service delivery.

2.3 INTER-GOVERNMENTAL RELATIONS

Phumelela Municipal staff and Management attends various engagements / sessions in - upholding good inter-governmental relations for the purpose of good governance, government - collaborated strategic direction, aligned planning, reporting, legislative compliance, accountability and Phumelela's participation in government programs and rollouts to benefit development of our Administration, local area, and communities. The table below illustrates the numbers of engagements held in the province and district to which municipal officials were invited and therefore attended to enhance institutional capacity and access relevant dire funds or support which are sometimes offered at these engagements of government.

Table 16: IGR Engagements by Phumelela Municipality.

IGR ENGAGEMENTS FOR THE OFFICE OF MUNICIPAL MANAGER			
MEETING	**ATTENDED BY PHUMELELA MUNICIPALITY**	**HOSTED IN**	**DATE**
PROVINCIAL MECLOGA	Municipal Manager	Bloemfontein Bloemfontein	25/01/2024 30/04/2024
DISTRICT IGR	Municipal Manager	TMDM	19/06/2024

Inter-Governmental Relations engagement were held in 2023/2024

LED ACTIVITIES

Date	Name of Department	Meetings /Workshop/ Trainings/Session	Hosted where	Responsible person
14 June 2024	Stakeholder engagement meeting with Phumelela LM Management and LED Officer	Invitation by Phumelela Local municipality management	Phumelela Local Municipality – Council Chamber, Vrede	**LED OFFICER**
20 August 2024	LED OFFICER	Registration of new companies	Ezenzeleni Public Library	**LED OFFICER**
22 August 2024	LED OFFICER	Registration of new companies	Online registration	**LED OFFICER**

16 August 2024	LED OFFICER	Establishment of LED Forum	Warden Town Hall	**LED OFFICER**
20 August 2024	LED OFFICER	Waste pickers meeting and BGK Solutions	Blue house boardroom	**LED OFFICER**
21 August 2024	LED OFFICER	Waste pickers meeting, BGK and Phumelela officials	Vrede Landfill site	**LED OFFICER**
29 August 2024	LED OFFICER	NHBRC Briefing session	Ezenzeleni Public Library	**LED OFFICER**
15-18 October 2024	LED OFFICER	NHBRC Training	Ezenzeleni Public Library	
24 October 2024	LED OFFICER	Establishment of LED Forum	Zamani Community Hall	
04 December 2024	LED OFFICER	Public participation on business licensing	Zamani Community Hall	
04 December 2024	LED OFFICER	Public participation on business licensing	Mhlabunzima Memorial Hall	
05 December 2024	LED OFFICER	Public participation on business licensing	Ezenzeleni Community hall	
21 November 2024	Stakeholders engagement, Phumelela Management and LED officials	Spazashops operation hlasela	Vrede, different spazashops	
06 December 2024- 28 February 2025	LED OFFICER	Registration of spazashops	Vrede,Warden and Memel	
23 December 2024	Stakeholders engagement,Phumelela Management and LED officials	Spazashoops operation hlasela	Warden, different spazashops	

C Public Accountability and Community Participation

Sustainability

Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources

Ward Committees as a governance structure promotes public accountability and strengthens community participation. The Ward Committee System is fully institutionalized and capacitated within the Phumelela Municipality.

Table 17: Ward Committees and Chairperson in 2023/2024

Ward Committee	Chairperson
Ward 1,	Cllr S.O Magubane
Ward 2,	Cllr V.P. Mahlaba
Ward 3,	Cllr M.D Kobeni
Ward 4,	Cllr K.A. Sibeko
Ward 5,	Cllr L.L Molefe
Ward 6,	Cllr T.P Tsotetsi
Ward 7,	Cllr B.A Motsoeneng
Ward 8	Cllr V Thela

Accountability

Accountability is a key requirement of good governance. Accountability cannot be enforced without transparency and the rule of law.

Community Participation in the Development of Legal Frameworks and Directives

The table below indicates the dates on which Phumelela Municipality consulted with the community in the development of Municipal directives and documents in 2022/23, as advertised on the municipal website.

Table 18: Website Uploads for Community Review and Comments

WEBSITE UPLOADS FOR COMMUNITY REVIEW AND COMMENTS	
MUNICIPAL DIRECTIVE & ACTION	DATE
Inspection of valuation roll	Loaded unable to provide the exact date - Function not enable
Tabling of Draft Annual Report 2023/2024	Loaded unable to provide the exact date - Function not enabled
Municipal Budget, Integrated Development Plan, Policies, and determination of tariffs for the financial year: 01 July 2022 to 30 June 2023	Loaded unable to provide the exact date - Function not enabled
IDP open for comment	Loaded unable to provide the exact date - Function not enabled
Amendments of tariffs	Loaded unable to provide the exact date - Function not enabled

The municipality website has since not been functional due to budgetary constraints, the municipality relied on office of the premier to update the municipality information with the office of the premier which was not effective. The municipality is currently in the progress to source funding to operate its own website and all mandatory information will be place on the website as per section 75 of the MFMA. The Information and Communication Technology (ICT) section struggle to receive timely submissions from colleagues

Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal.

Equity and Inclusiveness

Society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.

Table 19: Ward Committee - Outreach Programs in 2023/2024

DATE	TOPIC	PURPOSE / TARGET
30 July 2024	Smart metre education	• People and stakeholders were educated by Eskom and the municipality on how smart metre is working to save electricity
30 September 2024	Indigent registration	• To inform people qualifying for indigent in the municipality
05 November 2024	Community meetings	• Informing community about the allocation of sites
06 November 2024	Community Work Programme	• Informing community about the changes that will take place in CWP in terms of the age restrictions and number needed in every site
05 December 2024	By-Laws Education	• Informing all Spaza Shop regarding the new By-Laws on Township economic
06 December 2024	Food inspection	• Visiting all Spaza Shops to check or inspect as to whether their food has not reached expiry dates. This was done in partnership with CPF and District Enviromental Practioner.
23 August 2024	Housing and Sites registration	• The process was to assist people who are in need of sites and housing.
04 December 2024	Small Business Registrations	• Small Businesses were called to get information on how to start a business
N/A	N3TC Database	• To register all small businesses who want to participate at N3 businesses and to do sub-contracting
N/A	Smart metre education	• To educate the community with saving electricity for winter season.
N/A	ID Campaign	• To assist people without ID to register themselves
30 November 2024	Mayoral Cup	• To keep young people healthy and active in sports and help curb the scourge of substance abuse among youth.

28 June 2024	Training of Youth in Business	• To equip youth in business with the requisite skills to run their business and to assist them to apply for funding from NYDA.
7-9 March 2024	Youth Expo Design	• All Designers took an initiative in partnership with municipality ward committees and stakeholders to show their talents
14 June 2024	GBVF Training	• Training community and awareness on GBVF
N/A	Human rights dialogue	• The project aims to educate people about their rights, develop the capacity of key institutions to protect human rights, promote public dialogue on human rights
N/A	Coach for life Training	• To equip youth with general life skills
N/A	NSFAS application	• To assist grade 12 learners with online applications for NSFAS.

Consensus orientated

Good governance requires mediation of the different interests in society. To be consensus orientated means striving towards reaching a broad consensus on what is in the best interest of the whole community and how this can be achieved.

Table 20: IDP Community Input Meetings in 2023/2024

Date	Time	Venue	Attendance
12 February 2024	15:00	Vrede Council Chamber	28 People
13 March 2024	10:00	Warden Town hall	14 People
	14:00	Warden Town Hall	50 People
14 February 2024	10:00	Ezenzeleni Community Hall	168 People
	14:00	Ezenzeleni Community Hall	78 People
15 April 2024	14:00	Rep Forum	33 People
16 April 2024	10:00	Memel Community Hall	27 People
	15:00	Zamani Community Hall	112 People
17 April 2024	10:00	Warden Side Hall	30People
	14:00	Ezenzeleni Community Hall	149People

Date	Time	Venue	Attendance
18 April 2024	10:00	Vrede Council Chamber	34 People
	14:00	Mhlabunzima Memorial Hall	142 People

Transparency

Transparency means that stakeholders are provided with information on why decisions were made that directly affect them.

Table 21: Ward Committee – Community (Feedback) 2023/24

Public Meetings						
Nature and Purpose of meeting	**Date of events**	**Number of Participating Municipal Councilors**	**Number of Participating Municipal Administrators**	**Number of Community Members attending**	**Issue addressed (Yes/No)**	**Dates and manner of feedback given to community**
Report back to the community and give new developments. Agenda 1. IDP Budget	N/A	04	02	67	Not completely addressed	Those pending are still to be addressed
Report back to the community and give new developments. Agenda 1. Department of water and Sanitation	N/A	05	02	258	Yes	
IDP Consultation with Local Stakeholders	N/A	04	04	42	Yes	
Report Back to the community	N/A	05	4	234	Yes	
Report back to the community and give new developments. Agenda 1. Sites 2. High mass Lights 3. ID campaign 4. Indigent Launch	N/A	03	3	283	Yes	
Report back to the community and give new developments. Agenda 1. Human settlement Meeting	N/A	02	4	423	Yes, some of issues	
Report back to the community and give new developments. Agenda 1. Electricity 2. Fuduwa 3. IEC	N/A	02	03	211	Yes	

Public Meetings						
Nature and Purpose of meeting	**Date of events**	**Number of Participating Municipal Councilors**	**Number of Participating Municipal Administrators**	**Number of Community Members attending**	**Issue addressed (Yes/No)**	**Dates and manner of feedback given to community**
Agenda 1. IDP Budget Roadshow	N/A	2	3	314	Yes	
Agenda 1. N3TC Warden to Villiers Rehabilitation Project	N/A	08	05	346	Yes	

Rule of Law

Rule of law means that legal frameworks are enforced impartially.
The internal audit unit is responsible to ensure impartial enforcement of legal frameworks within the municipality.

D. Corporate Governance

Sustainability

Sustainability is the capacity to endure. How systems remain diverse and productive over time. It is the potential for long-term improvements, which in turn also depends on the responsible use of natural resources.

Risk Management

Section 62 of the Municipal Finance Management Act (MFMA), no. 56 of 2003, states that the Accounting Officer should take all reasonable steps to ensure that the municipality has and maintains effective, efficient, and transparent systems of financial and risk management and internal control as well as the effective, efficient, and economical use of the resources of the municipality.

Risk Universe

Risk Management is a systematic process to identify, evaluate and address risks on a continuous basis before such risks can impact negatively on the institution's service delivery capacity.

MFMA, section 62 (1) (c) (i) states that the Accounting Officer of a municipality is responsible for the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems off financial and risk management and internal control.

S 78 and 105 further assign the responsibilities to other officials to ensure requirements as per S62(1)(c) and S95(c)(1)"

Based on the above mandate, the Executive Managers who support the Accounting Officer in this function, perform the same at a cluster level which then get amalgamated and reported in a coordinated manner at the strategic level by the Accounting Officer.

Standard 2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- Organizational objectives support and align with the organization's mission.
- Significant risks are identified and assessed.
- Appropriate risk responses are selected that align risks with the organization's risk appetite.
- Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organization's risk management processes and their effectiveness. Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

Treasury Regulations section 3.2.1 further prescribes that the Accounting Officer must ensure that a risk assessment is conducted regularly to identify emerging risks of the institution. A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all officials to ensure that the risk management strategy is incorporated into the language and culture of the institution.

IDP Objectives and Approach

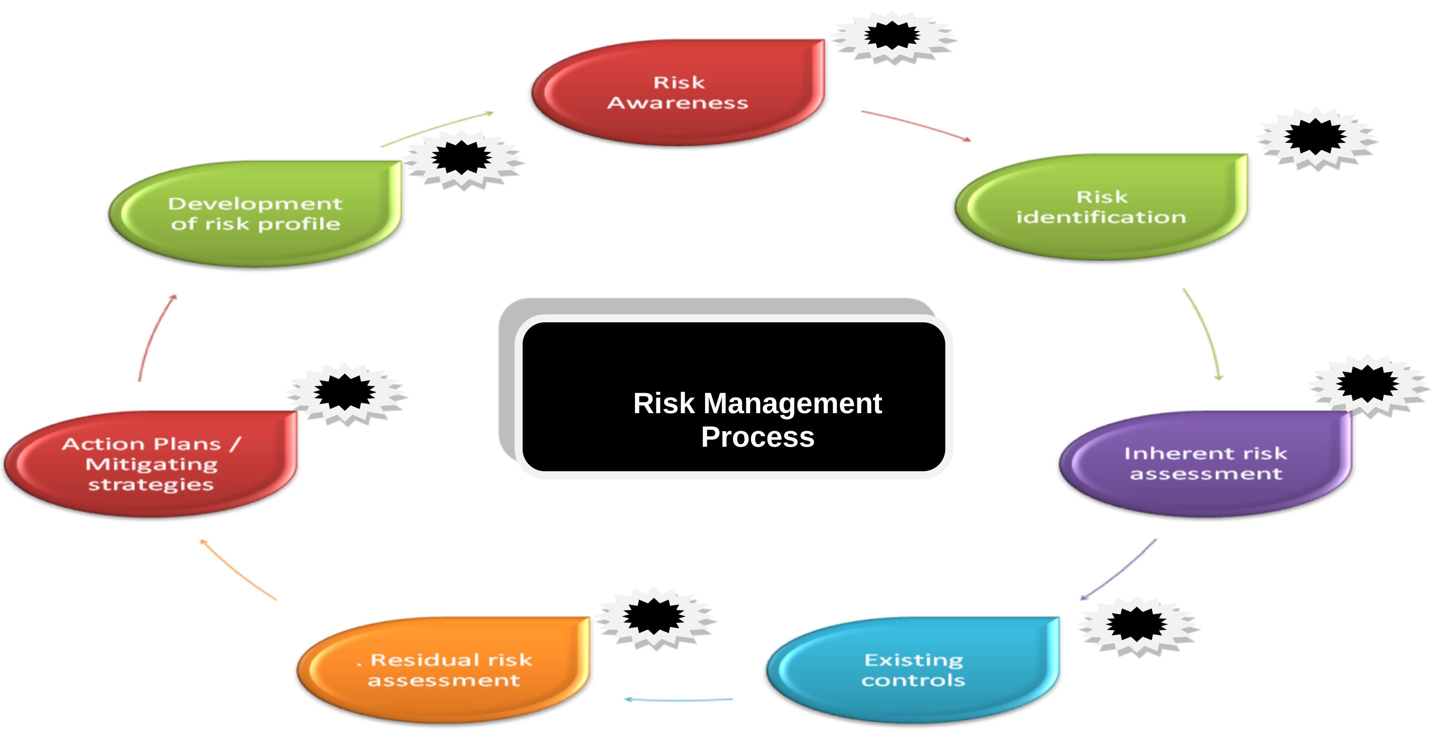
Integrated Development Plan (IDP), Public Sector Risk Management Framework and Risk Management Strategy, AG(SA) – Audit report were used as a guide in this phase to aid in the identification and assessment of risks for the Municipality measurable objectives as stated in the SDBIP of the Municipality.

All Directorates are responsible for the IDP plan stated below:

- SR1 - Infrastructure development and basic service delivery
- SR2 - Financial Viability Management
- SR3 – Local Economic Development
- SR4 - Good governance and public participation
- SR5 – Institutional development and transformation.

The identification of risks is aligned to the above IDP objectives in ensuring that planned strategic activities are achieved.

Risk Management Process Followed



1 Risk Awareness

Risk Management Process The Institution's internal environment is the foundation of risk management, providing discipline and structure for Risk Management to function and mature.

2 Risk Identification

IA unit facilitated with the different directorates, for the identification and assessment

3 Risk Assessment

The residual risk rating was the point of departure. Internal Audit identified existing controls aimed at minimizing the inherent risks. In the event where controls are not in place it was indicated as such and thereafter the risks were rated again to get the Residual Risk Magnitude.

a) Risk Rating Technique

The following risk rating guide was used as identified in the municipality's risk management strategy:

Inherent Risk Exposures (Impact X Likelihood)

Risk Rating	Inherent Risk Magnitude	Response
15 – 25	High	Unacceptable level of risk – High level of control intervention required to achieve an acceptable level of residual risk.
8 – 14	Medium	Unacceptable level of risk, except under unique circumstances or Conditions – Moderate level of control intervention required to achieve an acceptable level of residual risk.
1 – 7	Low	Mostly acceptable – Low level of control intervention required, if any.

Residual Risk Exposures (Impact X Likelihood)

Risk Rating	Inherent Risk Magnitude	Response
15 – 25	High	Unacceptable level of residual risk – Implies that the controls are either fundamentally inadequate (poor design) or ineffective (poor Implementation). Controls require substantial redesign, or a greater emphasis on proper implementation.
8 – 14	Medium	Unacceptable level of residual risk – Implies that the controls are either inadequate (poor design) or ineffective (poor implementation). Controls require some redesign, or a more emphasis on proper implementation.
1 – 7	Low	Mostly acceptable level of residual risk – Requires minimal control improvements.

Risk Rating:

High	15-25
Medium	8-14
Low	1-7

Risk Mapping that the Municipality will use to plot risks:

	Almost Certain	5	10	15	20	25
	Likely	4	8	12	16	20
LIKELIHOOD	**Moderate**	3	6	9	12	15

	Unlikely	2	4	6	8	10
	Rare	1	2	3	4	5
		Insignificant	**Minor**	**Moderate**	**Major**	**Catastrophic**
		IMPACT				

Risk Analysis

The risks identified below represent the Top Risks that are managed at a strategic level for the current financial year. Treatment plans have been developed to address root causes reflected per the risk profile.

The risk profile specifically details risk exposures faced by the institution in delivering basic services to the stakeholders within the Phumelela Municipal Area (PMA).

Below is a list of all the high residual (red) risks that were identified.

Objectives	Risk Threat	Root Cause	Mitigation	Consequences	Comment
Financial viability and management ***HIGH***	Over reliance on grants for sustainability.	1, Lack of plans to source/secure additional income, 2, low economic base, 3, unsustainable municipality	Increasing indigent registration through ward committees.	1, Failure to sustain service delivery; 2, Non-achievement of council's objectives.	In progress
	Under Collection of revenue.	1, Inaccurate billing. As a result of Consumers not being adequately billed. 2, Undelivered statement of accounts. 3, Late distribution of accounts 4, Insufficient collection point. 5, Lack of human capacity (Cashiers close during lunch breaks) 6, Ineffective implementation ofcredit control policy.	Implementation of cost reflective tariffs. Data Cleansing outreach program to ensure adequate billing. Continuous Implementation of cost containment regulations.	1, Loss of revenue. 2, Negative impact on cash flow. 3, Negative Impact on service delivery 4, Negative impact on the Goodwill of the institution	In progress
	Negative Cash Flow.	1, Under/over billing, 2, Malfunctioning of meters, 3, Non billing, 4, Unregistered indigents 5, Accounts averaged for more than three months.	Procuring of new meters. Registration of new consumers	1, Constrained cash flows, 2, High level of debtors' impairment.	Not Achieved
Infrastructure development and basic service delivery ***HIGH***	Deterioration of roads and storm water	1, Lack of upgrading of the infrastructure; 2, Degrading of storm-water channels. 3. Unwarranted use of storm-water channels. 4, Lack of maintenance plans	Maintenance of the infrastructure.	1, Litigation and damage to property.	In progress
Institutional development	Excessive overtime payment/bill	1, Lack of control and monitoring of overtime. 2, Aging Infrastructure.	Phase out overtime.	1, Increase salary bill - Negative cash flow.	In progress

and transformation ***MEDIUM***		3, Shortage of staff	Implementation of working schedules.		
	Desperate HR Systems resulting in excessive disparities the impede development	1, Employees not placed at the correct level - Incorrect salary scales. 2, Incomplete Job evaluation process.	Complete the job evaluation process.	1, Increase salary bill - Negative cash flow.	Not Achieved
	Institutional Memory	1, Loosing key personnel in key positions, i.e. through resignation and/or end of contract. 2, Change Management.	Implement the retention management strategy.	Business Interruptions.	In progress
Local Economic development ***HIGH***	Outdated LED Strategy	Capacity constraints - Shared with the district and COGTA.	Get COGTA and other Stakeholders on board	Non-compliance with Local Economic Strategic agenda/Non-compliance with the act	In progress
	Non attraction of investment opportunities	1, Geographical placement of PLM. 2, Non appealing entrances to town 3, Predominant poor society within PLM 4, Infrastructure decay, and 5, Degeneration of Business	Revamping the town – get stakeholders on board.	Increase in unemployment within PLM.	Overdue
Good governance and public participation. ***MEDIUM***	Non-alignment of the IDP, budget and SDBIP and new staff regulations.	Inadequate budgeting and revenue collection.	Stakeholder consultations.	1, Qualification with regards to audited performance information. 2, Inability to achieve IDP objectives. 3, Negative impact on service delivery. 4, Noncompliance to the MSA	In progress
	IDP objectives don't change.	Lack of Institutional Capacity			

Materialised and Emerging Risks.

The risk profile is reviewed and monitored for relevance as and when emerging and materialised risks are identified as well as when opportunities are realised.

For this reason, the following risks continue to be a subject of intense discussion at the Executive and MANCO Meetings:

1qMaterialised Risks

Materialised Risk-1: Financial Sustainability	
Current state	• Zero Cash Reserves • Declining cash position • Declining collection rates impacted by Customer's inability to pay for services • Huge water losses compounded by loss in sales • Unaffordable tariff structures • Extraneous non-essential expenditure
Mitigation Response	The response plans have been captured. Some stringent austerity measures have been highlighted to stabilise the outflow of cash by compiling a budget for the 2023/2024 financial year which is cash backed (Budget funding plan).

Emerging Risks

Emerging Risk-1: AG Audit findings - Repeat findings.	
Current state	Repeat findings, compliance issues relating to internal controls deficiencies: • Compliance and SCM (Procurement and contract management) • Going Concern • Asset Valuations
Mitigation Response	The Treasury Cluster has embarked on the following action plans: ➢ Engaged with Line Departments in formulating the action plans that address the root causes and continues to follow up on the implementation and provide support when it is deemed necessary. ➢ Provided inputs on strategies to be implemented in relation to consequence management. ➢ Sensitized Unit Heads and other responsible officials on the importance of compliance through conducting workshops and re-issuing of circulars.

2.5 Anti-Corruption and anti-fraud

"Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury."

Phumelela Local Municipality has a ***ZERO TOLERANCE*** to Fraud and Corruption and thus has the intent to promote consistent organizational behaviour by providing guidelines and assigning responsibilities for the development of controls and conduction of investigations relating to fraud and corruption. The fraud prevention strategy and policy are such documents designed to align Phumelela Local Municipality to the national priority of combating fraud and corruption. Anti-Corruption and Fraud

Section 62 (1) (c) (i) of the Municipal Finance Management Act (MFMA), no. 56 of 2003, states that the Accounting Officer should take all reasonable steps to ensure that the municipality has and maintains effective, efficient, and transparent systems of financial and risk management and internal control as well as the effective, efficient, and economical use of the resources of the municipality. Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identifies supply chain measures to be enforced to combat fraud and corruption, favouritism, and unfair and irregular practices. Section 115(1) of the MFMA states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud. In terms of fraud preventative arrangements, Phumelela Municipality has instituted:

- The promotion of an ethical culture
- Provision of training to employees
- Adoption of a policy on fraud and anti-Corruption
- Provision of physical security for municipal buildings and
- Procedures of employee vetting - executed before employees are appointed

a) Developed Strategies

Table 24: Strategies: Anti-corruption and Anti-fraud

Name of Strategy	Developed Yes/No	Adopted/Reviewed
Anti-Fraud and Anti-Corruption Policy	Yes	Yes
Anti-Fraud and Anti-Corruption Strategy	Yes	Yes

The structural strategies according to the Anti-Fraud and Anti-Corruption Strategy and implementation plan include the establishment of an Anti-Fraud and Anti-Corruption Committee that will oversee the approach of the Municipality approach to fraud prevention, fraud detection strategies and response to fraud and corruption incidents reported by employees or other external parties. The Section 79 Finance Committee

Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society, while making the best use of resources at their disposal.

MPAC Committee

Phumelela Local Municipality has established its own Municipal Public Accounts Committee (MPAC), as recommended by the MSA 1998 section 79 (1)(a) and (b) with sub-section (2) detailing the framework and guidelines within which the committee of council shall operate.

The MPAC, consisting of Seven (6) members appointed to strengthen and provide oversight within the municipality, in terms of the provision of S79 of the Local Government Municipal Structures Act 117 of 1998. MPAC is a committee of Council, and its meeting schedule is therefore developed and managed in such manner.

1. Cllr KA Sibeko (Chairperson)
2. Cllr JN Kemp
3. Cllr NJ Mokoena
4. Cllr VP Mahlaba
5. Cllr S. Magubane
6. Cllr L Molefe

The MPAC Committee primary responsibility is to exercise oversight as delegated by council, promote transparency, public accountability and ensure good governance in the Municipality in terms of section 53 and 59 of the Local Government: Municipal Systems Act, 32 2000.

Equity and Inclusiveness

Society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society. This requires all groups to have opportunities to improve or maintain their well-being.

Phumelela Municipality has a fully functional Supply Chain Unit. The Phumelela Supplier Database has been updated in terms of supplier information in 2023/2024, as to minimize the risk of supplier duplication.

Transparency

Transparency means that stakeholders are provided with information on why decisions were made that directly affect them.

Municipal Website

The municipality website has since not been functional due to budgetary constraints, the municipality relied on office of the premier to update the municipality information with the office of the premier which was not effective. The municipality is currently in the progress to source funding to operate its own website and all mandatory information will be place on the website as per section 75 of the MFMA.

Rule of Law

Rule of law means that legal frameworks are enforced impartially.

The impartial enforcement of legal frameworks is ensured by Phumelela Municipality through the adoption and application of municipal policies and bylaws, of which the following have been adopted in 2023/24:

Table 25: Policies and Bylaws Adopted

POLICY	COUNCIL RESOLUTION
• Assessment Management Policy • Phumelela Municipality Fraud Prevention Police • Phumelela Municipality Risk Management Policy • Attendance and Punctuality Policy • Bursary Scheme for community members policy • Communication and strategy policy • Incapacity policy • Internal Bursary Policy • Leave policy. • Occupational Health and Safety Policy • Recruitment and placement policy • Training and Development policy • Subsistence and travelling policy. • HR Policy and procedure manual	18/08/2023 27/06/2024 27/06/2024 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017
BY-LAWS ADOPTED	**COUNCIL RESOLUTION**

• Standard Commonage • Standard Delegation of powers • Encroachment policy • Fire and Emergency services • Ward committee • Waste Management • Water Restriction • By-law on Promulgation of Water Services intermediary and provision of water and sanitation services to residents on privately owned land • Street Trading • Impounding of Cattle	28/01/2022 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 28/01/2022 28/01/2022

COMMENT ON BY-LAWS:

Note: MSA 2000 s11 (3) (m) provides municipal councils with the legislative authority to pass and implement by-laws for the betterment of the community within the terms of the legislation.

Number of consultative meetings and roadshows were conducted to both the communities and sector meetings. The intention was to invite inputs on the new bylaw and to introduce a new practise in terms of land application. The bylaw was adopted with the tariff structure and clearly defined delegations of powers. In order for the municipality to ensure fully compliance the following issues needs to be addressed:

Appointment of the Town Planner

Appointment of the Municipal Planning tribunal

Subsequent to the appointment of the above-mentioned role-players. The municipality will then decide on the enforcement.

Participation

Participation can be direct and/or through legitimate intermediate institution or representative.

CHAPTER 3

ORGANISATIONAL DEVELOPMENT PERFORMANCE

COMPONENT A: MUNICIPAL WORKFORCE

Number of Employees

The following reflects the number of staff per category for the last three financial years:

Table 26: Staff per category should be the same as the one on top.

Category	No of Employees (2020/21)	No of Employees (2021/22)	No of Employees	No of employees (2023/24)
Legislators, senior officials, and managers	32	32	31	26
Clerks support workers and service and sales	51	52	49	79
Professionals and Technicians and associate	5	5	5	41
Craft and related trade workers	0	0	0	0
Elementary occupations	204	204	192	146
Total:	**292**	**293**	**277**	**292**

Table 27: Staff Category per Directorate

Directorate	Total	Legislators, Senior Officials and Managers	Clerks	Technicians and Associate Professionals	Craft and related Trade Workers	Elementary Occupations
Legislators	26	15	11	0	0	0
Technical Services	142	0	1	4	0	137
Finance	31	6	25	0	0	0
Corporate Services	67	3	9	0	0	55
Municipal Manager Office	10	6	3	1	0	0
Total: 2021/2022	**293**	**32**	**52**	**5**	**0**	**204**
Total: 2022/2023	**277**	**31**	**49**	**5**	**0**	**172**
Total: 2023/2024	**277**	**31**	**49**	**5**	**0**	**172**

Personnel Services

Personnel Services form an integral part of the Corporate Services departments and Phumelela Municipality's service delivery success. Professionalism and operational efficiency are of utmost importance, especially on the management of the department and how it functions. The department is responsible for the key areas discussed below.

Recruitment and Selection

1. Mrs. GPN Mhlongo – Municipal Manager
2. Mr. NF Ralebenya – Chief Financial Officer
3. Mr. ML Mokoena – Director Technical Services.
4. Ms.LE Ncala – Financial Accountant
5. Ms. X Shongwe – Demand Officer
6. Ms. SM Sibilwane – Snr Creditor Clerk
7. Mr SM Masoeu – PMU Technician

Employee Wellness

Phumelela Municipality has a Human resources section that drives the Employee Wellness Program attending to employees' social, mental, and physical health needs.

Some of the interventions by the department include:

- Free medical tests by medical fund institutions.
- Debt counselling, garnishee orders and financial planning sessions; and
- Promotional Health Talk on Circumcision.

Vacancy Rate

The vacancy rate decreased from 26.95% to 25.07% in the 2023/24 financial year.

Table 30 Vacancies per Job Category 2023/24

Directorate	Total	Legislators' senior officials' managers	Clerks	Technicians associate professionals	Craft ad related trade workers	Elementary occupations
Technical Services	66	0	1	9	0	56
Chief Financial Officer	9	6	3	0	0	0
Corporate Services	19	1	2	13	0	3
Municipal Manager's	4	3	1	0	0	0
Total:2023/2024	**98**	**10**	**7**	**22**	**0**	**59**
Total:2022/2023	**98**	**10**	**7**	**22**	**0**	**59**
Total:2021/2022	**90**	**8**	**7**	**22**	**0**	**53**

Occupational Health and Safety

The department is also responsible to ensure that operations and activities within the municipality comply with the provisions of the Occupational Health and Safety Act, 1993 as well as the different Regulations promulgated in terms of the said Act. Incident/accident investigations are conducted promptly in order to determine in respect of which activities work instructions and safe work procedures should be developed and implemented, to prevent the reoccurrence of incidents in the workplace. Furthermore, Health and Safety Committee Meetings are arranged on a monthly basis to address all health and safety issues raised at such meetings.

Table 33: Incidents/accidents recorded and/or investigated during 2023/2024

Directorate	Personal injury	Disease	Death
Technical Services	1	0	0
Chief Financial Officer	0	0	0
Corporate Services	0	0	0
Municipal Manager's Office	0	0	0
Total 2021/22	**0**	**0**	**0**
Total 2022/23	**0**	**0**	**0**
Total 2023/24	**1**	**0**	**0**

Employment Equity

The municipality's Employment Equity Policy is designed to:

- Promote equal opportunities and fair treatment to all in the workplace by eliminating unfair discrimination; and
- Implement affirmative action measures to redress the disadvantages in employment experienced by members from designated groups in the past.

The Employment Equity Plan lapsed September 2021, and the Employment Equity Report submitted December 2022

Table 31: Total Employment Equity Statistics per Directorate

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	3	0	0	0	0	0	0	0	0	0	3
Senior management	8	0	0	0	1	0	0	0	0	0	9

Professionally qualified and experienced specialists and mid-management	0	0	0	0	1	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	12	0	0	0	12	0	0	0	0	0	24
Semi-skilled and discretionary decision making	53	0	0	0	21	0	0	0	0	0	74
Unskilled and defined decision making	114	0	0	0	34	0	0	1	0	0	149
TOTAL PERMANENT	190	0	0	1	69	0	0	1	0	0	260
Temporary employees	10	0	0	0	6	0	0	0	0	0	16
GRAND TOTAL	100	0	0	0	75	0	0	1	0	0	276

Human Resources Policies

The following Human Resources policies have been implemented by the Phumelela Municipality

POLICIES

POLICY	COUNCIL RESOLUTION
• Phumelela Municipality Fraud Prevention Police	08/11/2022
• Phumelela Municipality Risk Management Policy	08/11/2022
• Attendance and Punctuality Policy	30/05/2017
• Bursary Scheme for community members policy	30/05/2017
• Communication and strategy policy	30/05/2017
• Incapacity policy	30/05/2017
• Internal Bursary Policy	30/05/2017
• Leave policy	30/05/2017
• Occupational Health and Safety Policy	30/05/2017
• Recruitment and placement policy	30/05/2017
• Training and Development policy	30/05/2017
• Subsistence and travelling policy	30/05/2017
• HR Policy and procedure manual	30/05/2017
	30/05/2017
BY-LAWS ADOPTED	**COUNCIL RESOLUTION**

• Standard Commonage • Standard Delegation of powers • Encroachment policy • Fire and Emergency services • Ward committee • Waste Management • Water Restriction • By-law on Promulgation of Water Services intermediary and provision of water and sanitation services to residents on privately owned land • Street Trading • Impounding of Cattle	28/01/2022 30/0/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 30/05/2017 28/01/2022 28/01/2022

Promotions

The information below in compares the number of employees that have been promoted during the past three financial years:

Employees at the Phumelela Municipality are not promoted automatically. All internal employees must apply for posts as advertised.

Pension Funds

The Phumelela Municipality makes use of the following Pension and/or Retirement Funds:

- SALA Pension Fund
- Free State Pension Fund / Provident Fund
- SAMWU Provident Fund
- Municipal Employees Pension Fund

Medical Aid Schemes

Employees are able to choose from the following Medical Aid Funds:

- BONITAS
- HOSMED
- Key Health
- LA Health
- SAMWUMED

Labour Relations

This department has the function of managing labour relations matters and dealing with occupational health and safety in the municipality.

Table 32: Labour Relations issues recorded/investigated during 2023/2024

Labour Relations issue	Number of Cases: 2021/2022	Number of Cases 2022/2023	Number of Cases 2023/2024
Misconduct	**0**	9	1
Dismissals	**0**	0	0
Suspensions	**0**	6	1

Total Cases	**0**	15	1

Occupational Health and Safety

The department is also responsible to ensure that operations and activities within the municipality comply with the provisions of the Occupational Health and Safety Act, 1993 as well as the different Regulations promulgated in terms of the said Act. Incident/accident investigations are conducted promptly in order to determine in respect of which activities work instructions and safe work procedures should be developed and implemented, to prevent the reoccurrence of incidents in the workplace. Furthermore, Health and Safety Committee Meetings are arranged on a monthly basis to address all health and safety issues raised at such meetings.

Table 33: Incidents/accidents recorded and/or investigated during 2023/2024

Directorate	Personal injury	Disease	Death
Technical Services	1	0	0
Chief Financial Officer	0	0	0
Corporate Services	0	0	0
Municipal Manager's Office	0	0	0
Total 2021/22	**0**	**0**	**0**
Total 2022/23	**2**	**0**	**0**
Total 2023/24	**1**	**0**	**0**

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

Section 57 Performance Evaluation

The performance evaluation for Section 57 managers forms the basis for evaluating performance in relation to set targets as outlined in the signed performance agreements of executive managers Performance evaluation takes place on a quarterly basis and reported to the Mayor.

Improved Performance Management

In 2023/24 the municipality adopted a performance framework within the organisation, to date only officials appointed in terms of section 56 and section 57 are measured for performance against signed performance agreement. Implementation and monitoring thereof will be a targeted and continued focus in 2023/24

COMPONENT C: CAPACITATING THE MUNICIPAL WORKFORCE

Skills Development

Skills Development

As prescribed by legislation, the combined Workplace Skills Plan (WSP) was compiled in April 2023 and approved on 30 May 2024.

For the year under review (2023/24) Phumelela Municipality h a s trainee 2 9 employees.

Table 34: Training per Job Category:

Directorate	Total	Legislators, Senior Officials and Managers	Clerks	Technicians and Associate Professionals	Craft and Related Trade Workers	Elementary Occupations	Professional
Technical Services	3	0	1	2	0	0	0
Finance Services	8	1	7	0	0	0	0
Corporate Services	6	1	5	1	0	0	0
MM Office	2	1	1	0	0	0	0
Office of the Mayor	6	3	3	0	0	0	0
Total: 2023/2024	**25**	**6**	**17**	**3**	**0**	**0**	**0**
Total: 2022/2023	29	4	22	3	0	0	0
Total: 2021/2022	**20**	**0**	**19**	**0**	**0**	**0**	**0**

Skills Development Budget

The information below indicates the quantum of municipal budged allocated to skills development and the percentage spent.

Table 35 Skills Development Budget against Expenditure

Financial Year	Budget	Expenditure	Percentage Expenditure
2021/2022	R250 000	R75 140	30%
2022/2023	R250 000	R488 078	195.20%
2023/2024	R500 000	856	0%

MFMA Competencies

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

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

A total of 28 employees were identified to obtain the abovementioned qualification and prescribed competencies and 3 officials are not yet competent.

Table 36 below provides details of the financial competency development progress as required by the notice:

Financial Competency Development: Progress Report				
Description	**Total number of officials employed i.t.o. Regulation**	**Competency assessments completed i.t.o. Regulation**	**Total number of officials whose performance agreements comply with Regulation 16**	
	14(4)(a) and (c)	**14(4)(b) and (d)**	**Regulation 14(4)(f)**	**Total number of officials that meet prescribed competency levels i.t.o. Regulation 14(4)(e)**
Financial Officials				
Accounting Officer	1	Not yet Competent	1	0
Chief Financial Officer	1	Competent	1	1
Director Corporate Services	1	Competent	1	1
Director Technical Services (Resigned)	1	Competent	1	0
Senior Managers Section 56	1	Competent		0
Any other financial officials	4	Competent In progress		2 2
Supply Chain Management Officials				
Supply Chain Management Senior Managers Demand Officer Acquisition Officer	0 1 1	Not Yet Competent		0 0
TOTAL	**2**			**0**

Induction

SALGA is in a process of developing a uniform Induction framework as such newly appointed employees are only informed on the benefits and given an employment contract that entails working conditions.

Learnership/ Skills program/ WIL Program/ Internship Program

<u>Skills Program:</u>

Plumbing- 25 unemployed

Environmental Practice- 50 unemployed

Chef Assistant- 25 unemployed

TVET STUDENTS -WIL Program:

1. Financial Management – 10 Students
2. HR Management – 3 Students
3. Management Assistant – 4 Students
4. Chemical Engineering – 1 Student
5. Civil Engineering – 3 Students
6. Electrical Engineering – 1 Student

INTERNSHIP PROGRAM

1. Information Technology – 2 Graduates
2. Tourism Management – Graduates
3. Internal Auditing – 1 Graduate
4. Financial Management – 1 Graduate

The municipality granted 18 internal bursaries in the 2023/24 financial year.

Table 37: Bursaries per Directorate

Directorate	Number of Beneficiaries	Number of Beneficiaries	Number of Beneficiaries	Number of Beneficiaries 2023/2024
Chief Financial Officer	3	3	6	6
Corporate Services	5	5	5	5
Municipal Manager's Office	0	0	1	1
Mayoral Office	1	1	5	5
Total	**10**	**10**	**18**	**18**

COMPONENT D: MANAGING THE MUNICIPAL WORKFORCE EXPENDITURE

Personnel Expenditure

Table 38: Trends of Personnel Expenditure compared to Operating Expenditure:

Financial Year	Salaries R'000	Expenditure R'000	Percentage
2023/24	R98 362	R347 429	28.31%
2022/23	R95898	R 278 472	34%
2021/22	R87 822	R264 629	33%

CHAPTER 4

AUDITED ADJUSTEDANNUAL PERFORMANCE

INFORMATION

2023/2024

''Compiled in compliance with the requirements of Section 46(1) of the Municipal Systems Act, Act 32 of 2000 as amended."

2023/2024 ADJUSTED ANNUAL PERFORMANCE REPORT

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASUREMENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICATION	REASON FOR NON ACHIEVEMENT	MEANS TO IMPROVE PERFORMACE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
1	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Sanitation	Memel/Zamani Construction of sewer reticulation and house connection for 118 houses, toilets structure and outfall sewer in Zamani	Zamani Memel	Number	Number of Constructed sewer reticulation and house connection for 118 houses, toilets structure and outfall sewer in Zamani by 30 June 2024	Overlapped Contractor on site	1 Constructed sewer reticulation and house connection for 118 houses, toilets structure and outfall sewer in Zamani by 30 June 2024	1 Constructed sewer reticulation and house connection for 118 houses, toilets structure and outfall sewer in Zamani by 30 June 2024	Practical Completion Certificate	N/A	N/A	**R2 949 059**	**R4 620 233**	**R3 675 482.51**	***TS1***
2	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Roads	Construction of 1.0km Paved Road and Storm Water in Zamani Memel	Zamani Memel	Kilometers	Number of KM roads and storm Water constructed in Memel/Zamani by 30 June 2024.	Overlapped The contractor will be appointed during the 4th Quarter of 2022/2023 FY	1.0km paved road and storm water constructed by 30 June 2024	1.0km paved road and storm water constructed by 30 June 2024	Final Completion Certificate	N/A	N/A	N/A	N/A	N/A	***TS2***
3	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Roads	Construction of 1.0km Paved Road and Storm Water in Vrede/ Thembalihle	Thembalihle / Vrede	Kilometres	Number of KM roads and storm Water constructed in Vrede/ Thembalihle by 30 June 2024.	Overlapped Designs and Advertisement	1.0km of paved road and storm water constructed by 30 June 2024	1,0km Constructed of paved road and storm water constructed by 30 June 2024	Progress Report, Practical Completion Certificate	N/A	N/A	**R1 636 294**	**R2 696 370**	**R2 208 657.73**	***TS3***
4	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Roads	Construction of 1.0km Paved Road and Storm Water in Warden/Ezenzeleni	Warden/ Ezenzeleni	Kilometers	Number of KM roads and storm Water constructed in Warden/Ezenzeleni by 30 June 2024.	Overlapped Designs and Advertisement	1.0km of paved road and storm water constructed by 30 June 2024	1,0km paved road and storm water constructed by 30 June 2024	Practical Completion Certificate	N/A	N/A		**R1 983 885**	**R2 056 193.38**	***TS4***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
5	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Sanitation	Upgrading of outfall sewer line in Ext 4	Thembelihle /Vrede	Number	Number of Outfall Sewer refurbished by 30 June 2024	Overlapped Project has an additional scope supported by council resolutions To complete the additional work by end of Third quarter	1 Outfall Sewer Refurbished in Thembelihle Vrede by 30 June 2024	1 Outfall Sewer Refurbished in Thembelihle Vrede by 30 June 2024	Progress Report, Practical Completio n Certificate	N/A	N/A	N/A	**R3 715 641**	**R2 787 635,60**	***TS5***
6	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Sanitation	Upgrading of Sewer System in Warden	Warden/Eze nzeleni	Percentage	Percentage of Sewer System constructed in Warden 2023/2024.	Overlapped as it is a 3year Contract. (Multi Year)	50% Work In Progress of Sewer System in Warden by 30 June 2023/2024	31 % Work In Progress of Sewer System in Warden by 30 June 2023/2024	(Progress Report)	Delay in the approval of wayleave application. SMME strikes. Community unrest. Hard rock. Inclement weather. Breakage in machinery.	Contractor to increase reasourses (labour force and machinery) on site to expedite progress. Overlaped. Included in the SDBIP for 2024/25 FY since it's a Multi year project.	**R12 120 848**	**R14 971 043**	**R12 746 421,74**	***TS6***
7	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Water	Construction of water Reticulation network for 250 erven Phase2 (Ext1)	Warden/Eze nzeleni	Numbers	Number of water Reticulation network for 250 erven Phase2 (Ext1)	New KPI	1 Water Reticulation network for 250 erven Phase2 (Ext1)) by 30 June 2024	0 Water Reticulation network for 250 erven Phase2 (Ext1)) by 30 June 2024	Appointme nt Letters Consultant s & Contractor Site handover meetings (Contracto r) Progress Report, Project Completio n	Project started late Technical issues such as testing and exposing of the existing services.	Contractor to increase reasourses (labour force and machinery) on site to expedite progress. Overlaped. Included in the SDBIP for 2024/25 FY	**R13 606 450-.06**	**R7 900 785**	**R11 695 243.64**	***TS7***
8	Provide access to quality services in line	Basic Services and Infrastructure Development	Sanitation	Construction of sewer Reticulation network for	Warden/Eze nzeleni	Numbers	Number of sewer Reticulation network for 250	New KPI	1 Sewer Reticulation network for	0 Sewer Reticulation network for 250	Appointme nt Letters Consultant s &	Contractor appointed in May 2024 and started	Contractor to increase reasourses (labour force	**3 843 250**	**7 087 000**	**R12 91 7 200**	***TS8***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
	with council mandate			250 erven Phase2 (Ext1)			erven Phase2 (Ext1)		250 erven Phase2 (Ext1)by 30 June 2024	erven Phase2 (Ext1)by 30 June 2024	Contractor Site handover meetings (Contractor) Progress Report, Project Completion	with construction in June 2024.	and machinery) on site to expedite progress. Overlaped. Included in the SDBIP for 2024/25 FY				
9	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Electricity	Warden 11Kv Bulk line in Warden/Ezenzeleni	Warden/Ezenzeleni	Numbers	Installation of Warden 11Kv Bulk line Warden/Ezenzeleni by June 2024	New KPI	1 11Kv Bulk line installed in Warden/Ezenzeleni by June 2024	0 11Kv Bulk line installed in Warden/Ezenzeleni by June 2024	Appointment Letters Consultants & Contractor Site handover meetings (Contractor) Progress Report, Project Completion	Procurement delays in acquiring the ACTOM SBV4E panel complete with protection relays. The energization and commissioning of the power line are dependent on the components mentioned in point No.2	Council Resolution for the Variation Order. The installation of SBV4E panel by the 15^{th} of September 2024 and declare the project finaly complete	**5 000 000**	**5 000 000**	**R4 465 798.02**	***TS9***
10	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Sanitation	Upgrading of Waste Water Treatment Plant in Warden/Ezenzeleni	Warden/Ezenzeleni	Numbers	Number of outfall sewer line and revamping of pump station #3 and Upgrading of WWTW in Warden/ Ezenzeleni	Overlapped Due to encountered claim extension of time The project was planned for two outer years due to the magnitude of work involved as per specifications and	1 WWTP(Water waste treatment plant) Revamped in Warden/Ezenzeleni by 30 June 2024	0 WWTP(Water waste treatment plant) Revamped in Warden/Ezenzeleni by 30 June 2024	Progress Reports	The contractor is not on site to complete the outstanding work. Contractor was terminated	Transformer installed and pumps were fixed in the screner pump station and we are now pumping to thw WWTW The project overlapped in to the 2024/25 FY and it is included in the SDBIP for 2024/25 FY	**18 656 152**	**3 090 315**	**N/A**	***TS10***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASUREMENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICATION	REASON FOR NON ACHIEVEMENT	MEANS TO IMPROVE PERFORMACE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
								Business Plan									
11	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Sports	Upgrading of sports facility Phase 5 in warden/Ezenzeleni by 30 June 2024	Warden/Ezenzeleni	Number	Number of Warden/Ezenzeleni Upgrading of sports facility Phase 5 by 30 June 2024.	Phase 4 Contractor on site	1 Sports facilities Phase 5 upgraded in Warden/Ezenzeleni by 30 June 2024	1 Sports facilities Phase 5 upgraded in Warden/Ezenzeleni by 30 June 2023 This project was achieved in the 2022-2023 FY, it was not supposed to be part of the 2023-2024 revised SDBIP	Practical Completion Certificate	**N/A**	**N/A**	**1 147 797**	**1 262 578**	**N/A**	***TS11***
12	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Electricity	Electrification of 812 sites in Memel/Zamani	Memel/Zamani (Ward 1)	Number	Number of Electrification of 812 houses in Memel	Overlapped	176 Sites Electrified in Memel/Zamani by 30 June 2024	0 Sites Electrified in Memel/Zamani by 30 June 2024	Progress Reports Close out report - Completion Certificate	The project was delayed due to the unavailability of Voltage Regulator abroad and in South Africa.	Communication to solicit the VR was concluded. Contractor is currently on site to complete the Project The project overlapped in to the 2024-25 FY and it is included in the SDBIP for 2023/24 FY	**N/A**	**N/A**	**N/A**	***TS12***
13	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Water	Number of households with access to potable water in formalised areas (yard metered connection) by June 2024	Phumelela	Number	Number of Household with access to Water by June 2024	New KPI	15 605 Household per month x12 months access to basic water services by June 2024	6 899 per 12 months Households were serviced	Billed Report, Expenditure Reports and Meter Readings Reports	Informal areas were not formalized as anticipated	To fast track, the process of formalising the informal areas.	OPEX	OPEX	OPEX	***TS13***
14	Provide access to quality services in line	Basic Services and Infrastructure Development	Sanitation	Access to basic services – Sanitation	Phumelela	Number	Number of household with access to sanitation by June 2024	New KPI	15 605 Household per month x12 months access to	8 493 per 12 months Households were serviced	Billed Report, Expenditure Reports	Informal areas were not	To fast track, the process of formalising	OPEX	OPEX	OPEX	***TS14***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
	with council mandate								sanitation by June 2024		and Meter Readings Reports	formalized as anticipated	the informal areas.				
15	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Refuse	Access to basic services – refuse removal	Phumelela	Number	Number of household with access to refuse removal by June 2024	New KPI	15 605 Household per month x12 months access to refuse removal by June 2024	9 348 per 12 months Households were serviced	Billed Report, Expenditur e Reports and Meter Readings Reports	Informal areas were not formalized as anticipated	To fast track, the process of formalising the informal areas.	OPEX	OPEX	OPEX	**TS15**
16	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Electricity	Access to basic services – Electricity	Ezenzeleni /Warden	Number	Number of household with access to Electricity by June 2024	New KPI	3 460 Household per month x12 months access to electricity Services by June 2024	2 161 per 12 months Households were serviced	Electricity Billing/Pre paid Report-Eskom	Distribution lossess	Hand-Over the Warden Electricity Service to Eskom	OPEX	OPEX	OPEX	**TS16**
17	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Electricity	Electricity distribution losses	Phumelela	Percentage	Percentage of Elecetricity distribution lossess minimized by June 2024	New KPI	Percentage distribution losses Not more than the expected norm of between 7% and 10%	Not Achieved The municipality recorded the annual average electricity distribution loss of 54%	Elecetricity distribution lossess Reconciliat ion	Losses incurred through theft (illegal connections), non or Inaccurate metering or wastage.	Hand-Over the Warden Electricity Service to Eskom	OPEX	OPEX	OPEX	***TS17***
18	Provide access to quality services in line with council mandate	Basic Services and Infrastructure Development	Water	Water losses	Phumelela	Percentage	Percentage of minimization of water lossess by June 2024	New KPI	Percentage distribution losses more than the expected norm of between 15% and 30%	Not Achieved The municipality recorded the annual average water distribution loss 81%	Water Distributio n lossess Reconciliat ion.	Theft of water (meters) infrastructure and internal household leaks. Lack of plumbing/rep airs material/inve ntory. Lack Maintanace Plan. No water	Install bulk meters at the water plant to measure water which is being dispatched.	OPEX	OPEX	OPEX	***TS18***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
												Balance Report.					
19	To ensure Integrated and sustainable human settlement	Spatial planning development and human settlement	Town Planning	Review and Approve the Spatial Development Framework by 30 June 2024	Institutional	Number	Number of SDF reviewed and approved by Council by 30 June 2024	Draft SDF	1 SDF reviewed and approved by council by 30 June 2024	Achieved 1 SDF reviewed and approved by council by 30 June 2024	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***TS19***
20	To ensure Integrated and sustainable human settlement	Spatial planning development and human settlement	Town Planning	Percentage of Land Development / Use Applications received and addressed.	Institutional	Percentage	Percentage of land use applications received and addressed by 30 June 2024	100%	100% of land use applications received and addressed by 30 June 2024	Achieved 100% of land use applications received and addressed by 30 June 2024	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***TS20***
21	To ensure Integrated and sustainable human settlement	Spatial planning development and human settlement	Town Planning	Percentage of Submitted building plans assessed timeously	Institutional	Percentage	Percentage of building plans applications received and addressed by 30 June 2024	100%	100% of building plans applications received and addressed by 30 June 2024	Achieved 100% of building plans applications received and addressed by 30 June 2024	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***TS21***
CORPORATE SERVICES																	
22	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Human Resource Manageme nt-Strategic Plan	Develop and approved HR Strategic Plan	Institutional	Number	Number of HR strategic Plan developed and approved by council by 30 June 2024	0	1 HR Strategic Plan Developed and Approved by Council by 30 June 2024	Not Achieved	In consultatio n with SALGA for assistance .	Due to internal capacity constraints the Strategy could not be developed	Draft document has been developed. To be developed in 2023/24 financial year with the assistance of SALGA Free State	**OPEX**	**OPEX**	**OPEX**	***COR 1***
23	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Human Resource Policies	Review and approve of HR Policies	Institutional	Number	Number of HR polices Reviewed and Approved by 30 June 2024	12	HR Polices Reviewed and Approved by 30 June 2024	Not achieved	The document to be taken to council for Resolution	Draft policies been developed and to be approved by Council.	Policies are available for consultation with all stakeholders	**OPEX**	**OPEX**	**OPEX**	***COR 2***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
24	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Human Resource Manageme nt-Staff Establishme nt	Review organogram to be in line with the IDP & submit to Council for approval	Institutional	Number	Number organogram reviewed in line with the IDP & submitted to Council for approval by 30 June 2024	Approved Organizatio nal Structure	1 Organogram Reviewed in line with the IDP and approved by council by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***COR 3***
25	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Human Resource Developme nt-Training	Development of (WSP) and Annual Training Report (ATR)	Institutional	Number	Number of Work Skills Plan (WSP) & Annual Training Report (ATR) Developed and submitted to LGSETA by 30 April 2024	1 WSP and ATR Submitted	1 WSP and ATR Developed and submitted the to LGSETA by 31 May 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***COR 4***
26	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Human Resource Job Evaluations	Facilitation and performing Job evaluations for Phumelela Municipality	Institutional	Date	Employees Job Evaluations conducted by 30 June 2024	0	Employees Job Evaluations conducted by 30 June 2024	Not achieved	Employees Job Evaluation s not yet been conducted	The municipality is currently reviewing the Organization al structure	Job evaluation be conducted in 2023/24 financial year in line with new staff regulations	**OPEX**	**OPEX**	**OPEX**	***COR 5***
27	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Human Resource-Job Descriptions	Signing of Job Descriptions by all employees	Institutional	Number	Number of Job Descriptions developed and signed by all employees	50	100% Job Descriptions Updated and Signed by 30 June 2024	Achieved	Job Descriptio ns are updated but yet not signed	Waiting for the revised Staff Establishme nt in line with MSR to be adopted by council	All Job description to be updated and signed by end of 2023/2024 FY. 100% job discriptions signed	**OPEX**	**OPEX**	**OPEX**	***COR 6***
28	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Human Resource Manageme nt - Employmen t Equity	Prepare and submit Employment Equity Report to dept. of labour	Institutional	Number	Number of Employment Equity Report Prepared and submitted to dept. of labour by 30 June 2024	2021/2022 Employmen t Equity Report	1 Employment Equity Report prepared and submitted to dept. of labour by January 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***COR 7***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
29	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Legal Services Litigations	Litigations	Institutional	Percentage	% of litigation cases attended (# of cases attended /# of cases received) by 30 June 2024	2022/2023 Litigation Register	100% of litigation cases attended (# of cases attended /# of cases received) by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***COR 8***
30	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	LLF Meetings	Local Labour Forum Meetings	Institutional	Number	Number of LLF meetings held by 30 June 2024	12 LLF meetings	12 LLF meetings held by 30 June 2024	Achieved	Notices, Agenda's &Minutes.	More than 12 meetings held in 2023/2024	N/A	**OPEX**	**OPEX**	**OPEX**	***COR 9***
31	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Human Resource Manageme nt -OHS	OHS Inspections	Institutional	Number	Number of OHS Inspections conducted by 30 June 2024	0 OHS Inspections	4 OHS Inspections conducted by 30 June 2024	Not Achieved	OHS inspection not been conducted	The municipality does not have an incumbent assigned to conduct the inspection Non-existence of the committee	The council have prioritise an appointment of OHS officer To establish the OHS committee	**OPEX**	**OPEX**	**OPEX**	***COR 10***
32	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Disaster Manageme nt	Review of Disaster Management Plan	Institutional	Number	Number of Disaster Management Plans Developed and submitted to Council an approval by 30 June 2024	0	1 Disaster Managemen t Plan Develop and Approved by 30 June 2024	Not Achieved	N/A	N/A	Draft document available	**OPEX**	**OPEX**	**OPEX**	***COR 11***
33	Improve institutional transformation and resources management	Municipal Transformation and Institutional Development	Information Technology	Development of ICT master Plan	Institutional	Number	Number of Develop the ICT master plan by 30 June 2024	0	1 ICT Master Plan Developed by 30 June 2024	Not achieved	ICT master plan not yet developed by the municipalit y	The Municipality was unable to develop the plan due to financial constrains	The Municipality is in consultation with TMDM to assist in developing the plan	**OPEX**	**OPEX**	**OPEX**	***COR 12***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
MUNICIPAL MANAGER																	
34	Enhance economic development and growth	Local Economic Development	Local Economic Development	Develop, Approve and implementation LED Strategy	Institutional	Number	Number of LED strategy developed approved and implemented by council by 30 June 2024	0	1 LED strategy developed, approved and implemented by 30 June 2024	Not Achieved	LED strategy developed is still in Draft Stage	LED Strategy is on draft stage yet to be finalized and approved by council. Consultations with all affected stakeholders are still outstanding	To ensure that consultations with all affected stakeholders is conducted, after this process the strategy will be awaiting for council approval.	**OPEX**	**OPEX**	**OPEX**	***MM 1***
35	Enhance economic development and growth	Local Economic Development	Local Economic Development	Project support and streamlining of opportunities to SMMEs	All Wards	Number	Number of socio-economic development opportunities identified and facilitated streamlining to SMMEs by 30 June 2024	0	4 socio-economic development opportunities identified and facilitated streamlining to SMMEs by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 2***
36	To promote good governance and public participation	Good Governance & Public Participation	Risk Management	Development and approval of Risk Management Policies and strategy	Institutional	Number	Number of Risk Management policies developed and approved by council by 30 June 2024	1 Risk Management Policy Approved	1 Risk Management policy developed and approved by council by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 3***
37	To promote good governance and public participation	Good Governance & Public Participation	Risk Management	Conduct Risk Assessments	Institutional	Number	Number of Risk Assessments Conducted by 30 June 2024	1 Risk Assessment Conducted	1 Strategic Risk Assessment Conducted by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 4***
38	To promote good governance and public participation	Good Governance & Public Participation	Risk Management	Coordinate Risk Management Committee meetings	Institutional	Number	Number of Risk Management Meetings held by 30 June 2024	4 Meetings Conducted	4 RMC Meetings held by 30 June 2024	Not Achieved	Only 02 Meetings were held in the financial year under review.	Due to non-availability of the Independent RMC Chairperson due to other Commitments.	Appointment of the New RMC Chairperson.	**OPEX**	**OPEX**	**OPEX**	***MM 5***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
39	To promote good governance and public participation	Good Governance & Public Participation	Risk Manageme nt	Compile and submit Risk Management Reports	Institutional	Number	Number of Risk Management Reports issued by 30 June 2024	4 Reports Issued	4 Risk Managemen t Reports issued by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 6***
40	To promote good governance and public participation	Good Governance & Public Participation	Risk Manageme nt	Develop and Approved Fraud prevention policy and Plan	Institutional	Number	Number of Fraud Prevention policy developed and approved by council by 30 June 2024	1 Fraud Prevention Policy Approved	1 Fraud Prevention Policy approved by council by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 7***
41	To promote good governance and public participation	Good Governance & Public Participation	Internal Audit	Develop and approved Three year Rolling Plan and one year programme	Institutional	Number	Number of Internal Audit Plan developed and approved by Audit Committee by 30 June 2024	1 I/A Plan Approved	1 Internal Audit Plan Developed and approved by Audit Committee by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 8***
42	To promote good governance and public participation	Good Governance & Public Participation	Internal Audit	Coordinate Audit Committee meetings	Institutional	Number	Number of Audit Committee meetings held by 30 June 2024	4 Meetings held	4 AC Meetings held by 30 June 2024	Not Achieved	Only 02 Meetings (1 Special and 2 ordinary meetings) were held in the financial year under review.	Due to non-availability of the AC members due to other Commitment s.	Shared service term with the district AC had lapsed. We in the process of appointing an Independent Audit Committee.	**OPEX**	**OPEX**	**OPEX**	***MM 9***
43	To promote good governance and public participation	Good Governance & Public Participation	Internal Audit	Develop and Approved Audit Committee Charter	Institutional	Number	Number of AC Audit Committee Charter developed and approved by 30 June 2024	1 AC Charter Approved	1 AC Charter Developed and approved by Council by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 10***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
44	To promote good governance and public participation	Good Governance & Public Participation	Internal Audit	Compile and submit Internal Audit Reports on implementation of Internal Audit Plan	Institutional	Number	Number of Reports on implementation of IA Plan issued by 30 June 2024	4 Reports Issued	4 Reports on Implementation of IA Plan issued by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 11***
45	To promote good governance and public participation	Public Participation and Good Governance	Internal Audit	Conduct follow up on Internal Audit findings and Issue reports on implementation of the IA Findings by Management	Institutional	Number	Number of Reports issued on implementation of internal Audit findings by management by 30 June 2024	1 Report Issued	1 Follow up report on IA findings implementation by management by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 12***
46	To promote good governance and public participation	Public Participation and Good Governance	External Audit	Conduct follow up on Auditor General findings and Issue reports on implementation of the AG Findings by Management	Institutional	Number	Number of Reports issued on implementation of AG findings by management by 30 June 2024	1 Report Issued	1 follow up report on Implementation of the Auditor General findings action plans by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 13***
47	To promote good governance and public participation	Public Participation and Good Governance	External Audit	Develop Detailed Audit action plan and submit to council for approval	Institutional	Number	Number of Audit action plan developed to address AG Findings and submitted to council for approval on or before 30 Jan 2024	1 AAP	1 Audit action plan developed to address AG Findings and submitted to council for approval on or before 30 Jan 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 14***
48	To promote good governance and public participation	Public Participation and Good Governance	Planning and Performance Management	Develop, Review and approve the Municipal IDP as per approved process plan	Institutional	Number	Number of IDP reviewed and approved by council by 30 June 2024	1 IDP Reviewed and approved	Reviewed and Approved the IDP by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 15***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
49	To promote good governance and public participation	Public Participation and Good Governance	Planning and Performance Management	Develop and Approve the SDBIP	Institutional	Number	Number of SDBIP Developed and approved by the Mayor by 30 June 2024	1 SDBIP Approved	1 SDBIP developed and approved by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 16***
50	To promote good governance and public participation	Public Participation and Good Governance	Planning and Performance Management	Develop and sign the Performance agreements for MM Section 56 Managers	Institutional	Number	Number of Performance Agreements developed and signed by 30 June 2024	4 Performance agreements developed and signed	4 Performance Agreements developed and signed by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 17***
51	To promote good governance and public participation	Public Participation and Good Governance	Planning and Performance Management	Organizational Performance Reports	Institutional	Number	Number of organizational performance reports developed and submitted to Council by 30 June 2024	4 organizational performance reports	4 organizational performance reports developed and submitted to Council by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 18***
52	To promote good governance and public participation	Public Participation and Good Governance	Planning and Performance Management	Develop and submit Annual Performance Report	Institutional	Number	Number of Annual Performance reports developed and submitted to the AG by 31 August 2023	1 APR report Submitted	1 APR Report Developed and Submitted to AG by 31 August 2023	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 19***
53	To promote good governance and public participation	Public Participation and Good Governance	Planning and Performance Management	Conduct Performance appraisals for MM and Section 56 Managers	Institutional	Number	Number of Formal Performance Appraisals for MM and Section 56 Managers Conducted by 30 June 2024	0 Performance appraisals conducted	1 Formal Performance Appraisals for MM and Section 56 Managers Conducted by 30 June 2024	Not Achieved	Only one informal assessment conducted	Annual formal performance appraisals for MM and Section 56 Managers to be conducted before end of August 2023	To ensure that formal Performance Appraisals for MM and Section 56 Managers Conducted as per the legislation.	**OPEX**	**OPEX**	**OPEX**	***MM 20***
54	To promote good governance and public participation	Public Participation and Good Governance	Planning and Performance	Develop and submit Midyear performance	Institutional	Number	Number of Mid-Year performance Assessment report developed	1 Midyear assessment report submitted	1 Mid-Year performance Assessment report developed	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 21***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
			Manageme nt	assessment Report			and submitted to council by 30 June 2024		and submitted to council by 30 June 2024								
55	To promote good governance and public participation	Public Participation and Good Governance	Planning and Performanc e Manageme nt	Develop and Submit Oversight Report to Council	Institutional	Number	Number Oversight Report prepared and submitted to Council by 31 March 2024	01 Oversight Report	Oversight Report tabled to Council by 31 March 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 22***
56	To promote good governance and public participation	Public Participation and Good Governance	Council Support	Implementatio n of Council Resolutions	Institutional	Percentage	% of Council Resolutions implemented within prescribed timeframe stipulated on resolution register by end of June 2024	100% Council Resolutions Implemente d	50% of Council Resolutions implemente d by 30 June2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***MM 23***
FINANCIAL SERVICES																	
57	To ensure compliance with legislation in terms of reporting requirements	Financial Viability & Management	Budget and Reporting	Prepare and submit monthly Sec 11,52d and 66 reports council quarterly	Institutional	Number	Number of Budget Implementation Reports submitted to Council by 30 June 2024	12 Budget Implementa tion Reports	12 Budget Implementat ion Reports submitted to Council by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 1***
58	To ensure compliance with legislation in terms of reporting requirements	Financial Viability & Management	Budget and Reporting	Prepare and submit monthly Sec 71 reports to the mayor and Provincial treasury within 10 working days	Institutional	Number	Number of Section 71 Reports prepared and submitted to the mayor and provincial treasury by 30 June 2024	12	12 Section 71 Reports prepared and submitted to the mayor and provincial treasury by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 2***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
59	To ensure compliance with legislation in terms of reporting requirements	Financial Viability and Management	Budget & Reporting	Prepare and timeously submission of the AFS to AGSA by the set statutory period by 31 August 2023	Institutional	Date	Number AFS prepared and timeously submitted to AGSA by 31 August 2023	2022/23 AFS	1 AFS prepared and timeously submitted to AGSA by 31 August 2023	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 3***
60	To ensure compliance with legislation in terms of reporting requirements	Financial Viability and Management	Revenue Manageme nt	Implementatio n of Credit and Debt Collection Policy	Institutional	Number	Number of status reports on the implementation of the Credit & Debit Collection Policy by 30 June 2024	4 Status reports compiled in 2022/2023 FY	4 Status report on the implementati on of the Credit & Debit Collection Policy by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 4***
61	To ensure compliance with legislation in terms of reporting requirements	Financial Viability and Management	Revenue Manageme nt	Implementatio n of Indigent Policy	Institutional	Number	Number of status reports on the implementation of Indigent Policy by 30 June2024	4 Status reports compiled in 2022/2023 FY	4 Status reports on the implementati on of Indigent Policy by 30 June 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 5***
62	To Increase Revenue Base and Financial Viability	Financial Viability and Management	Revenue Manageme nt	Billing Reports for Water, Refuse, Rates and sanitation	Institutional	Number	Number of Monthly billing reports compiled on Water provision ,Sanitation Provision ,and Refuse by 30 June 2024	12 Monthly billing reports	12 Monthly billing reports compiled by 30 June2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 6***
63	To Increase Revenue Base and Financial Viability	Financial Viability and Management	Revenue Manageme nt	Collection Rate	Institutional	Percentage	% of Monthly Collection Rate achieved by 30 June 2024	62% Collection Rate	62% of Monthly Collection Rate achieved by 30 June 2024	Not Achieved 34% collection rate was achieved	62% of Monthly Collection Rate was not achieved by 30 June 2024	Inaccurate billing Incorrect billing information Statements not sent out timeously to Consumers Culture of non-payments amongst consumers	Conduct a Data Cleansing for accurate billing Consumer Education through ward committees and councilors	**OPEX**	**OPEX**	**OPEX**	***FIN 7***

No	STRATEGIC OBJECTIVE	KEY PERFOR-MANCE AREA	FOCUS AREA	PROJECT NAME	LOCATION	UNIT OF MEASURE MENT	PERFORMANCE INDICATOR(S)	BASELINE	PLANNED ANNUAL TARGET 2023/24 FY	ACTUAL REPORTED ACHIEVEMENT 2023/24FY	MEANS OF VERIFICA TION	REASON FOR NON ACHIEVEME NT	MEANS TO IMPROVE PERFORMA CE	ORIGINAL BUDGET SOURCE	ADJUSTED BUDGET	ACTUAL EXPENDITURE AS AT 30 JUNE 2024	INDICATOR MATRIX REFERENCE
64	To ensure implementation of SCM policy and regulations	Financial Viability and Management	Supply Chain Management	Supply Chain Implementation Reports	Institutional	Number	Number of Supply Chain Implementation Reports submitted to Council by 30 June2024	4 SCM Reports	4 Supply Chain Implementation Reports submitted to Council by 30 June2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 8***
65	To ensure compliance with legislation in terms of reporting requirements	Financial Viability and Management	Supply Chain Management and Reporting	Develop and update UIFW Register	Institutional	Number	Number of UIFW Register developed and updated by 30 June 2024	1 up to date UIFW Register	1 UIFW Register updated by 30 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 9***
66	To ensure compliance with legislation in terms of reporting requirements	Financial Viability and Management	Budget & Reporting	Prepare and submit Adjustment budget for approval by council by 28 February each year	Institutional	Date	Number of Adjustment Budget prepared and approved by Council by 28 February 2024	1 2023/2024 Adjustment Budget	1 Adjustment Budget prepared and submitted to council by 28 February 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 10***
67	To ensure compliance with legislation in terms of reporting requirements	Financial Viability and Management	Budget & Reporting	Prepare and submit midyear performance assessment report on implementation of the budget by 25 January of each year to Council and Provincial and National Treasury	Institutional	Date	Number of mid-Year performance Assessment report prepared and submitted to council and relevant treasury by 25 January 2024	2023/2024 Midyear financial performance assessment report prepared and submitted by 25 January 2024	1 Mid-year financial performance Assessment report prepared and submitted to council by 25 January 2024	Achieved	N/A	N/A	N/A	**OPEX**	**OPEX**	**OPEX**	***FIN 11***

Accounting Officer

Mrs. GPN Mhlongo Ntshangase

CHAPTER 5

Audited Annual Financial Statements (2023/2024)

See ANNEXURE: A

CHAPTER 6

Auditor General's Report (2023/2024)

Annual Audit Committee Report (2023/2024)

Risk Management Committee Report (2023/2024)

Audit Report Action Plan (2023/2024) See Annexure B

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Phumelela Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Phumelela Local Municipality as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2023 (Dora).

Basis for opinion

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

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

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

Emphasis of matters

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

Close call relating to going concern

7. Note 42 in the financial statements, which deals with the possible effects of the future implications of continuing deterioration in operational results on the municipality's prospects, performance, and cash flows.

Underspending of conditional grants

8. As disclosed in note 18 to the financial statements, the municipality materially underspent the conditional grants by R7 000 876 (2023: R13 144 330).

Material impairments

9. As disclosed in note 7 and 8 to the financial statements, receivables from exchange transactions and receivables from non-exchange transactions were impaired by R567 870 542 (2023: R470 086 465).

Restatement of corresponding figures

10. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2023 was restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2024.

Material losses

11. As disclosed in note 48 to the financial statements, material electricity losses of R10 308 626 (2023: R5 869 563) were incurred, due to technical losses on the distribution system, (transformers, cables, overhead lines), faulty meters, theft and vandalism.

12. As disclosed in note 48 to the financial statements, material water losses of R10 592 165 (2023: R6 670 895) were incurred due to detective meters, losses on the water network (breakage in pipelines and pumps, leaking valves), evaporation, theft, vandalism and damages due to blind excavations.

Unauthorised expenditure

13. As disclosed in note 44 to the financial statements, unauthorised expenditure of R122 639 216 (2023: R72 133 854) was incurred, due to overspending of the budget.

Fruitless and wasteful expenditure

14. As disclosed in note 46 to the financial statements, fruitless and wasteful expenditure of R21 556 473 (2023: R15 582 902) was incurred, due to interest charged on late payments to suppliers.

Irregular expenditure

15. As disclosed in note 47 to the financial statements, irregular expenditure of R2 635 054 (2023: R10 646 508) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Other matters

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

Unaudited disclosure notes

17. 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. The disclosure requirements 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

18. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and 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.

19. 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

20. 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.

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

Report on the annual performance report

22. 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.

22. I selected the following material performance indicators related to basic services and infrastructure development presented in the annual performance report for the year ended 30 June 2024. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

- Number of constructed sewer reticulation and house connections for 118 houses, toilet structures and outfall sewers in Zamani by 30 June 2024.

- Number of kilometres of roads and stormwater constructed in Memel/Zamani by 30 June 2024

- Number of kilometres of roads and stormwater constructed in Vrede/ Thembalihle by 30 June 2024

- Number of kilometres of roads and stormwater constructed in Warden/Ezenzeleni by 30 June 2024.

- Number of outfall sewers refurbished by 30 June 2024

- Percentage of sewer systems in Warden

- Number of water reticulation network for 250 erven Phase2 (Ext1)

- Number of sewer reticulation network for 250 erven Phase2 (Ext1)

- Installation of warden 11Kv bulk lines in Warden/Ezenzeleni by June 2024

- Number of outfall sewer line and revamping of pump station 3 and upgrading of the wastewater treatment works (WWTW) in Warden/Ezenzeleni

- Number of upgraded of sports facilities Warden/Ezenzeleni (Phase 5) by 30 June 2024.

- Number of electrification of 812 houses in Memel

- Number of households with access to water by June 2024

- Number of households with access to sanitation by June 2024

- Number of households with access to refuse removal by June 2024

- Number of households with access to electricity by June 2024

- Percentage of electricity distribution losses minimized by June 2024

- Percentage of minimisation of water losses by June 2024

23. 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.

24. 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 for the measures taken to improve performance.

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

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

Other matters

27. I draw attention to the matters below.

Achievement of planned targets

28. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

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

Basic services and infrastructure development

Targets achieved: 33% *Budget spent 90%*		
Key service delivery indicators not achieved	**Planned target**	**Reported achievement**
Percentage of sewer systems constructed in Warden 2023-2024	50%	31%
Number of water reticulation networks for 250 erven Phase2 (Ext1)	1	0

Number of sewer reticulation networks for 250 erven Phase2 (Ext1)	1	0
Installation of Warden 11Kv bulk line Warden/Ezenzeleni by June 2024	1	0
Number of outfall sewer line and revamping of pump station #3 and upgrading of WWTW in Warden/ Ezenzeleni	1	0
Number of electrification of 812 houses in Memel	176	0
Number of households with access to water by June 2024	15 605 household per month x 12 months	6 899 per 12 months
Number of households with access to sanitation by June 2024	15 605 household per month x 12 months	8 493 per 12 months
Number of households with access to refuse removal by June 2024	15 605 household per month x 12 months	9 348 per 12 months
Number of households with access to Electricity by June 2024	3460 per month x 12 months	2161 per 12 months
Percentage of electricity distribution losses minimized by June 2024	Percentage distribution losses Not more than the expected norm of between 7% and 10%	The municipality recorded the annual average electricity distribution loss of 54%
Percentage of minimisation of water losses by June 2024	Percentage distribution losses more than the expected norm of between 15% and 30%	The municipality recorded the annual average water distribution loss 81%

Material misstatements

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

Report on compliance with legislation

31. 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.

32. 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.

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

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

Annual financial statements

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

36. The 2022/23 annual report was not made public after being tabled in the council, as required by section 127(5)(a)(i) of the MFMA.

Procurement and contract management

37. 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.

38. Sufficient appropriate audit evidence could not be obtained that the preference point system was applied in all procurement of goods and services as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act.

Consequence management

39. 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.

40. 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.

41. 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.

Expenditure management

42. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

43. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R122 639 216 as disclosed in note 46 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by overspending of the budget.

44. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R21 556 473, as disclosed in note 47 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The fruitless and wasteful expenditure was caused by interest and penalties charged due to late payments to the suppliers.

45. Reasonable steps were not taken to prevent irregular expenditure amounting to R2 635 054, as disclosed in note 48 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by non-compliance with supply chain management (SCM) legislation.

Conditional grants

46. Performance in respect of programmes funded by the municipal infrastructure grant and 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 Dora.

Strategic planning and performance

47. The performance management system and related controls were inadequate as it did not describe how the performance monitoring, review and improvement processes should be conducted and managed, as required by municipal planning and performance management regulation 7(1).

Human resource management

48. I was unable to obtain sufficient appropriate audit evidence that appropriate systems and procedures to monitor, measure and evaluate performance of staff were developed and adopted, as required by section 67(1)(d) of the Municipal System Act (MSA) 32 of 2000 and municipal staff regulation 31.

Other information in the annual report

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

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

51. 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.

52. 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

53. 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.

54. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, and the material findings on compliance with legislation included in this report.

55. The accounting officer and municipal council did not effectively oversee financial and performance reporting and compliance as well as related internal controls which resulted in the numerous misstatements.

56. The accounting officer and municipal council did not adequately monitor the action plan to address prior year findings resulting in recurring material misstatements and material non-compliance.

57. Management and the accounting officer did not adequately review and monitor compliance with applicable legislations which resulted in material non-compliance findings.

58. Management did not implement adequate controls over the daily and monthly processing and reconciling of transactions and as a result there were material misstatements in the annual financial statements and annual performance report.

59. Leadership did not implement effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored, as a result repetitive material findings were identified without sufficient consequences.

Auditor-General

Bloemfontein

30 November 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor’s report

1. The annexure includes the following:
   - The auditor-general’s responsibility for the audit
   - The selected legislative requirements for compliance testing

Auditor-general’s responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 28(1), Sections: 29(1), 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), Sections: 63(2)(a), 63(2)(c), 64(2)(b), 64(2)(c), 64(2)(e), 64(2)(f), Sections: 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), 112(1)(j), Sections: 116(2)(b), 116(2)(c)(ii), 117, 122(1), 122(2), 126(1)(a), Sections: 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), 129(3), Sections: 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, 171(4)(a), 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), 71(2)(d), 72(a), Regulations: 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), 17(1)(a), 17(1)(b), Regulations: 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), 29(5)(a)(ii), 29(5)(b)(ii), 32, Regulations: 36(1), 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), Regulations: 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act 5 of 2023	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 34(a), 34(b), Sections: 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 54A(1)(a), Sections: 56(1)(a), 57(2)(a), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), Sections: 74(1),96(b) Sections: 93B(a), 93B(b) Section: 93C(a)(iv), 93C(a)(v)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)

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: Municipal Staff Regulations	Regulations: 7(1),31
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations: 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), 10(2), Regulations: 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)

AUDIT AND PERFORMANCE COMMITTEE REPORT

1. PURPOSE

The primary purpose of the report is to submit to Council, through the office of the Municipal Manager a high-level account of the Audit and Performance Committee's oversight role during this 2023/2024 reporting cycle. In terms of the Audit and Performance Committee Charter, it is required that the Audit and Performance Committee make recommendations to management and Council through the Municipal Manager, resulting from the activities carried out within the financial year.

2. BACKGROUND AND INTRODUCTION

The Audit and Performance Committee is constituted as a statutory committee of the Municipality in terms of section 166 of the Municipal Finance Management Act (No 56 of 2003), and a Committee of the Council in respect of all other duties assigned to it by the Council. To fulfil its legal mandate, the Audit and Performance Committee operates in terms of an Audit and Performance Committee Charter which derives its role from section 166(1) of the MFMA, entrusting the Committee with the responsibility to advise and provide assurance and consulting services to Council, the Executive Mayor, political-office bearers and the Municipal Manager, on matters relating to:

1. Functions of the Internal Audit Unit
2. Internal Control Environment
3. Internal financial control and internal audits
4. Risk management
5. Accounting policies
6. The adequacy, reliability and accuracy of financial reporting and information
7. Performance management
8. Effective governance
9. Compliance with the Municipal Finance Management act as well as the annual Division of Revenue Act and applicable National Treasury Circulars
10. Applicable legislation and Regulations
11. Performance evaluation
12. Any other issues referred to it by Council and the Municipal Manager
13. Respond to Council on any issues raised by the Auditor-General in the audit report
14. Carry out any investigation into the financial affairs of the municipality on request of Council, the Municipal Public Accounts Committee and the Municipal Manager
15. Auditing of performance management as per Council resolution A(14) dated 25 November 2002 in terms of section 166(1) (5) of the MFMA and the Municipal Planning and Performance Management Regulations, which states:

    Section 14 (1) (b) and (4) of the Local Government: Municipal Planning and Performance Management Regulations (R 796; dated 24 August 2001) which is:

    a) To advise Council on the functionality of the performance management system and
    b) To advise Council whether the performance system complies with the Act.
    c) To advise Council on the extent to which the municipality's performance measures are reliable in measuring performance.
16. In terms of the auditing of systems, the Committee will advise Council on the standard of the financial, procurement and administrative systems in Council as well as making recommendations with regards to perceived shortcomings.

17. The Office of the Auditor-General requires the Committee to ensure that the Internal Audit Unit performs its duties effectively and efficiently. 18. The Committee will therefore advise Council on the standard of service pertaining to the Internal Audit Unit

Audit and Performance Committee Composition and meetings attendance

Section 166(4) (a) of the MFMA provides that "an Audit and Performance Committee must consist of at least three persons with appropriate experience, of whom the majority may not be in the employ of the municipality". Members of the Audit and Performance Committee are all independent and have the required qualifications, skills and knowledge, which includes auditing, business management, risk management, accounting and financial management as indicated below:

3. AUDIT AND PERFORMANCE COMMITTEE MEETING SCHEDULE AND ATTENDANCE

NAME	PROFESSIONAL QUALIFICATION	NUMBER OF MEETINGS
Mr. S.A Dube	Chartered Accountant - South Africa	4 meetings attended
Mrs. S. Makhathini	Chartered Accountant - South Africa	4 meetings attended
Mr. P.T Tshitannye	Internal Audit technician, Professional internal auditor	3 meetings attended
Ms. G.M Mogodi	Professional Engineering technologist	3 meetings attended
Mr. H. Maritz	Professional internal auditor, Certified Risk Management	4 meetings attended

The Audit and Performance Committee was appointed with effect from the 1st of March 2024 in accordance with section 166 of the MFMA. Effectively, the Audit and Performance Committee reviewed the final two quarters of the financial year; this appointment took place in the penultimate month of the third quarter of the financial year under review.

4. REPORTS

4.1. Review of Annual Financial Statements

The Audit and Performance Committee has:

a) Reviewed and discussed the draft 2023/24 Annual Financial Statements.
b) The draft Annual Performance report with Management before submission to AGSA for auditing;
c) Reviewed changes in accounting policies and practices where applicable.
d) Reviewed the municipality's compliance with legal and regulatory provisions

During the review of the Annual Financial Statements of the municipality, the committee noted the following:

a) The disclosure of the accounting officer's responsibility and approval was too generic and was written from a third person perspective, showing no sense of ownership
b) The following items had prior year figures that were not corresponding with the figures in the prior year audited financial statements without a correction of prior year accounting error note explaining the adjustments.

LINE ITEM	PRIOR YEAR (AUDITED)	RESTATED BALANCE	DIFFERENCE
VAT receivables	46,854,505.00	46,164,162.00	(690,343.00)
Property, plant and equipment	777,759,188.00	748,925,327.00	(28,833,861.00)
Payables from exchange transactions	417,351,800.00	421,489,406.00	4,137,606.00
Consumer deposits	249,437.00	237,106.00	(12,331.00)
Unspent conditional grants	13,144,330.00	8,277,330.00	(4,867,000.00)
Net Assets	350,393,119.00	293,639,632.00	(56,753,487.00)
Accumulated surplus	350,393,119.00	293,639,632.00	(56,753,487.00)
Rental of facilities and equipment	715,502.00	692,142.00	(23,360.00)
Other operating income	1,581,310.00	1,604,670.00	23,360.00
Depreciation and amortization	34,898,108.00	33,105,045.00	(1,793,063.00)
Finance costs	21,051,416.00	20,988,786.00	(62,630.00)
Bulk purchases	36,972,821.00	36,967,483.00	(5,338.00)
General expenses	42,474,428.00	42,426,683.00	(47,745.00)
Operating surplus (Deficit)	(20,549,063.00)	(18,640,287.00)	1,908,776.00
Reversal of impairment	(9,748,699.00)	(13,248,987.00)	(3,500,288.00)
Surplus (Deficit) for the year	(29,648,855.00)	(31,240,367.00)	(1,591,512.00)

c) Segment reporting:
   i. Other functions were designated as segments without meeting the definition of segment as defined by GRAP 18.
   ii. Misclassification of revenue from licenses and agency fees as revenue from finance department

d) Incomplete disclosure of commitments

4.2. Internal audit effectiveness

The internal audit function is conducted by an internal department governed by an internal audit charter and an annually approved audit plan. The independence and objectivity of the unit have remained uncompromised during the year under review. The Chief Audit Executive (CAE) reports functionally to the committee and administratively to the municipal Manager. The internal audit function must be structurally and technically empowered to ensure the effective execution of the internal audit plan. The committee monitors the implementation of the internal audit plan on a quarterly basis.

4.3. Evaluation of Financial Performance and Position of Council

The committee reviewed the 2023/2024 financial year budget performance report and the following were noted and brought to the attention of council:

a) The council is heavily grant dependent and need to explore different sources of revenue to enhance its revenue considerable its environment
b) The municipality is failing to collect monies owed to it by the customers with a collection rate of 30.24% for the fourth quarter of 2023/2024 financial year. Total amount owed to the municipality amounted to R 574 853 000.
c) The Municipality is unable to pay its creditors within 30 days as stipulated by the Municipal Finance Management Act section 65(2)(e). Failure to pay creditors on time is non-compliance with legislation and it does not indicate good financial governance of the municipality.
d) This non-compliance to the legislation does not only affect the governance of the municipality but it also exposes the municipality to huge financial loss by incurring fruitless and wasteful expenditure.
e) Council is encouraged to develop a creditor’s reduction plan which its implementation should be monitored closely together with the budget funding plan.
f) The 2024/2025 municipal budget was reviewed by the Audit and Performance Committee and was found to be unfunded budget, which prompted the development of the funding plan which was also rejected by Provincial Treasury. There is a need to review the current funding plan and quantify its specific financial impact to show how the determinable income from its implementation can sustainably fund the budget. This process should continue until a fully funded budget is competently prepared, eliminating the need for such plans.
g) The council should develop, implement, and monitor cost containment strategies and revenue enhancement strategies that will improve the financial status of the municipality.
h) The municipality has recently incurred fruitless and wasteful expenditure which has accumulated over years, the investigation of this type of expenditure must be expedited by the MPAC for the council to conclude on this matter.

4.4. Evaluation of the Organizational Performance

The committee reviewed the performance report of the municipality. The objective of the review included the assessment of the adequacy and effectiveness of internal controls over performance management, performance reporting, and to determine adherence to policies and procedures in place, including compliance to any laws and regulations. It was also the objective of this review to assess conformance with best practices. The review focused on reliability and usefulness of the information reported.

The APR’s main focus was at the Service delivery and Infrastructure development KPI.

a) Management should ensure that quarterly performance reports are prepared on time to allow adequate review process by management, internal audit and Audit and Performance Committee prior to reporting to external auditors and other stakeholders.
b) Management should improve on the review of performance report and ensure that portfolio of evidence to ensure that the reported achievement is adequately supported by evidence.

4.5. Evaluations of the Service Delivery Budget Implementation

The committee reviewed the following report in relation to the projects directly linked to service delivery. The committee took note of the challenges that directly impact service delivery, as summarized below:

a) Non-compliance on expenditure due to the slow spending.
b) Internal delays on procurement.
c) Theft and vandalism before practical completion of a project.
d) Slow or no movement in the replacement of asbestos pipes as a result of leakages.

It is then recommended by the committee that Council should: -

a) Implementation of infrastructure projects should be prioritized, especially those that are linked to revenue generation.
b) For the next three (3) financial years, the Council should halt any internally funded projects that have little effect on service delivery outcomes and use this budget to lower its liabilities.

4.6. Efficiency and effectiveness of internal control

a) The Audit and Performance Committee is required by the Municipal Finance Management Act no.56 of 2003 section 166(and the King IV report to provide an oversight on the adequacy, efficiency and effectiveness of the organization's internal controls.
b) Based on the review of the internal control controls within the areas audited by Internal Audit, the Audit and Performance Committee noted instances of internal control deficiencies and ineffectiveness as follows:
c) Issues of information presented to Audit and Performance Committee with no supporting POEs was still occurring and this is an indication of internal controls deficiencies which may exist in the verification process.
d) Inaccurate and inconsistent reporting of performance information was an issue noted throughout the four (4) quarters of the financial year under review. This is also an indication of internal control deficiency around the process of reviewing performance information.
e) IT services and function is still at a very infant stage and need sufficient capital investment to ensure safeguarding of municipal information and general work flow on day-to-day basis.
f) In order to guarantee effective operation, proper service delivery, and timely and competent reporting throughout the year, it is imperative to establish a culture of accountability and competence within the municipality.

4.7. Auditor-General of South Africa

The Audit and Performance Committee has:

- Met with the Auditor-General of South Africa to ensure that there were no unresolved issues in relations to the 2023/24 external audit process.
- Discussed the Audit Report of the Auditor-General of South Africa

The Audit and Performance Committee concurs with and accept the Report of Auditor-General of South Africa, the audited annual financial statements and the annual performance report information.
The Audit and Performance Committee is of the opinion that the audited annual financial statements and the report of the Auditor-General of South Africa should be accepted and read together with the Audit Report and Management Report, and that an action plan to address the audit report would be developed thereon.

5. RECOMMENDATIONS

a) The municipality should prepare funded, credible and implementable budget which is based on realistic assumptions
b) The implementation of budget must be monitored robustly to avoid unauthorized expenditure
c) Ensure financial sustainability by monitoring and reducing expenditures and implementing revenue-enhancing strategies.
d) Management should closely monitor Auditor General audit action implementation plans to address the issues raised in 2023/2024 financial year, this must form part of the directors ‘performance agreements.
e) Improve controls for reporting performance information and documenting Portfolio of Evidence (POEs)
f) Non-critical positions not to be prioritized and only critical positions be filled especially those affecting service delivery and compliance.
g) Council to develop a tangible strategy to reduce debt which is unacceptable high including tactical plans for revenue enhancement that will assist in improving and monitoring revenue enhancement strategy. This plan should be cascaded to individual Departments.
h) Council should reduce internally funded projects until such time Council finances have improved.

Mr. S.A Dube CA (SA)
Audit and Performance Committee Chairperson.

RISK MANAGEMENT COMMITTEE REPORT

1. INTRODUCTION

Phumelela Local Municipality recognizes that risk management and internal controls are key elements of good governance to ensure that the financial affairs of the Municipality and the execution of municipal services are done effective, efficient, honest and transparent. Section 62 (c) of the MFMA (Act No. 56 of 2003) requires that the Accounting Officer of a municipality must maintain an effective, efficient and transparent system of financial- and risk management and internal control. This is further supported by the following legislation and regulations, namely, the National Treasury Public Sector Risk Management Framework, Batho Pele Principles, the International Standards for the Professional Practice of Internal Auditing, the Committee of Sponsoring Organisations of the Treadway Commission (COSO Framework) and King IV Report on good Corporate Governance.

It is therefore imperative that the Municipality ensures that it is a “risk aware entity” by ensuring that both significant risks and opportunities are identified and responded to in a manner that takes the Municipality forward.

The Risk Management Function has a vital task to ensure that the risk management processes are robust and up to date and that both the Municipal Manager and Council are provided with the risk information they need to oversee and steer the Municipality forward in these challenging and testing times.

The Municipality has made considerable improvements in the risk management processes over the past financial year.

2. RISK MANAGEMENT GOVERNANCE

Council appointed an independent Chairperson to the Municipality’s Risk Management Committee. The Committee has a Charter, which is approved by Council. The primary objective of this Charter is to set out the nature, roles, responsibilities, status and authority of the Risk Management Committee. The Charter complies with the prescripts applicable to the Public Sector Risk Management Framework.

Membership of the Risk Management Committee comprise of the:

- Chairperson (external person and member of the Audit Committee);
- Director: Financial Services (CFO);
- Director: Corporate Services;

- Director: Technical Services;
- Manager: Internal Audit; and
- Risk Officer (Secretariat).

SALGA, COGTA, and the Free State Provincial Treasury all have a standing invitation to attend the Risk Committee Meetings.

The Risk Committee advises management of areas where risks are not appropriately mitigated at an inherent and at a residual level. The Committee provides oversight over the functioning of risk management within the Municipality, ensures management accountability and effective risk management implementation with the objective of enhancing the Municipality's potential for achieving organisational objectives of service delivery.

The Risk Committee assists the Municipal Manager in discharging her accountability for risk management by reviewing the effectiveness of the Municipality's risk management systems, practices and procedures, and providing recommendations for improvement.

The risk management activities are performed by the Internal Audit Department and thus a shared responsibility. Although this situation is not ideal, the activities of the Internal Audit Function and the Risk Management Function are segregated by having separate meetings for each activity.

The Risk Committee Chairperson is independent from the Municipality and the Risk Chairperson has a reporting responsibility to the Audit Committee on a quarterly basis. The Chairperson of the Risk Committee and Chairperson of the Audit Committee also reports independently from each other to Council on a quarterly basis.

The staff establishment for the risk department is work-in-progress, but hampered by budget constraints and an unfunded organogram.

Led by the Manager Internal Audit, the Risk Management Activities are progressing well.

With strong leadership from the Accounting Officer, Risk Management has become a standard agenda item on all EXCO and Council Meetings. Risk Management has the authority, purpose and responsibility it deserves within the Municipality, although the maturity of the Risk Management Function is still fairly low.

3. RELATIONSHIP WITH OTHER GOVERNMENT ENTITIES

Phumelela Municipality has strong relationships with COGTA, SALGA and the Freestate Provincial Treasury (FPT). The Risk Management Activity will seek the support from these entities in the new financial year to assist the Municipality with resources in executing the Risk Implementation Plan.

4. DEPENDENCIES REQUIRED IN INSTILLING A CULTURE OF RISK MANAGEMENT WITHIN THE MUNICIPALITY

Good governance is a fundamental part of effective risk management. It begins with the ”tone at the top”, which determines and models overall behaviours, establishes and monitors the strategic direction and objectives of the Municipality, and sets appropriate guidance for consistent action through policies, procedures, frameworks and implementation plans.

The Risk Management Policy, Risk Management Framework and Risk Management Strategy guide the implementation of Risk Management within the Municipality. The Risk Management Policy serves as a commitment by the Municipal Council and its Management for the institutionalisation of Enterprise Wide Risk Management and gives effect to the implementation of the Enterprise Risk Management Framework which provides for the systems, processes, tools and techniques that are used throughout the Municipality in the identification and management of organisational risks. The Risk Management Policy, Framework and Strategy were reviewed during the 2023/2024 financial year to ensure that they remain current and relevant.

The Risk Management Committee Charter is a governance framework for the Committee which plays an oversight role over the risk management function on behalf of Council. The Charter outlines the Committee’s mandate and authority and holds the Committee accountable to the Municipal Council. The Risk Committee Charter also went through its annual review process and was approved by Council. The Risk Committee Charter requires the Committee to oversee matters of risk management, fraud and corruption.

5. RISK ASSESSMENTS

The Municipality apply a formal approach in identifying and managing risks, guided by a Risk Management Methodology contained in the Risk Management Framework. The Municipality has identified Strategic Risks, Operational Risks and Fraud risks. The Strategic Risks are linked to the Strategic Outcomes of the Municipality, i.e. the IDP and SDBIP, while Operational Risks are linked to the operational outcomes of each business unit.

The results of risk assessments are formally documented in the risk registers and systems and controls to manage and mitigate these risks are monitored quarterly. The Internal Audit Activity also plays an important role in testing Management's implemented controls to ensure they are adequate and effectively managed. Where controls are found to be inadequate or ineffective, the Internal Audit Activity makes recommendations to Management on how to implement proper controls and how to manage them.

For the financial year under review, the strategic risk profile of the Municipality underwent an annual review to ensure that the strategic risks remain relevant and are aligned to the strategic priorities of the Municipality.

The management of risks within the municipality remains a big challenge, attributable to the shortage of staff (high vacancy rates and critical skills gap), inadequate budgets and inadequate and/or un-implemented or poorly implemented controls. This results in Municipal objectives not being achieved or achieved within acceptable risk limits and with minimal losses. The operations of the Municipality are laden with risks which when un-managed result in the losses that the municipality ever so often experiences.

In order to enhance performance on the strategic risk registers, careful consideration needs to be given to the resources; financial, personnel and other key interventions in order to address Critical Risks on a discriminatory basis. This should be supported through the establishment of minimum capacity requirements, financial or personnel, and other criteria to be determined in order to enable effective resource allocation towards key risks. The Municipality's Strategic Risks are depicted below:

No.	Strategic Risk	Residual Risk Rating
1.	Inadequate provision of access to quality services in line with Council mandate	High Risk
2.	Inability to increase revenue base and maintain financial viability	High Risk
3.	Inability to enhance economic growth & development	High Risk
4.	Insufficient promotion of effective Governance and Public participation	High Risk
5.	Inability to improve Institutional Transformation and Resource Management	High Risk

6. RISK MANAGEMENT REPORTING

The Committee through the Chairperson reports to Council on a quarterly basis as per the Charter.

The Committee also reports quarterly to the Audit Committee on progress made by Management on the mitigation of the risks. The Risk Committee further reports on the progress made by the Risk Management Activity in execution of the approved Annual Risk Management Implementation Plan. This enables the Audit Committee to advise the Municipality further, on the adequacy and effectiveness of the systems of governance, risk management and control.

7. FRAUD AND ANTI-CORRUPTION

The Municipality is committed to upholding the Constitution and the Local Government Integrity Framework to ensure ethical leadership and the cultivation of an ethical culture within the Municipality.

The Municipality do have a Fraud and Corruption Prevention Policy. The Policy will be followed by an Implementation Plan in the new financial year that will consist of ethics and anti-fraud campaigns, training and awareness, monitoring and reporting of fraud and corruption.

Implementing Anti-Fraud and Anti-Corruption activities continues to be a priority for the Municipality and the focus has been on capacitating the Risk Management Activity to deal with this responsibility in a more focused and structured way. There have been no incidents of fraud or corruption reported in the past financial year.

8. CONCLUSION

The Municipality is committed to building a strong risk management culture with consistent and visible leadership in order to ensure that there is a clear message about the importance of sound risk management as an enabler for meeting the Municipality's objectives.

The Municipality's risk maturity has improved over the past financial year. This is evident through the proactive approach by Senior Management to consider risks and opportunities before a management decision is taken.

The strength and consistency of risk management compliance across the Municipality is thus achieved through strong engagement and interaction with all stakeholders. It is essential that all stakeholders, especially our employees, buy into the risk management process and actively drive and support the approach that is being implemented.

The Risk Committee will continue to foster and maintain a culture of responsibility and integrity with all Municipal Stakeholders.

Audit Report Action Plan (2023/2024) See Annexure B